Company No. 19300

ECNG Annual Report 2000

A23
COMPANIES HOUSE
AL7CR8QU 0449
17/05/01

Contents

Chairman's statement

Results

I am pleased to announce another excellent set of results for the Group. Operating profits were up 21.5% at £23.7m (1999: £19.5m) on turnover up 12% to £130.6m (1999: £116.2m). Pre-tax profits were £26.2m (1999: £28m). Adjusted earnings per share were up 17% at 111p (1999: 95p). Since 1996 annual compound growth has been 55%. Profit margins on our newspaper publishing interests further improved to 22.4% (1999: 19.0%). The overall result includes £1.4m of special dividends from our 3.5% shareholding in the Press Association.

Cash generation was again strong and enhanced by improvements in working capital control. We ended the year with net funds of £25.9m.

Dividend

The Board is recommending a final dividend of 16p (1999: 14p) per ordinary share. This makes a total for 2000 of 24p (1999: 20p), an increase of 20%. This further substantial increase in dividend maintains our progressive policy – dividends have doubled since 1996.

Highlights

Detailed reports follow from the Chief Executive and the Finance Director. This has been a year of great activity in all parts of the business and particularly in the expansion of our magazine interests, with acquisitions including France Magazine, Pilot and Somerset Magazine, new launches of county magazines in Suffolk and Hertfordshire and the successful development of new customer magazines at Summerhouse. We are developing a significant position in the 'county magazine' market, which has been further advanced by the acquisition in January of this year of five titles in the north-west.

Thorpe Print Centre was awarded the Newspaper Society's prestigious Newspaper Printer of the Year award and won a record amount of contract work. The Group was also judged best small company in the Proshare awards for excellence in employee share schemes.

Staff and Board

The Board acknowledges the tremendous efforts of the staff through the year. Devolution of accountability to local teams continues to bear fruit and has led to many innovations and ideas for improvement. We are proud of the many industry awards received.

We were delighted, too, that Geoffrey Copeman was awarded the CBE in the New Year's Honours for his services to the newspaper industry.

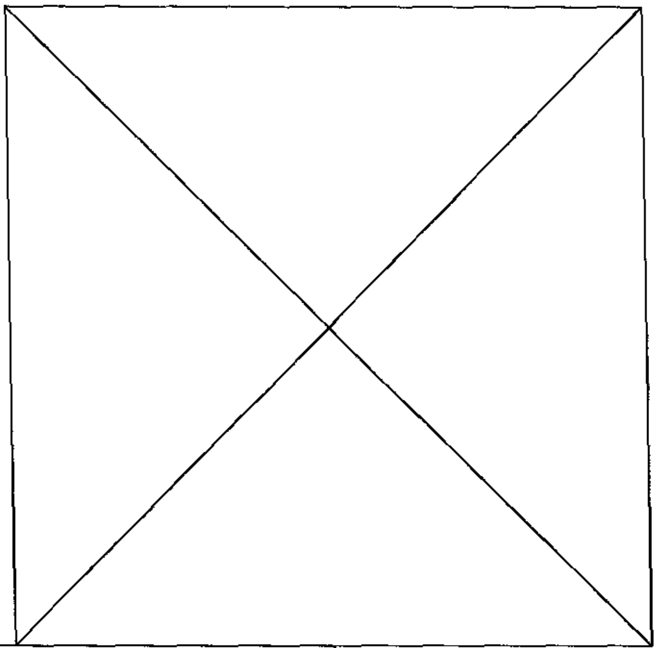
Outlook

We have made a good start to the year, albeit we anticipate a slowdown in the economy as the year progresses.

We are making progress in understanding the way the internet will impact on our brands and our businesses, and how we will be able to use it to improve service to our advertisers and readers. We will continue to invest in this area. Indeed, we remain alert for opportunities for investment in all media to enhance the service we provide to communities.

We are doing a great deal of work on the management, structure and relationships of our brands. This may, as indicated last year, have implications for our Group identity.

In spite of significant increases in the cost of newsprint, we hope to make further progress this year. □

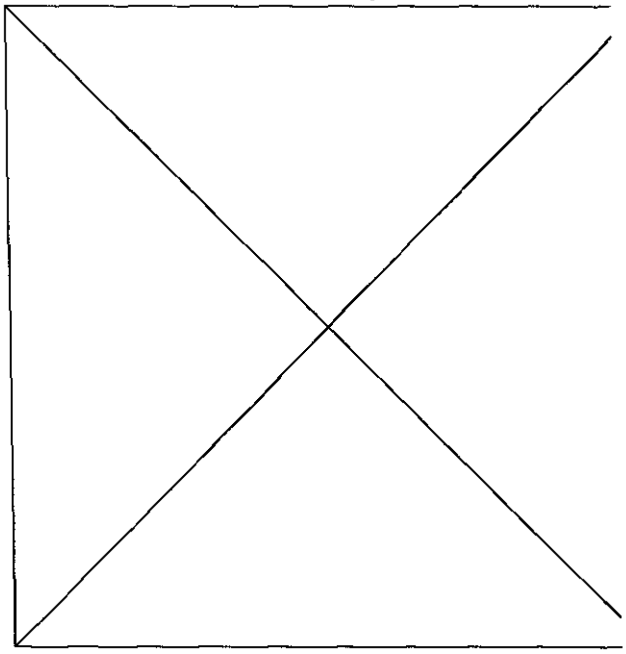


Richard Jewson, Chairman

"Profit margins on our newspaper publishing interests further improved to 22.4%... The Board acknowledges the tremendous efforts of the staff through the year"

Chief Executive's report

Peter Strong, Chief Executive



The big headline of the year 2000 was the record result in our newspaper and printing divisions which together showed best-ever profits and a record-breaking operating margin of 22.4%. Behind these numbers, driven by revenue growth and greater efficiency, there was also growth in diversity of activity, in our customer base, and in brand development in each of our newspaper, magazine and new media businesses.

Across the group during the 12 months we:

- launched three new newspapers
- launched six customer magazines
- launched two county magazines
- developed a wide range of web sites, including branded sites for many of our publications
- acquired France Magazine, Pilot and Somerset Magazine
- acquired control of the North Devon Gazette and Advertiser

In late January 2001, we acquired the leading county magazine portfolio in Cheshire, Lancashire and Yorkshire. Cheshire Life is a title that is 67 years young, having been launched in 1934. Like its sister titles and so many other of our publications, it is a powerful brand in a local community.

Also in January 2001 we acquired a stake in a Cheltenham radio station through Westcom Media.

A recent survey backed by the Newspaper Society, the representative body for the UK's regional and local newspaper publishers, concluded that 99% of the average UK person's life is lived within a 14-mile radius of home. No wonder then that our local publications, 62 newspapers and a growing portfolio of magazines alike, are so well read and so influential!

Advertising revenues in our newspaper business rose by almost 8% year-on-year, the most dramatic change continuing to show in the recruitment category, which was up 30%.

Our printing operation, too, had an excellent year. The Thorpe Print Centre was awarded the prestigious Newspaper Printer of the Year title for 2000, and the business won a record amount of contract work.

New business volumes grew for Eastern Counties Network, our new media specialist unit. Unsurprisingly, in a year marked by much confusion in the dot.com world, much of our digital effort was engaged in seeking the best, most effective response to the internet opportunity.

In essence, the internet is local too! In Norfolk, EDP24 went live, giving Eastern Daily Press readers round-the-clock updates on EDP content and generating new client relationships (see for yourself at www.EDP24.co.uk). This integration of our brands across different media matches the power of print with the attractions of new distribution channels. In the light of the failure of so many 'pure-play' dot.com ventures, it is a competitive advantage we expect to pay dividends.

The web gives us a great opportunity to extend the influence of our classified content. Every day of every week, advertisements across our output of almost 2.7 million newspapers will be available in print and on-line, so that customers can seek jobs, cars and homes right across our regions.

But it's not only in newspapers that web developments are evident. In our contract publishing business at Summerhouse, for instance, we have been engaged by Aga to manage the content of its new Agalinks web-marketing initiative.

With the growth in profits so there has been growth in investment, with close to £2m invested in new media activities, and £0.4m in reshaping our relatively small, but growing, magazine business for the future. Revenue investment in future activity and efficiencies to the existing business totalled £2.6m in 2000.

The focus is on ensuring our media

"With the growth in profits, so there has been growth in investment, with close to £2 million invested in new media activities... Revenue investment in future activity and in efficiencies to the existing business totalled £2.6 million in 2000"

interests add value. This expenditure is likely to remain close to current levels for the foreseeable future, divided among branded web sites for our titles, new regional businesses they support, and destinations that support our magazine titles and bring e-commerce possibilities.

However, at almost £120m turnover, newspapers are the core of our business, and investment is not limited to internet-oriented activity, as our newspaper and magazine launches show. There is also investment in technical infrastructure – a good example is the new computer-to-plate equipment being installed at the Thorpe Print Centre.

During 2000, new newspapers were launched in south Norfolk, north Essex and north Hertfordshire. Magazine launches in Suffolk and Hertfordshire were followed by new titles for clients ranging from the World Gold Council to Holmes Place Health Clubs by Summerhouse, and the British Deer Farmers Association by CML in Devon, where the first year of the Country Landowners Association contract was a notable success.

Specialist magazine publishing is an important part of our development plan. Our magazine activities were greatly enhanced by the acquisition of the market-

"In the end, no matter how good the technology or how spectacular the acquisitions, it is the Group's people who are the key to our success"

leading Pilot, read by private pilots across the UK and beyond. It joins our portfolio of publications at Market Link where the relaunch of a number of publications such as Which Camera? and Professional Photographer resulted in much-improved sales figures.

Looking ahead, 55 senior managers met at the Millennium Dome in October for a two-day conference on maximising our creative capacity and bringing new products and services swiftly to market.

Since this event eight of our senior people have stepped up from their daily roles for three months to participate in an intensive examination of some of our business processes. Their role is to determine how we can position ourselves to become an even more important part of our customers' marketing mix than we are today. Other teams are working up further plans for new product development.

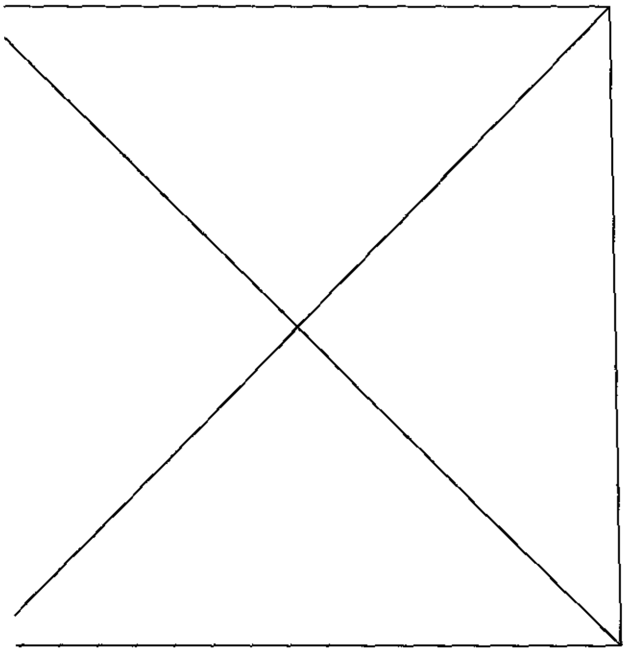
The Dome meeting was not the only source of innovative ideas. The 'Bright Sparks' suggestions scheme has been a great success and, in Norwich, Norfolk Publishing's Managing Director Barry Dennis last year threw down a challenge to his staff, offering £2,000 to anyone whose idea was successfully implemented. So far 52 worthwhile ideas have resulted and the best are being developed.

These schemes demonstrate something we have always acknowledged: that in the end, no matter how good the technology or how spectacular the acquisitions, it is the Group's people who are the key to our success. So it was gratifying that the Group was a national winner in the Proshare awards for excellence in employee share schemes. Not only did ECNG win a trophy as best small company, but we finished a magnificent second overall among companies outside the FTSE 100 for fostering share ownership.

"This all adds up," said the judges, "to a remarkable achievement for an unlisted company and a great example of what can be achieved with commitment and a lot of effort." Since the scheme was launched in 1997, more than 1,300 employees (75% of those eligible) have become shareholders.

This commitment to the Group is extremely encouraging. These are fast-moving, stimulating times, in which many of the younger people in our businesses will begin to lead the way. Long may their adventurous spirit flourish.

It is a pleasure to conclude with a word of congratulation for Jo Ellis, an EDP reporter in Norwich, who won the first Prince of Wales' Community Reporting award, beating off competition from around the UK with her series on a young family and their part in a ground-breaking housing scheme in Norfolk. She received the trophy from Prince Charles in a ceremony at St James' Palace. Just one more local triumph! □



Chris Lawrence, Finance Director

Group turnover 2000

Group turnover 1999

■ Newspapers and printing
■ Other activities
(Shown as % of total)

The purpose of this review is to provide an analysis of the Group's operating results and its financial position at the end of the year.

Overview

The year 2000 was another excellent year for the Group.

Turnover increased 12.4%, group operating profit before amortisation and exceptional items was up 18.1%, and margins improved to 18.5% (2000: 17.6%).

Adjusted earnings per share were 17.3% higher and annual compound growth since 1996 is 55%. This growth has been recognised by our inclusion in the Sunday Times PwC inaugural Profit Track league of the top 100 fastest-growing private companies in the UK.

Profits are stated after the net costs of digital activities, which rose to £2.0m in 2000 (1999: £0.4m).

By activity, the operating results before amortisation and exceptional items were as follows:

£m	Turnover		Profit	
	2000	1999	2000	1999
Newspapers	119.5	111.9	26.7	21.3
Magazines	10.7	3.9	0.1	0.2
New media	0.4	0.4	-1.6	-0.4
Common costs	-	-	-1.0	-0.6
	130.6	116.2	24.2	20.5

Newspaper activities

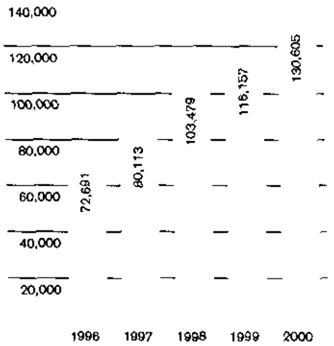
Core newspaper activities saw sales grow by 7% with profits up 26%. This was due in the main to buoyant recruitment revenues and cost savings following last year's restructuring.

Recruitment revenues were up 30% year-on-year, with other advertising revenues also up year-on-year.

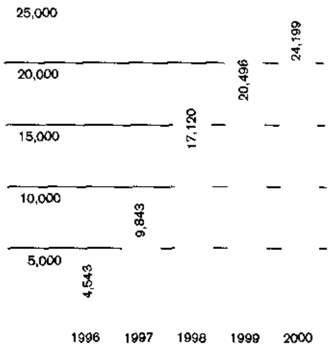
Newspaper circulation revenues increased to £20.4m (1999: £20.1m).

Under the terms of a joint venture agreement, on 13 December 2000 the Group exercised its option to acquire from Tindle Newspapers the remaining 50% of the share capital of North Devon Gazette & Advertiser Ltd not already owned. The cost of the remaining 50% was £0.7m. The company turned over £1.1m for the year ended 31 December 2000.

Group turnover £000

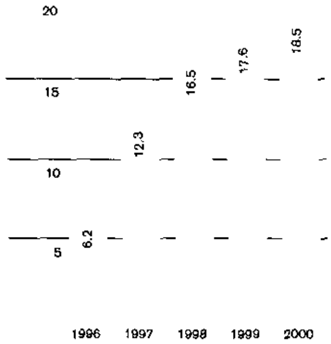


Group operating profit* £000



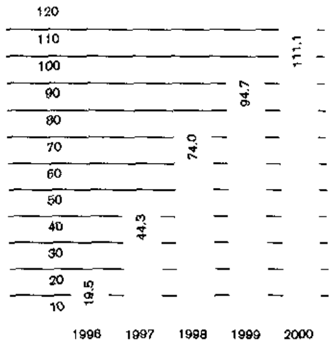
* before amortisation and exceptional items

Group operating margin* %



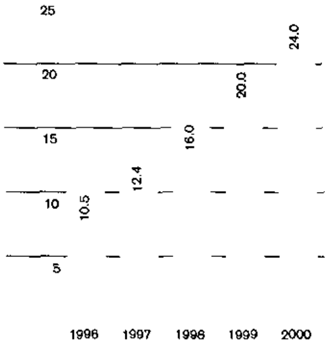
* before amortisation and exceptional items

Adjusted EPS* p per share

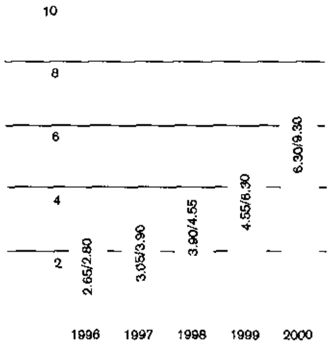


* before amortisation and exceptional items

Dividend per share p per share



Share price range £ low/high



Magazine activities

Our magazine activities now include Market Link, Summerhouse and the county lifestyle portfolio. Following the acquisition of Oyston Publications Plc in January 2001, ECNG publishes eight county titles.

2000 was a year of consolidation and building a base for future growth. We invested in two launches (Suffolk and Hertfordshire), reorganised Summerhouse, rationalised Market Link's portfolio of titles, and acquired three new titles with a combined annual turnover in excess of £2.5m.

The underlying profits of our magazine activities, before investment costs, were in excess of £0.4m.

New media

The value of orders received increased to £0.9m (1999: £0.4m), but revenues remained at the same level as 1999, £0.4m, recognising revenues only when jobs have been completed. Losses increased to £1.6m (1999: £0.4m), as an infrastructure has been built to service the growing number of new media customers.

Associated company

Westcom Media Limited operates the local radio station in Weston-super-Mare, launched in October 1999. Westcom has had a successful first year, but made a small loss as it focused on building revenue streams. ECNG's share of this loss was £9,000. In January 2001, the Group increased its holding in Westcom to 47.6% following the acquisition of CAT FM Ltd, which owns and operates the local radio station in Cheltenham.

Investment income

Net interest receivable for the year increased to £1.1m (1999: £0.1m), reflecting the increase in the Group's net funds.

Exceptional investment income

ECNG has a 3.5% shareholding in the Press Association. During the year the Group received two special dividend payments from the Press Association, one in June (£0.5m) and one in December (£0.9m).

The June dividend was a distribution of proceeds from the disposal of the Press Association's press release distribution business to PR Newswire in June 1999, and of their media monitoring business, Tellex Monitors, to Taylor Nelson Sofres in December 1999.

The December dividend was a partial distribution of the proceeds from the disposal of the Press Association's new media operation, Ananova, to Orange in July 2000. Two more special distributions are planned, in December 2001 and December 2002, subject to any claims against warranties given to the purchaser.

Taxation

The effective rate of taxation in the year was 26.5% (1999: 27.4%). The standard rate of tax in the year was 30% (1999: 30.25%). For 2000, the actual rate was lower than the standard rate, primarily because the Press Association special dividend (£1.4m) is not subject to tax, and because capital gains previously provided for were rolled over during the year.

Dividend cover

The cost of the ordinary dividend for the year increased by 21.8% to £3.9m. The preference share dividend remained static at £0.3m. Ordinary dividends are covered 4.6 times by profits attributable to shareholders, ignoring amortisation of intangible assets and exceptional items (1999: 4.7 times).

Net funds

The business continues to be highly cash-generative.

In summary, the movements in funds were as follows:

£m	2000	1999
Operating cash flows	29.4	18.7
TRP disposal proceeds *	–	13.8
Other cash flows	-15.8	-14.6
	13.6	17.9

* from the sale of the Group's 40% interest in The Radio Partnership

A 58% improvement in operating cash flow reflects improvements in operating profits and also in the Group's working capital position. The operating cash-flow-to-operating-profit ratio for the year was 126% (1999: 108%).

Other cash flows include capital expenditure –£1.9m, investment income +£1.1m, special dividends +£1.4m, taxation –£6.6m, dividends –£3.9m, proceeds from share issues +£0.6m, and acquisition and investment costs –£6.5m.

Net funds at the year end were £25.9m (1999: £12.2m), comprising:

£m	2000	1999
Cash	31.1	17.2
Loan notes receivable	13.8	13.8
Loan notes payable	-18.4	-18.1
Finance leases	-0.6	-0.7
	25.9	12.2

Treasury management

The Group derives its finances from share capital, retained profits and the issue of loan notes.

The main financial risk that the Group faces from its treasury activities is the interest rate risk. The Group's treasury objective is to minimise borrowing costs and maximise returns on funds, subject to short-term liquidity requirements.

Cash is managed centrally and placed on deposit for periods of up to one month. The cost of the loan notes payable (interest and bank guarantee fees) is LIBOR less 0.55%. The return on the loan notes receivable is LIBOR plus 0.425%.

As the Group's activities are primarily concentrated in the UK, there is minimal foreign currency risk.

Financial position

ECNG started the year with net assets of £88.0m. Retained profit for the year was £14.94m, which was transferred to reserves. A further £0.55m was added to reserves following the issue of share capital. £0.3m was transferred out of the reserves, to fund a further purchase of ECNG ordinary shares by the ECNG Qualifying Exempt Share Ownership Trust. The financial position at the year end is represented by net assets of £103.2m. □

Directors and Officers

Top l-r
Nigel Websper
Richard Copeman
Roger Cadbury
Peter Troughton

Middle l-r
Geoffrey Copeman
Richard Jewson
Peter Strong
Tom Stevenson

Bottom l-r
John Ellison
Ivan Lockett
June de Moller
Chris Lawrence

R W Jewson ☒ ☒
Chairman

Richard Jewson, 56, joined the Board in 1982 as a Non-Executive Director and became Chairman in 1996. After running Jewsons the timber 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.

G H C Copeman CBE DL ☒ ☒ ☒ ☒
Vice-Chairman

Geoffrey Copeman, 64, 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, a past President of The Newspaper Society, and is the immediate past Chairman of the Audit Bureau of Circulations Limited. He was made a CBE in the New Year's Honours for "Services to the Newspaper Industry". He is Chairman of the Pensions Committee.

P M Strong ☒ ☒
Chief Executive

Peter Strong, 54, 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.

R V J Cadbury ☒ ☒
Non-Executive

Roger Cadbury, 63, 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.

R C Copeman ☒ ☒
Non-Executive

Richard Copeman, 67, 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.

J O Ellison ☒
Company Secretary

John Ellison, 49, was appointed Group Company Secretary in February 1996. He currently represents ECNG's interests on the Board of St Andrews Management Company Limited and is a Director of Summerhouse Publishing Limited and Market Link Publishing Plc.

C H Lawrence ☒
Finance Director

Chris Lawrence, 39, was appointed Group Finance Director in March 1998. He is a chartered accountant by training, and worked for Ernst & Young in Norwich and also in Vancouver, Canada. Subsequently, he has held senior financial positions in several public companies including EMAP and North West Water. Immediately before joining the Group, he was Finance Director at Whessoe Plc, an international process instrumentation company based in County Durham.

I R Lockett ☒ ☒
Non-Executive

Ivan Lockett, 58, 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.

J F de Moller ☒
Non-Executive

June de Moller, 53, joined the Board as a Non-Executive Director in May 1999. She was previously Managing Director of Carlton Communications Plc from 1993 to 1999. She joined the Board of Carlton in 1983 and was responsible for running the operating subsidiaries as well as spending two years in mergers and acquisitions. She is also a Non-Executive Director of British Telecommunications Plc, J Sainsbury Plc, Cookson Group Plc, Lynx Group Plc and Aldeburgh Productions.

T Stevenson ☒
Managing Director,
New Media and Group Operations

Tom Stevenson, 51, is immediate past Chairman of the Newspaper Society's Marketing Strategy Group, and 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 before becoming Managing Director of New Media and Group Operations in 1999. He joined the Group Board in April 1996. He serves on the Newspaper Society Council, the Newspaper Society Marketing Strategy Group and is on the Board of the Norwich Area Development Agency.

P J C Troughton ☒ ☒ ☒
Non-Executive

Peter Troughton, 52, joined the Group Board as a Non-Executive Director in 1991 after being on the Boards of the East Anglian Daily Times Company Limited and Community Media Limited. After serving in H M Diplomatic Service, he joined W H Smith Group Plc, joining the Board in 1991 and becoming Managing Director in 1993. In 1995 he left to become Chief Executive of Rothschild Asset Management, retiring in 1999. A former Trustee of the National Gallery, among other companies he is a Director of Five Arrows Ltd, and a Non-Executive Director of the Lowland Investment Company.

N G F Webspar
Managing Director,
ECNG Newspapers

Nigel Websper, 44, was appointed Managing Director of ECNG Newspapers based in Norwich in 1999. He was previously MD of ECNG's subsidiary, Community Media Limited (CML), based in Bath. Having joined the Group in 1981 as CML's Accountant, he was appointed Finance Director in 1985. He became Director and Group General Manager in 1990 and was appointed Deputy Managing Director in 1995 and Managing Director in 1996. Before CML, he was Group Marketing Accountant for Bowyers Foods, having previously held various project, acquisition and finance roles. He joined the Group Board in December 1998. He serves on the Newspaper Society Council and is also a member of the Newspaper Society Marketing Strategy Group. He is also a Director of Westcom Media Limited.

The business

Weekly, daily, hourly
Newspapers

Nigel Websper
Managing Director, ECNG Newspapers

"More freedom means more communication, too. We've strongly encouraged people not to re-invent the wheel, but to find out what other businesses are doing and, where appropriate, to learn from it"

The newspaper business never slows down. Each day is a series of hard deadlines, as news stories are investigated, written, filed, fine-tuned, printed, distributed, sold and read. Then the cycle begins again. It's in this exciting, complex and increasingly entrepreneurial business that ECNG has become one of the UK's top performers. Overall newspaper profits rose from £21.3m in 1999 to £26.7m in 2000. Three new titles were launched, and a stream of initiatives extended the newspaper operation's presence on the web, in commercial radio and in magazine publishing. The year 2000 was very busy.

"We made the decision to move a lot more responsibility to the operational level," says Nigel Websper, Managing Director of ECNG Newspapers. "Suffolk Publishing, for example, now has its own management board and has been freed up to innovate in ways that best suit its own business. But more freedom means more communication, too. We've strongly encouraged people not to re-invent the wheel, but to find out what other businesses are doing and, where appropriate, to learn from it. It's made the whole enterprise much more focused. We're

Peter Swallow
Managing Director, Suffolk Publishing

"The team is totally focused, and the results are there for all to see. Everyone here is enjoying being part of a Suffolk success story"

producing good products and we're performing well – it's good for readers and good for staff."

Is it delivering value for shareholders, too? "Absolutely," says Websper. "The figures speak for themselves."

In its first full year of running the business as a stand-alone profit centre, the Suffolk team fully grasped the opportunity to manage the centre according to its individual needs – while at the same time making the most of the benefits of being part of a big group. "It's a really exciting time," says Peter Swallow, Suffolk Managing Director, "The team is totally focused, and the results are there for all to see. We have a culture in which new ideas are actively encouraged, but at the same time we do not lose sight of the day-to-day business. Everyone here is enjoying being part of a Suffolk success story."

Suffolk Publishing also carried out a complete (and very effective) redesign of the award-winning Evening Star, and restructured its pre-press operation to embrace new technology and boost efficiency. The paper was

Onward!

When business is changing fast and the competition is fierce, it can be hard to shift your focus from today's nitty-gritty to the concepts and possibilities of the future. But looking into the future is exactly what the eight-strong Avanti team spent the first three months of 2001 doing.

Starting with a blank sheet, the team investigated new ways of working that will change the way the Group interacts with its customers. "The focus," says project leader Kevin Maddams, "is to try to improve our customer contact experience."

During the first phase of the project, the team visited best-in-class companies around the UK, identifying radical ways of delivering advertising and other services. Phases two and three of Avanti will span the assessment, planning and implementation of the most promising ideas.

Making a difference

Newspapers belong to their shareholders, don't they? Yes, of course, but they also belong, in a very real sense, to the communities they serve, so initiating and supporting campaigns for charity are a natural part of their work. Here are some of the ECNG campaigns that took place during 2000:

- ECNG announced the Staff Matched Funding Scheme, which allocates a set amount each year to double the sums raised for charity by members of staff. A total of £18,326 was given by the fund during the year.

- The Welwyn & Hatfield Times and its sister paper The Comet raised more than £200,000 for the Willow Foundation, the cancer charity founded by Bob and Megs Wilson.

- CML Devon celebrated its 150th anniversary with a special appeal that raised £10,500 for the Sidmouth Inshore Rescue Service. In gratitude, SIRS' new Atlantic 21 lifeboat was named Sidmouth Herald.

- A seven-strong Market Link team embarked on a 40-mile cross-country walk – Photoplod 2000 – to raise £752 for Save the Children.

- The Norfolk and Suffolk cancer charity, The Big C Appeal, was chosen as the Evening News Charity of the Year. Thanks to a massive response from staff and readers, more than £270,000 was raised during 2000.

- At Prospect House, more than 200 staff and supporters abseiled off the top of the building to raise some £21,000 (including Matched Funding) for the Nelson's Journey children's charity.

- Sixteen members of Norfolk Publishing and Suffolk Publishing completed the Three Peaks Challenge on June 2, generating £3,254 for the EDP's We Care Appeal, which has now raised more than £500,000.

- Suffolk Publishing's ad team raised hundreds of pounds for the Breakthrough Breast Cancer Fund in a sponsored walk at Orwell Country Park.

- Eastern Daily Press readers donated a lorry-load of gifts for orphans in war-torn Sierra Leone.

named Daily Newspaper of the Year in the BT Press Awards (London/Home Counties) and was highly commended in the national competition. "We did some important housekeeping work on the Anglian [the East Anglian Daily Times], too," recalls Swallow, "giving it a stronger focus on campaigning and agenda-setting. It's very important to create debate."

But one aspect of Suffolk Publishing's success in 2000 was at least partly beyond its control: the Ipswich Town feelgood factor. As the footballers did battle in the summer play-offs, the newspaper teams were busy producing special issues and pull-outs, and promoting branded events such as Evening Star supporters' trains to London for the final game. Not only did these efforts add to the carnival atmosphere, but the Evening Star and the EADT both sold more than 40,000 extra copies over three to four weeks.

Although Norfolk Publishing's favourite football team didn't reach the same heights, the Norwich-based group also had a year of high achievement. The Eastern Daily Press kept a firm grip on its position as the UK's biggest-

Barry Dennis
Managing Director, Norfolk Publishing

"The 'Back to the Future' project will put the weeklies' offices back in local high streets ... our plan is to turn these 'shop-window' centres into revenue generators in their own right"

selling regional morning paper, and the profitability of the Evening News was transformed, thanks to a reduction in the number of editions, to closer attention paid to pagination, and to repackaging of the paper's recruitment ads. On the web, Norfolk Publishing launched the new EDP web site, www.EDP24.co.uk, while the Pink 'Un's site won a prestigious national award.

"The weekly titles had an exceptional year, too," says Norfolk Publishing's Managing Director, Barry Dennis. "Among other things, we launched the 'Back to the Future' project, which will put the weeklies' offices back in local high streets. We started with Beccles, the smallest office, and we recouped the investment in year one. The first three months' revenues equalled the total for the previous year, and our plan is to turn these 'shop-window' centres into revenue generators in their own right."

At Community Media Publishing (CMP), meanwhile, the jump in profitability was down to organisational improvements and to a greater focus on that all-important combination: products and their markets.

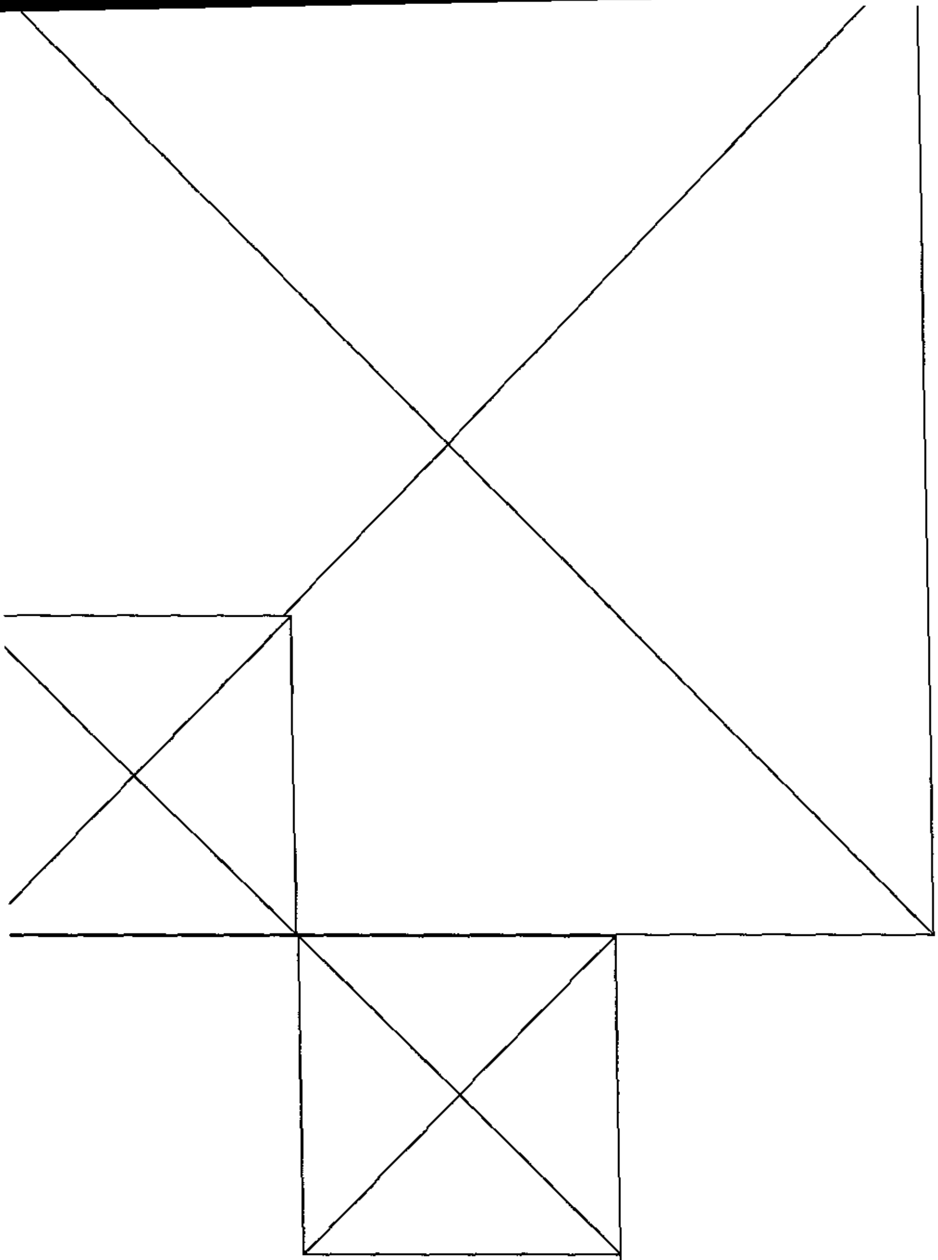
"The web has been a very exciting experience for us... We can add a lot of community-interest content, and we're very much looking to develop the commercial aspect "

Richard Nicholls
Managing Director, CMP

Two new Advertiser titles were launched, and other, existing titles were reinvigorated in terms of both visual presentation and editorial content. CMP also launched seven new web sites. "The web has been a very exciting experience for us," says Managing Director Richard Nicholls. "It gives us a new dimension. We can add a lot of community-interest content, and we're very much looking to develop the commercial aspect, so readers can go on-line and book ad space, for example.

"For years, we've had a policy of promoting from within. In the case of the web, it's the younger people who've taken on a lot of responsibility for the web site development, so it's been pleasing to find that we have people within the business who have the necessary skills, and then to be able to give them the opportunity to develop their careers."

Finally, Community Media Limited (CML) was transformed during 2000. Early in the year, the South Essex Recorder group and the Ham & High titles were merged into the division. Later, the division's accounts departments were centralised in St Albans, France Magazine and Somerset



Enzo Testa
Managing Director, CML

Hold the front page!

On 7 November 2000, after 137 years with its most valuable space dedicated to advertising and public notices, The Buchan Observer finally put news on the front page. It was a big break with tradition at The Buchanie, as it is fondly known.

"We've talked about changing the front for a number of years," says CML North East Scotland's Managing Director Michael Robertson, "and with a new millennium, now seems like the right time to make the change."

Only once before had news bumped ads off the front page: on November 11, 1918, when the Armistice was signed. The year 2000 change wasn't quite as newsworthy as the 1918 Armistice, but TV cameras joined 200 invited guests at the launch, and local Scottish Nationalist MP Alex Salmond attended as guest of honour.

"We're in markets that are tough and competitive, so it's essential that we talk to one another, share ideas and work together"

Magazine were acquired, and in January 2001 an increased shareholding – to 47% – was taken in Westcom Media Limited, the owner of local radio stations WFM in Weston-super-Mare and CAT FM in Cheltenham.

"The challenge is to pull our six regional businesses together to make one," says Managing Director Enzo Testa. "We're in markets that are tough and competitive, so it's essential that we talk, share ideas and work together."

The results for 2000 show that CML has not only faced up to these challenges, but is already making powerful strides in the right direction. "Yes," agrees Testa, "as a group we've had our most successful year ever, in terms of profit. Each business knows where it's going."

In a business world where the pace of change is so great, and where competition is intense, a sense of direction is an essential attribute. But ECNG Newspapers' four business units all had a record year in 2000, so it seems that Enzo Testa has made an observation that is true not just for CML, but for the whole division: the business knows where it's going. ☐

High gloss
Magazines

Magazine publishing is an exciting business to be in. The UK market is in robust health, readers are receptive to new ideas, and the prospect of value-added ventures such as e-commerce web sites and conference promotion, is an attractive one. ECNG's magazine businesses have great potential.

The headline news for the Group in 2000 was a series of high-profile acquisitions. First, in July, was France Magazine, a quarterly subscription-only title with a circulation of 50,000. France, which slots into CML's portfolio, is aimed at francophiles here and abroad, and today has the UK's largest photo library of French images. "The acquisition provides us with not only an exciting publishing opportunity," said CML Managing Director Enzo Testa, when the deal was announced, "but also gives us other commercial avenues to explore, including e-commerce, specialised holidays and wine clubs ... a business model full of opportunities."

Just as promising is Pilot, the market-leading publication for private pilots and aviation enthusiasts, which will now be published by Market Link. Since its launch 28 years ago, Pilot has built up a monthly ABC of 26,503 and today it is the clear market leader.

"It's a profitable magazine with lots of long-term potential," says ECNG's Director of Group Development, Ian Davies, who played a prominent role in negotiations to buy Pilot. "Our intention was to acquire a magazine in a market where we could be the number-one player, and then to grow the business not only via the magazine, but by serving that market through other channels, such as the internet and exhibitions. We'll be looking for other markets where we can do the same thing."

> "A theme during the past year has been our openness and ability to change. We've asked, and continue to ask, 'how capable are we of creation and innovation?'"

Ian Davies
Director of Group Development

"It's been a year of transition, as we re-invent ourselves for a world that's changing fast and where each of our clients has different needs"

Jonathan Arnold
Managing Director, Summerhouse Publishing

Next in the sequence was Somerset Magazine, acquired from Smartprint Publications in Crewkerne. The monthly title – circulation 8,000 – will now be managed from CML Weston-super-Mare, where it will benefit both from CML's connections and resources within the county and from ECNG's ability to inject substantial investment where necessary.

The final acquisition in the series was that of Oyston Publications, which in fact went through in January 2001, although negotiations began in mid-2000 [see page 25]. With the addition of Oyston's three county lifestyle titles, ECNG now publishes county magazines in Cheshire, Essex, Hertfordshire, Lancashire, Norfolk, Somerset, Suffolk and Yorkshire.

But acquisitions were not the only activity during 2000. Summerhouse, for example, made substantial in-roads into the exciting world of e-publishing, winning the contract to work with Aga, one of Europe's most respected brands, on development of a major internet portal site. The agency will be providing all editorial content across the 12 lifestyle channels which make up Agalinks.com. The agency will also be managing growth of the site through third-party partnerships and celebrity endorsement.

There were other impressive new-business wins at Summerhouse. In February, Country Magazine was relaunched as a monthly for the Country Gentlemen's Association, closely followed by the first issues of The Place for Holmes Place Health Clubs and Gold for the World Gold Council, the voice of the global gold mining, manufacturing and investment industries. And the agency's robust relationship with French multinational ALSTOM saw the mid-year launch of three new titles: Activa, Insight and Metals.

Alan Lewis
Managing Director, Market Link

"In each of our markets we're aiming to dominate, going deeper than just magazines, be it through directories, exhibitions, conferences or web sites"

"What we're doing for Aga shows how much has changed in the past year," explains Jonathan Arnold, Managing Director at Summerhouse. "We've restructured several aspects of our operation, so that now we're able to pitch confidently for – and win – contracts involving much more than pure magazine publishing. With our long-standing client Saab Automobile, for instance, we're discussing putting their magazine on the web. The description of Summerhouse as just a 'contract publisher' is no longer accurate, in my view."

Summerhouse was not the only Group company to undergo something of a transformation. In its first full year within ECNG, Market Link, too, focused on realigning its portfolio, concentrating on four markets: photographic, leisure, business and aviation. "Yes, a strategic reorganisation of our titles was the focus of the year," agrees Managing Director Alan Lewis. "We disposed of five non-core titles, acquired a market leader in Pilot magazine, and revamped and relaunched every one of our photographic titles. We're focused on niche publishing, so we're never going to produce a Hello!-type publication. There's much more opportunity in what we do well already."

Warren Parkinson, Publishing Director for Market Link's imaging division, agrees and points out that Market Link's new focus is already producing results. "We've made a lot of changes," he says. "On Which Camera?, for example, we've changed our editorial policy to give the magazine greater authority and credibility, we've invested in effective marketing, and we've introduced a news-trade strategy that has got the magazine on the shelves of 90 per cent of WH Smith's stores. We also experimented successfully with a 'brand extension' – Which Camera Digital? was a one-off, published in November 2000, but it went so well that we're going to re-introduce it as a bi-annual this year. It's all about strengthening our ownership of the market."

The situation is a similar one right across the Group: new magazines are being launched, brand extensions tested, and publishers whose titles compete with ECNG's are realising they have a fight on their hands. There are more examples than there is room to quote them, but here are just a few:

■ Norfolk Magazine ran its first fashion show during the year, and tickets sold out in one day;

■ CML Devon's contract publishing division now produces titles for, among others, the Country Land & Business Association, the British Deer Farmers Association and the Farmers Union of Wales;

"The magazine sector is growing in the UK – readership is up, spending is up. It's an exciting place to be"

Jonathan Hustler
Managing Director, ECNG Lifestyle

■ CML Central Scotland extended its business portfolio by launching Business in Renfrewshire and Business in Lanarkshire;

■ Suffolk Countryside was relaunched as Suffolk Magazine by the Suffolk Publishing team in Ipswich, in the style pioneered by Norfolk Magazine and Hertfordshire Magazine.

There's no question about it – 2000 was a busy year for ECNG's magazine businesses. But the signs are that 2001 will be busier still. □

High five

The final months of 2000 were a tense time for the ECNG team negotiating to buy Oyston Publications. But their hard work behind the scenes was rewarded in January 2001, when the deal was clinched and ECNG's magazine portfolio was swelled by the addition of Oyston's five county and city lifestyle titles – Yorkshire Life, Lancashire Life, Cheshire Life, Leeds Life and Manchester Life.

"There's a lot of synergy between these new titles and our existing county magazines," says Jonathan Hustler, Managing Director of the new ECNG Lifestyle division, "and both teams have a lot to learn from each other. We're a newspaper company, with all the sources and connections you'd expect, but we're still learning the magazine business. They, on the other hand, have an operation and working practices that haven't evolved from newspapers but were designed explicitly for their products and markets. We can learn a lot. And then there's the readership profile – typically 35-plus and ABC1. It's a great opportunity to develop a subscription-database revenue stream."

The 45-strong staff will remain in Preston, under Managing Director Peter Bourhill. Having developed a successful operation with sales of 50,000 copies, explains Hustler, it makes sense to maintain strong links with local markets and communities: "The key thing is that these magazines share the USP [unique selling point] of our existing newspaper and magazine businesses – localness. The challenge now is to fine-tune what's already a winning formula and to find new opportunities to roll it out."

Brave new world
New media

"We have devoted a lot of effort to date to developing on-line 'classified verticals' for property, jobs and cars. Now the task is to bring them up to best-in-class levels, so that local people have the best possible services available to them"

Tom Stevenson
Managing Director, New Media and Group Operations

The year 2000 was something of a watershed for the 'new economy', but against this backdrop Eastern Counties Network, ECNG's new media business and East Anglia's leading full-service web agency, continued to grow. During 2000 alone the team developed more than 400 web sites for businesses in Norfolk, Suffolk, Cambridgeshire, Essex and north London. By the end of 2000, Eastern Counties Network had helped around 1,000 firms go on-line.

"It's a fast-moving business," says Tom Stevenson, Managing Director of New Media and Group Operations, "and we planned a number of projects last year that will keep us ahead of the game as we implement them. One is to set up virtual marketplaces, which we will first populate with sites that we build and host, before then inviting other e-tailers in. We're also developing web templates for entry-level customers, with the intention of helping them move up later from simple, data-only web sites to bespoke e-commerce sites operated by us as a commercial service provider."

Eastern Counties Network's other principal function is to facilitate and enable the Now Network, which comprises the various web sites of ECNG's own publications. Here, too, the story is one of growth, as a series of new sites went on-line, including seven at Community Media Publishing (CMP), three at CML Hertfordshire and North London, and Norfolk Publishing's flagship site, EDP24.co.uk. As the roll-out of branded web sites continues in 2001, the Now Network will soon be home to more than 50 ECNG on-line publications.

The addition of web sites to existing newspapers and magazines is just one way of building a multi-dimensional ECNG brand. But does it appeal to readers? The answer – and it is an unambiguous one –

Web-wise

For commercial purposes, the internet has been with us for less than 10 years. And those years haven't exactly been calm and orderly – uncertainty and mystery were followed by enthusiasm, a California-led gold-rush and, latterly, a realisation that no matter how revolutionary an e-business might be, there is no substitute for sound business practice.

Throughout this time Eastern Counties Network has focused on building links with the local and regional business communities that would serve it well as the internet matured as a venue for commerce. Sales orders for 2000 showed a three-fold increase over the previous year.

Eastern Counties Network is ECNG's commercial arm in electronic publishing, developing web sites that range from simple, information-only sites to complex e-commerce operations. Success stories in 2000 included www.cefas.co.uk, a maritime data site for the government's Centre for Environmental, Fisheries and Aquaculture Science, and www.bennettsonline.co.uk, a full-service wholesale and retail e-commerce site for Bennett's, East Anglia's largest independent electrical store.

Prize site

If it's a web success story you're after, look no further than www.pinkun.com. The virtual version of The Pink 'Un picked up the Best Niche Internet Site award at the Newspaper Society's New Media Awards ceremony in Birmingham on November 7. Among other top contenders were thebluearmy.co.uk (a Leicester City FC site) and holdthefrontpage.co.uk.

"It's a great achievement and particularly when you consider that we beat a Leicester City site," says Barry Dennis, Managing Director of Norfolk Publishing.

One of the strengths of pinkun.com, though, was that it covered a great deal more than one team. "We wanted it to be more than just a Norwich City site," agrees Dennis. "That's why we introduced the service for all local amateur clubs to have their own pages on the site. We made sure that all involved were football fans, and the response to the message-board facility proves that we've hit the nail on the head."

lies in the high-tech equivalent of readership figures: the number of page impressions. In 2000, the total number of page impressions across all group sites increased to more than one million per month, double the average figure for 1999. Proof, indeed, that web publishing works.

But the behind-the-scenes services all need to work, too, and that's where Informations Systems (IS) comes in. "It was a busy year," says Director of Group Information Systems Brian Sallery, "and an effective one. The roll-out of the ECNG-designed ad sales booking systems to all CML sites, together with the centralisation of accounts systems in St Albans, resulted in greater efficiency. And devolving local teams within IS to their respective businesses delivered improved local control and reduced costs. It made a big difference." □

Press ahead

Print

Peter Dodds
Managing Director of Printing

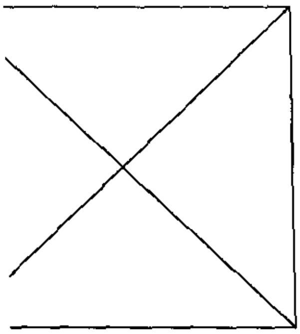
"Since the anxious hours leading up to Y2K, right through to the year-end, we've been firing on all cylinders, with almost every publication printed well exceeding its previous year's volumes"

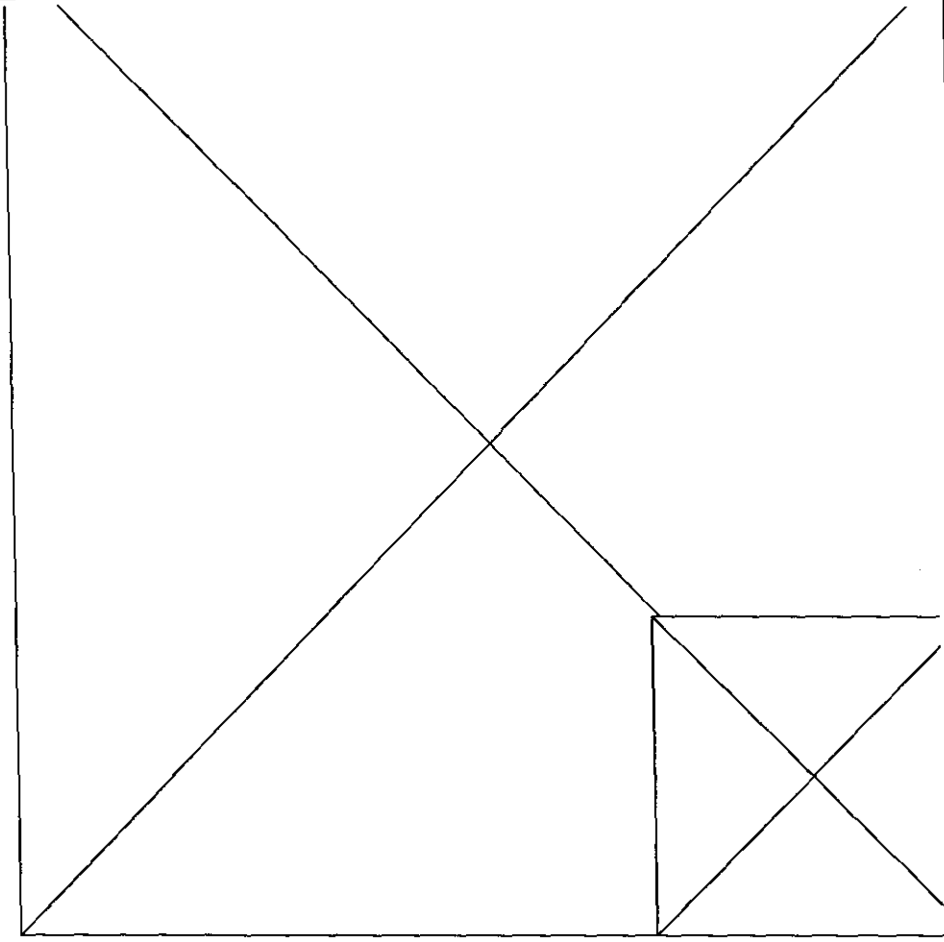
The UK printing industry is intensely competitive. There is a surplus of newspaper printing capacity, and the number of printers vying for external contract work has never been higher. It's a tough business to lead.

But ECNG's printing division is leading the industry. Combined turnover for the Thorpe and Ipswich print centres showed healthy growth in 2000, and print volumes increased significantly – 68 publications are now printed each week at Thorpe, for instance, against 39 in 1996. The number of copies printed has grown to 3.4m each week.

This enviable record was recognised in April at London's Grosvenor House by the Newspaper Society, which handed the Thorpe Print Centre its prestigious Newpaper Printer of the Year Award for 2000.

Success like this, according to Managing Director of Printing, Peter Dodds, is down to the people doing the work. "In the final analysis," he says, "there is no other source of competitive advantage.





Hot stuff

Thermal imaging technology will soon be in action at the Thorpe Print Centre, following the signing of a £650,000 deal with Kodak Polychrome Graphics. The initial focus will be on the first UK installation of Kodak's Newsetter TH100 system, but the bigger news is the benefits it will bring to ECNG's print business and, most importantly, to our customers.

"The key drivers of our business are time, quality, cost and continuous improvement," says Peter Dodds, Managing Director of Printing. "Any major capital investment programme must deliver on all four counts. Thermal plate imaging provides for precise and consistent dot reproduction and fast plate clean-up. This will benefit our customers through later deadlines and improved colour quality."

"Others can copy our investment, our technology and our scale, but not the quality of our people."

The printing business's commitment to quality is clear. Training and communication are high priorities, for instance, with staff attending six-monthly personal reviews, working directly with suppliers and customers to identify and implement best practice, and contributing ideas to waste-reduction and newsprint conservation programmes.

New technology plays its part, too, of course. Networked computers give staff access to up-to-the-minute performance reports on all aspects of production, meaning tighter control of budgets and deadlines and a greater accountability to customers. And whenever necessary, says Dodds, the business will continue to invest in the technology and techniques that keep it ahead.

"Standing still in today's business world is just not good enough," he explains. "In fact, it's equivalent to going backwards. It's the fear and challenge of this simple premise that drives our continuous improvement ethos and keeps us moving forward." ☐

Secretary and Registered Office
J O Ellison
Prospect House
Rouen Road
Norwich NR1 1RE

Auditors
Ernst & Young
Cambridge

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 2000.

Accounts

The Group profit for the year after taxation and minority interests amounted to £19,193,000, compared to £20,271,000 for 1999.

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 8.0p paid on 2 October 2000	1,291	
Proposed final of 16.0p	2,624	3,915
		4,251

The ordinary dividends above are stated after taking account of the dividends waived by the ECNG Employee Benefit Trust, the ECNG Qualifying Exempt Share Ownership Trust and the Trustees of the ECNG Long Term Incentive Plan Trust.

The final ordinary dividend, if approved, will be paid on 18 May 2001 to ordinary shareholders whose names were on the register on 2 May 2001.

Activities and review of business developments

The principal activities of the Group are publishing newspapers and magazines and printing newspapers. Details of the Group's trading performance are given in the Financial Review on pages 9 to 11.

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 14.

The directors retiring by rotation in accordance with the Articles of Association are Mr G H C Copeman, Mr R V J Cadbury, Mr C H Lawrence and Mr T Stevenson who, being eligible, offer themselves for re-election.

The directors' interests in the shares of the Company are disclosed in Note 5 on page 46.

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

Report of the directors

Corporate Governance

Corporate Governance refers to the manner in which the Company is directed and controlled and, in particular, the role of the Board, its relations with shareholders and how it delegates accountability within the Group.

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

The Combined Code

Although not a listed company, and therefore not bound by the reporting requirements of the Combined Code (the Code), the Board recognises and endorses its principles as 'best practice' but excludes compliance with specific detailed provisions that are not deemed appropriate within the context of a private company. In all other material respects the Board considers that the Company has complied with the Code throughout the period to 31 December 2000.

The Board

The Board currently comprises the Chairman, Vice-Chairman, five Non-Executive and four Executive Directors, and is responsible to the shareholders for the proper management of the Group. It meets regularly, setting and monitoring Group strategy, trading performance, ensuring adequate funding, reviewing investment opportunities and reporting to shareholders. A statement of the directors' responsibilities in respect of the accounts is set out on page 32 and a statement on 'going concern' is given on page 34.

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, together with directors' biographical details, are set out on page 14. All directors are subject to re-election at least every three years.

Relations with shareholders

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

The Board uses the Annual General Meeting to communicate directly with shareholders. Details of the resolutions to be proposed at the Annual General Meeting on 16 May 2001 are set out in the Notice of Annual General Meeting on page 68.

Internal control

The directors are responsible for the system of internal controls in the Company and its subsidiaries, and for reviewing its effectiveness.

The Code has extended the previous requirement to assess internal financial controls to cover all controls, including financial, operational, compliance and risk management.

Although the directors consider that systems have been in place to manage risk for some time, an ongoing process, in accordance with the guidance of the Turnbull Committee on Internal Control (Combined Code provision D.2.1) has been established to formalise the procedures for identifying, evaluating and managing the risks faced by the Group. Each distinct business unit prepares a risk matrix, identifying risks which could prevent the achievement of that business's objectives. Management of those risks together with actions in place and proposed in respect of each risk are documented. This information is approved by the appropriate company Board, reviewed with the Group Finance Director and reported annually through to the Audit Committee.

The targets set in last year's statement of introducing such a process by 1 October were met. Procedures have been designed to monitor the systems for safeguarding assets against unauthorised use; for maintaining proper accounting records; and for the reliability of financial information within the business. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud.

The key elements of internal control that have been established and were in operation up to and including the date of this report are:

i Authority to manage the various subsidiaries is delegated to directors within a scheme of delegation approved by the Group Board. The appointment of directors requires the approval of the Board of Directors of the respective company.

ii Comprehensive annual financial and operational budgets and quarterly forecasts are prepared by subsidiaries and reviewed and approved at Group Head Office. Results are monitored regularly, and reports on progress against budget and forecast are prepared by all operating units each quarter.

iii Four-weekly management report and accounts, including balance sheets, are prepared by all operating units with comparison to budget and prior year, and identification of key performance drivers and variance explanation.

iv Formal procedures for all investment and capital expenditure projects are in place against agreed success criteria. Appropriate due diligence is carried out if a business is purchased.

Report of the directors

[v] The Group Audit Committee has kept under review the effectiveness of the financial control systems and has reported regularly to the Board of Directors.

[vi] Directors obtain assurance of the control processes from each business, and also from the regular Board meetings held by each company. Other matters of significance are reported to the Board where required.

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.

Disabled persons

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

Employee involvement

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

During 2000 the Group continued its practices of providing employees with information about the Group and encouraging staff involvement. Staff communication has been achieved through an award-winning, Group-wide bi-monthly magazine, supported by a weekly on-line news service, together with local communications initiatives such as briefing meetings. The Group also holds an annual awards evening to recognise the achievements and successes of its employees.

A Human Resources Forum, comprising local human resources managers, has been established to promote best practice around the Group.

Employees are encouraged to present their suggestions and to raise issues. Working parties drawn from the staff have contributed to planning processes, and staff-elected representatives are consulted on such matters as training and development, employment practices and customer and community relations. Consultation also takes place on such matters as health and safety and pensions. Certain Trustees of the Pension Schemes are employees of the Group and are nominated and elected by members of the Group Schemes.

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 2000, the Company held an average of 25 days' purchases outstanding in trade creditors (1999: 25 days).

Donations

Charitable donations made by the Company and its subsidiaries totalled £78,000 (1999: £55,000).

Auditors

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

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board

J O Ellison
Secretary
21 March 2001

Report of the Remuneration Committee

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

The main elements of the remuneration package are discussed below.

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

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

Annual bonus: This is 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 and specific personal objectives.

Pensions: The Executive Directors are members of the Senior Management Pension Scheme (see Note 33 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 normalised earnings per share performance targets are considered annually by the Committee and are geared towards aggressive growth targets.

Employee share scheme: If eligible, Executive Directors may participate in the ECNG Employee Share Scheme. Details of the 2000 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: 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
21 March 2001

Report of the auditors

to the members of Eastern Counties Newspapers Group Limited

We have audited the accounts on pages 37 to 66 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 41 and 42.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 32, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 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
Cambridge
21 March 2001

Ernst & Young

Group profit and loss account

for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Turnover			
Ongoing operations		129,423	116,157
Acquisitions		1,182	-
	2	130,605	116,157
Operating Profit			
Ongoing operations		24,107	20,496
Acquisitions		92	-
Continuing operations		24,199	20,496
Amortisation of goodwill and other intangible assets		(540)	(129)
Reorganisation costs	4	-	(1,364)
Group Operating Profit	2,3	23,659	19,003
Share of operating results in associates		(9)	450
Total Operating Profit: Group and Share of Associates		23,650	19,453
Profit on sale of fixed asset investment	4	-	8,443
		23,650	27,896
Special dividends received	4	1,406	-
Other income from investments	7	2,276	1,596
Interest payable	8	(1,160)	(1,518)
Profit on Ordinary Activities before Taxation		26,172	27,974
Tax on profit on ordinary activities	9	6,940	7,660
Profit on Ordinary Activities after Taxation		19,232	20,314
Minority interests		(39)	(43)
Profit attributable to Members of the Parent Company		19,193	20,271
Dividends (including non-equity interests)	10	4,251	3,550
Retained Profit for the Year	23	14,942	16,721
Earnings per share	11	116.5p	124.6p
Adjusted earnings per share	11	111.1p	94.7p
Diluted earnings per share	11	113.0p	121.3p

Group profit and loss account

for the year ended 31 December 2000

Note of historical cost profits and losses

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	26,172	27,974
Realisation of property revaluation gains of previous years	5	364
Difference between historical cost depreciation charge and the depreciation charge calculated on the revalued amount	13	17
Historical cost profit on ordinary activities before taxation	26,190	28,355
Historical cost profit for the year retained after taxation, minority interests, dividends and other appropriations	14,960	17,102

Statement of total gains and losses recognised in the accounts

	2000 £000	1999 £000
Profit for the financial year excluding share of results of associates	19,202	20,136
Share of associates' results for the year	(9)	135
Profit attributable to members of the parent company	19,193	20,271
Contribution to Qualifying Exempt Share Ownership Trust	(300)	(1,869)
Total recognised gains and losses relating to the year	18,893	18,402

Balance sheets
as at 31 December 2000

	Notes	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Fixed Assets					
Intangible assets	12	58,839	52,894	393	21
Tangible assets	13	31,539	33,580	14,223	15,672
Investments	14	368	467	38,647	38,737
		90,746	86,941	53,263	54,430
Current Assets					
Stocks	15	1,483	1,574	1,231	1,316
Debtors	16	20,481	20,687	65,127	54,576
Short term investments	17	14,422	14,129	14,422	14,129
Cash and deposits	18	31,141	17,216	26,993	14,608
		67,527	53,606	107,773	84,629
Creditors - amounts falling due within one year:					
Trade and other creditors	19	36,667	33,497	9,800	8,767
Taxation		4,898	6,074	2,856	2,683
Proposed dividend		2,624	2,255	2,624	2,255
		44,189	41,826	15,280	13,705
Net current assets		23,338	11,780	92,493	70,924
Total assets less current liabilities		114,084	98,721	145,756	125,354
Creditors – amounts falling due after more than one year	20	3,769	4,679	40,498	36,725
Provisions for liabilities and charges	21	7,115	5,886	5,360	5,295
Minority interests		-	151	-	-
		103,200	88,005	99,898	83,334
Capital and reserves					
Called up share capital	22	5,643	5,626	5,643	5,626
Share premium account	23	4,572	4,036	4,572	4,036
Revaluation reserve	23	592	610	12	12
Profit and loss account	23	92,393	77,733	89,671	73,660
Shareholders' funds					
Equity		100,850	85,655	97,548	80,984
Non-equity		2,350	2,350	2,350	2,350
		103,200	88,005	99,898	83,334

R W Jewson
Chairman
21 March 2001

Group statement of cash flows
for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Cash flow from operating activities	25	29,437	18,679
Returns on investment and servicing of finance	26	2,171	(6)
Taxation		(6,595)	(7,494)
Capital expenditure and financial investment	26	(1,700)	(1,887)
Acquisitions and disposals	26	(3,376)	(7,031)
Equity dividends paid		(3,546)	(2,726)
Cash inflow/(outflow) before use of liquid resources and financing		16,391	(465)
Management of liquid resources	26	(11,000)	1,024
Financing	26	(2,466)	(1,500)
Increase/(decrease) in cash	27	2,925	(941)

Reconciliation of net cash flow to movement in net funds (Note 27)

	2000 £000	1999 £000
Increase/(decrease) in cash	2,925	(941)
Cash inflow from increase in loans	(3,050)	-
Repayment of loans	2,719	6,166
Amortisation of loan issue costs	(21)	(49)
Loan notes receivable	-	13,774
Cash outflow from lease financing	300	242
Cash outflow/(inflow) from short term deposits	11,000	(1,024)
Change in net funds resulting from cash flows	13,873	18,168
Finance leases acquired with subsidiary undertakings	-	(112)
New finance leases	(236)	(152)
Movement in net funds	13,637	17,904
Net funds/(debt) at 1 January	12,232	(5,672)
Net funds at 31 December	25,869	12,232

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.

Pilot Publishing Company 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 Pilot Publishing Company Limited for the period from its acquisition on 25 August 2000. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

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

Intangible fixed assets

[i] Newspaper titles

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

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

[ii] Magazine titles

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

[iii] Franchises

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

[iv] Goodwill arising on consolidation

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

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

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

Notes to the accounts
as at 31 December 2000

1. Accounting policies (continued)

[v] Radio licences

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

Tangible fixed assets

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

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

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

Film projects are shown at estimated net realisable value.

Leases

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

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

Stocks

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

Deferred taxation

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

Pensions

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

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

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

2. Segmental analysis

Turnover	2000 £000	1999 £000
Newspapers and printing	119,534	111,876
Magazines and contract publishing – existing operations	9,512	3,928
Magazines and contract publishing – acquisition	1,182	-
New media	377	353
	130,605	116,157

Operating Profit	2000 £000 excluding amortisation and reorganisation costs	1999 £000 excluding amortisation and reorganisation costs	2000 £000	1999 £000
Newspapers and printing	26,736	21,250	26,736	21,250
Reorganisation costs	-	-	-	(1,287)
	26,736	21,250	26,736	19,963
Magazines and contract publishing – existing operations	(52)	160	(52)	160
Magazines and contract publishing – acquisitions	92	-	92	-
Amortisation of goodwill and other intangible assets	-	-	(540)	(129)
Reorganisation costs	-	-	-	(77)
	40	160	(500)	(46)
Sub total	26,776	21,410	26,236	19,917
New media	(1,594)	(357)	(1,594)	(357)
Common costs	(983)	(557)	(983)	(557)
	24,199	20,496	23,659	19,003

Net Assets	2000 £000	1999 £000
Newspapers and printing	92,411	88,459
Magazines and contract publishing	10,813	7,322
Radio	52	61
	103,276	95,842
Central net liabilities	(76)	(7,837)
	103,200	88,005

Summerhouse Publishing Limited and Market Link Publishing Plc had combined sales to Europe of £701,000 (1999: £1,096,000).
All other sales were made in the United Kingdom.
Turnover represents invoiced and cash sales, net of value added tax.
Pilot Publishing Company Limited was acquired on 25 August 2000.
France Magazine and Somerset Magazine were acquired on 7 July 2000 and 27 October 2000 respectively.
All other segments of the business have continued throughout 2000.

Notes to the accounts
as at 31 December 2000

3. Operating profit

	Continuing Operations £000	Acquisitions £000	Total 2000 £000	Total 1999 £000
Turnover	129,423	1,182	130,605	116,157
Other operating income	1,235	-	1,235	1,191
Operating costs				
Change in stocks of finished goods and work in progress	(15)	(1)	(16)	(16)
Raw materials and consumables	14,526	135	14,661	13,527
Other external charges	4,818	469	5,287	4,485
Staff costs (Note 6)	51,583	230	51,813	46,159
Depreciation and amortisation	4,796	13	4,809	4,565
Other operating charges	31,383	244	31,627	28,261
	107,091	1,090	108,181	96,981
	23,567	92	23,659	20,367
Reorganisation costs	-	-	-	(1,364)
Operating profit	23,567	92	23,659	19,003

Operating profit is stated after charging:	2000 £000	1999 £000
Directors' remuneration (Note 5)	909	735
Auditors' remuneration – audit services	130	131
Auditors' remuneration – non-audit services – corporation tax compliance	127	120
Auditors' remuneration – non-audit services – corporate governance	20	10
Auditors' remuneration – non-audit services – other	90	259
Rentals under operating leases – property	945	946
Rentals under operating leases – non-property	2,842	2,849

In addition, a further £34,000 of auditors' remuneration for non-audit services was incurred, capitalised as part of the cost of acquisition of Pilot Publishing Company Limited and France Magazine.

4. Exceptional items

	2000 £000	1999 £000
Recognised in arriving at operating profit		
Reorganisation costs	-	(1,364)
Recognised below operating profit		
Profit on disposal of investment in associate (including goodwill written back in 1999: £1,574,000)	-	8,443
Special dividends received from The Press Association Limited	1,406	-
	1,406	8,443
Total exceptional items	1,406	7,079

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

5. Directors' remuneration and interests

Directors' remuneration	2000 £000	1999 £000
Fees	140	122
Other emoluments:		
basic salaries	481	427
benefits	55	29
performance related pay	193	120
	869	698
Contributions to funded unapproved retirement benefit scheme	40	37
	909	735

	Salaries and Fees £000	Benefits £000	Performance related bonuses £000	Total 2000 £000	1999 £000
R W Jewson	53	-	-	53	45
G H C Copeman	15	-	-	15	15
P M Strong	162	10	75	247	184
T Stevenson	102	9	20	131	131
C H Lawrence	95	10	40	145	111
N G F Websper	123	26	58	207	150
R V J Cadbury	15	-	-	15	15
R C Copeman	14	-	-	14	13
I R Lockett	14	-	-	14	13
J F de Moller	14	-	-	14	8
P J C Troughton	14	-	-	14	13
	621	55	193	869	698

The accrued pension entitlements of the Executive Directors were:

	Age at 31.12.00	Years of service at 31.12.00	Increase, excluding inflation, in accrued pension during the year £000	Transfer value of increase £000	Accrued entitlement 31.12.00 £000	Accrued entitlement 31.12.99 £000
P M Strong	53	4	3	42	13	10
T Stevenson	51	15	4	37	43	39
C H Lawrence	39	2	2	22	7	5
N G F Websper	44	19	10	79	45	35

Inflation has been assumed to be equivalent to the actual rate of price inflation, which was 2.9% for the year ended 31 December 2000.

The pension entitlement shown above for the participating directors is that which would be paid on retirement based on service to 31 December 2000.

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

Contributions of £40,000 (1999: £37,000) were paid 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 £91,800 of two-thirds salary at retirement age of 60.

Notes to the accounts
as at 31 December 2000

5. Directors' remuneration and interests (continued)

Directors' interests in the shares of the Company

	As at 1 January 2000 £1 Preference Shares	£1 Second Preference Shares	20p Ordinary Shares	As at 31 December 2000 £1 Preference Shares	£1 Second Preference Shares	20p Ordinary Shares
R W Jewson	-	-	35,194	-	-	35,194
G H C Copeman	5,038	39,609	223,565	5,038	39,609	223,565
	-	*3,000	*86,478	-	*3,000	*24,500
R V J Cadbury	-	-	14,372	-	-	14,372
R C Copeman	1,983	19,393	254,418	1,983	19,393	254,418
	*4,216	*4,912	*37,923	*4,216	*4,912	*37,923
C H Lawrence	-	-	20,522	-	-	20,522
I R Lockett	-	4,044	159,320	-	4,044	159,320
T Stevenson	-	-	7,214	-	-	11,423
P M Strong	-	-	41,473	-	-	50,722
P J C Troughton	-	3,333	91,755	-	3,333	91,755
	*35,448	-	*3,096,518	*35,448	-	*3,096,518
N G F Websper	-	-	9,396	-	-	9,445

* Held as Trustee

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

With the exception of Mr T Stevenson and Mr N G F Websper exercising share options at maturity (as disclosed on page 47), none of the directors had any transactions in the shares of the Company during the period from 31 December 2000 to 21 March 2001.

Long Term Incentive Plan

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

	Cycle ending	Award date	At 1 Jan 2000 Number	Awarded Number	Exercised Number	Market price on exercise	Money value on exercise	At 31 Dec 2000 Number
C H Lawrence	2000	16.2.98	7,692	-	-	-	-	7,692
	2001	22.3.99	7,500	-	-	-	-	7,500
	2002	14.2.00	-	8,000	-	-	-	8,000
T Stevenson	1999	25.3.97	8,320	-	4,160	8.50	35,360	4,160
	2000	16.2.98	9,231	-	-	-	-	9,231
	2001	22.3.99	6,000	-	-	-	-	6,000
	2002	14.2.00	-	6,000	-	-	-	6,000
P M Strong	1999	25.3.97	18,400	-	9,200	8.50	78,200	9,200
	2000	16.2.98	17,692	-	-	-	-	17,692
	2001	22.3.99	15,625	-	-	-	-	15,625
	2002	14.2.00	-	15,000	-	-	-	15,000
N G F Websper	2000	16.2.98	4,519	-	-	-	-	4,519
	2001	22.3.99	8,000	-	-	-	-	8,000
	2002	14.2.00	-	12,500	-	-	-	12,500
			102,979	41,500	13,360		113,560	131,119

Under the rules of the Plan the share prices used in calculating the allocations were £3.75 for 1997, £3.90 for 1998, £4.80 for 1999 and £6.30 for 2000. Further explanation of the Plan is included in the Report of the Remuneration Committee on page 35.

5. Directors' remuneration and interests (continued)

Directors' interests in options

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

	Exercise price	Earliest exercise date	Latest exercise date	At 1 Jan 2000	At 31 Dec 2000
T Stevenson	£2.00	1 February 2001	31 July 2001	1,725	1,725
T Stevenson	£2.24	1 March 2002	31 August 2002	6,160	6,160
N G F Websper	£2.00	1 February 2001	31 July 2001	6,210	6,210
N G F Websper	£2.24	1 March 2002	31 August 2002	2,156	2,156
				16,251	16,251

6. Staff and their pay and benefits

Average monthly number of staff:

	2000	1999
Newspapers and printing	2,072	2,062
Other activities	126	38
	2,198	2,100

Pay and benefits	£000	£000
Wages and salaries	45,126	39,977
Social security costs	3,344	3,256
Other pension costs	2,833	2,526
	51,303	45,759
Employee share scheme	510	400
	51,813	46,159

Other pension costs include £100,000 (1999: £100,000) in respect of the lump sum pension contribution made in 1997, the balance of which is carried forward under debtors in Note 16.

Employee share scheme

The staff share scheme was approved by the members at the 1997 Annual General Meeting, and operates under the ECNG Employee Share Ownership Plan Trust. For 2000, under the scheme, all eligible staff of the Group will be invited to subscribe for shares with a value of up to £70, and the Company will purchase for each member of staff who subscribes to the offer, a number of additional shares for each one purchased.

The shares provided by the Company are held in trust and can be transferred tax-free to participating staff after three years.

Notes to the accounts
as at 31 December 2000

7. Other income from investments

	2000 £000	1999 £000
Interest and dividends received		
Listed investments	6	9
Short term interest	1,417	1,176
Talkco (Holdings) Limited loan notes	853	351
Loan to associate	-	99
Less share of associate's interest paid	-	(39)
	2,276	1,596

8. Interest payable

	2000 £000	1999 £000
Overdraft and loans	91	118
Finance leases	53	57
Other	28	6
Loan notes	967	1,081
Amortisation of loan issue costs	21	49
Share of associate's interest	-	207
	1,160	1,518

9. Tax on profit on ordinary activities

The taxation charge is made up as follows:

	2000 £000	1999 £000
Based on the profit for year		
Corporation tax	5,539	6,209
Deferred taxation	1,293	2,272
Share of taxation in associates	-	70
	6,832	8,551
Adjustments relating to previous years	108	(891)
	6,940	7,660

The effective tax rate for the current year is 26.5% compared to an effective standard rate for 2000 of 30%. The charge for the year has been reduced by 1.3% in respect of capital gains rolled over, but not provided within deferred tax and by 1.6% in respect of non taxable income received. The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit (Note 4) is a charge of £nil (1999: charge of £2,542,000).

10. Dividends

	2000 £000	1999 £000
6.45% Cumulative Preference Shares	20	20
15.5% Cumulative Second Preference Shares	316	316
	336	336
Ordinary Shares:		
Interim of 8.0p paid on 2 October 2000 (1999: 6.0p)	1,291	959
Proposed final of 16.0 p (1999: 14.0p)	2,624	2,255
	3,915	3,214
	4,251	3,550

The ECNG Employee Benefit Trust, the ECNG Qualifying Exempt Share Ownership Trust and the Trustees of the ECNG Long Term Incentive Plan Trust have waived the dividends payable on the shares that they own and have agreed to waive future dividends.

11. Earnings per ordinary share

The calculations are based on profits after preference dividends of £18,857,000 (1999: £19,935,000) and on ordinary shares of 16,189,000 (1999: 15,998,000) being the weighted average number of shares in issue during the year, excluding the shares owned by ECNG Qualifying Exempt Share Ownership Trust.

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

	2000 p	1999 p
Earnings per share	116.5	124.6
Adjustment for exceptional items	(8.7)	(44.2)
Adjustment for amortisation of goodwill and other intangible assets	3.3	0.8
Tax impact of exceptional items	-	13.5
Adjusted earnings per share	111.1	94.7

The diluted earnings per share is based on earnings for the year of £18,857,000 (1999: £19,935,000) as above, and on 16,694,000 (1999: 16,429,000) ordinary shares, calculated as follows:

	2000 thousands	1999 thousands
Basic weighted average number of shares	16,189	15,998
Dilutive potential ordinary shares:		
Employee share options	248	258
Contingently issuable shares under the Long Term Incentive Plan	257	173
	16,694	16,429

Notes to the accounts
as at 31 December 2000

12. Intangible fixed assets

Group	Franchises	Newspaper Titles	Magazine Titles	Goodwill	Total
	£000	£000	£000	£000	£000
Cost:					
At 31 December 1999	23	45,292	2,862	4,905	53,082
Additions	82	-	-	-	82
Adjustments to purchase consideration	-	-	(395)	380	(15)
Acquisition of businesses	-	542	5,876	-	6,418
At 31 December 2000	105	45,834	8,343	5,285	59,567
Amortisation					
At 31 December 1999	2	-	34	152	188
Provided during the year	9	-	255	276	540
At 31 December 2000	11	-	289	428	728
Net book value					
At 31 December 2000	94	45,834	8,054	4,857	58,839
At 31 December 1999	21	45,292	2,828	4,753	52,894

Company	Franchises	Magazine Titles	Total
	£000	£000	£000
Cost:			
At 31 December 1999	23	-	23
Intra group transfer	-	383	383
Additions	82	-	82
At 31 December 2000	105	383	488
Amortisation:			
At 31 December 1999	2	-	2
Intra group transfer	-	71	71
Provided during the year	9	13	22
At 31 December 2000	11	84	95
Net book value			
At 31 December 2000	94	299	393
At 31 December 1999	21	-	21

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

13. Tangible fixed assets

Movements on tangible fixed asset accounts have been:

Group	Freehold land & buildings £000	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Cost or valuation					
At 31 December 1999	14,964	370	47,404	4,100	66,838
Additions	26	31	2,221	-	2,278
Acquisition of businesses	-	-	214	-	214
Disposals	(80)	-	(374)	-	(454)
At 31 December 2000	14,910	401	49,465	4,100	68,876
Depreciation					
At 31 December 1999	675	122	29,974	2,487	33,258
Charge for year	232	21	4,016	-	4,269
Acquisition of businesses	-	-	138	-	138
Disposals	(5)	-	(323)	-	(328)
At 31 December 2000	902	143	33,805	2,487	37,337
Net book value					
At 31 December 2000	14,008	258	15,660	1,613	31,539
At 31 December 1999	14,289	248	17,430	1,613	33,580

Included in freehold land and buildings is land valued at £3,408,000 (1999: £3,428,000), which is not depreciated. The net book value of plant, equipment and vehicles above includes an amount of £646,000 (1999: £620,000) in respect of assets held under finance leases, and £8,222,000 (1999: £9,323,000) for both Group and Company in respect of assets subject to a chattel mortgage.

The depreciation charge comprises depreciation of owned assets of £4,057,000 and depreciation of assets held under finance leases of £212,000.

Company	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Cost or valuation				
At 31 December 1999	50	36,300	4,100	40,450
Additions	-	1,051	-	1,051
Disposals	-	(152)	-	(152)
At 31 December 2000	50	37,199	4,100	41,349
Depreciation				
At 31 December 1999	2	22,289	2,487	24,778
Charge for year	1	2,491	-	2,492
Disposals	-	(144)	-	(144)
At 31 December 2000	3	24,636	2,487	27,126
Net book value				
At 31 December 2000	47	12,563	1,613	14,223
At 31 December 1999	48	14,011	1,613	15,672

13. Tangible fixed assets (continued)

The cost or valuation of land and buildings at 31 December 2000 comprises:

	Freehold Group	Freehold Company	Leasehold Group Long	Leasehold Group Short	Leasehold Company Long	Leasehold Company Short
	£000	£000	£000	£000	£000	£000
At valuation – 1996	13,698	-	176	-	50	-
At cost	1,212	-	-	225	-	-
	14,910	-	176	225	50	-

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

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

	Freehold 2000	Freehold 1999	Leasehold 2000	Leasehold 1999
	£000	£000	£000	£000
Group				
Cost	13,836	13,897	387	356
Aggregate depreciation	2,397	2,206	162	141
Company				
Cost	-	-	28	28
Aggregate depreciation	-	-	14	13

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 £13,000 (1999: £17,000).

14. Investments

Group	2000 £000	1999 £000
Associates (a)	52	61
Other fixed asset investments (b)	316	406
	368	467

a. Associates

	Share of net assets £000
At 31 December 1999	61
Share of results retained by associate	(9)
At 31 December 2000	52

b.Other fixed asset investments

	Listed £000	Unlisted £000	Total £000
Cost			
At 31 December 1999	347	84	431
Disposals	(42)	(48)	(90)
At 31 December 2000	305	36	341
Provisions			
At 31 December 1999 and 2000	-	25	25
Net book value			
At 31 December 2000	305	11	316
At 31 December 1999	347	59	406

Notes to the accounts

as at 31 December 2000

14. Investments (continued)

Company	Subsidiary undertakings £000	Listed £000	Unlisted £000	Total £000
Cost				
At 31 December 1999	38,848	330	84	39,262
Disposals	-	(42)	(48)	(90)
At 31 December 2000	38,848	288	36	39,172
Provisions				
At 31 December 1999 and 2000	500	-	25	525
Net book value				
At 31 December 2000	38,348	288	11	38,647
At 31 December 1999	38,348	330	59	38,737

The market value of the listed investments at 31 December 2000 was £1,051,000 for the Group and £972,000 for the Company (1999: £820,000 and £707,000 respectively). Unlisted investments, consisting of equity share capital, are valued by the directors at £2,015,000 (1999: £2,103,000) 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 £825,000 (1999: £755,000) in the event of disposals at these values.

14. Investments (continued)

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

Company	Activity	Percentage of Ordinary Shares
Subsidiary undertakings		
Community Media Limited	Newspaper publishing	100
The Anglia Advertiser Limited	Newspaper publishing	100
ECNG Properties Limited	Property	100
ECNG Leasing Limited	Property & leasing	100
Orient Publishing Plc	Holding company	100
North Devon Gazette & Advertiser Limited*	Newspaper publishing	100
ECNG Investment Co Limited*	Investment holding company	100
Home Counties Newspapers Holdings Plc*	Holding company	100
Market Link Publishing Plc*	Magazine publishing	100
The South Essex Recorders Limited*	Newspaper publishing	100
Home Counties Newspapers Limited*	Newspaper publishing	100
The Hampstead & Highgate Express Printing and Publishing Company Limited*	Newspaper publishing	100
Summerhouse Publishing Limited*	Contract publishing	91
Pilot Publishing Company Limited*	Magazine publishing	100
Associate		
Westcom Media Limited*	Radio broadcasting	35

On 25 August 2000 the Group acquired the entire issued share capital of Pilot Publishing Company Limited for a total consideration of £3,345,000 comprising cash consideration £231,000, Market Link Publishing Plc loan notes 2003 of £3,050,000 (Note 19 below) and acquisition costs of £64,000. The tangible net assets acquired were £258,000 and the excess of the consideration paid over the tangible net assets of £3,087,000 has been attributed to the value of the magazine title published by the company.

During the year, the Group also acquired the businesses of France Magazine and Somerset Magazine for total considerations of £2,674,000 and £266,000 respectively. The excess of the total consideration over the tangible net assets acquired has been attributed to the values of the magazine titles acquired.

On 13 December 2000, the Group acquired the outstanding 50% of North Devon Gazette and Advertiser Limited not previously held by the Group, for a consideration of £695,000. The fair value of the tangible net assets acquired were £154,000. The excess of the consideration paid over the net assets acquired has been attributed to the value of the newspaper title acquired.

In aggregate the consideration for the acquisitions totalled £6,980,000 comprising Market Link loan notes 2003 £3,050,000, deferred consideration £516,000 and cash £3,414,000.

15. Stocks

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Raw materials	1,191	1,343	1,166	1,316
Finished goods and goods for resale	292	231	65	-
	1,483	1,574	1,231	1,316

16. Debtors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Due in less than one year:				
Trade debtors	16,700	17,205	7,332	8,059
Amounts owed by subsidiary undertakings	-	-	1,830	947
Other debtors	731	657	475	390
Prepayments and accrued income	2,367	1,817	725	757
Corporation tax recoverable	80	284	-	61
Pension prepayments	100	100	100	100
	19,978	20,063	10,462	10,314
Due in over one year:				
Amounts owed by subsidiary undertakings	-	-	54,166	43,663
Pension prepayment	499	599	499	599
Other debtors	4	25	-	-
	503	624	54,665	44,262
Total debtors	20,481	20,687	65,127	54,576

17. Short term investments

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Shares held by ECNG Employee Benefit Trust	648	355	648	355
Loan notes receivable	13,774	13,774	13,774	13,774
	14,422	14,129	14,422	14,129

The ECNG Employee Benefit Trust holds shares in Eastern Counties Newspapers Group Limited valued at £648,000. The bank overdraft of the Trust is guaranteed by ECNG and included in creditors at the same value.

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

18. Cash and deposits

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Term and other deposits	24,500	13,500	24,500	13,500
Cash at bank and in hand	6,641	3,716	2,493	1,108
	31,141	17,216	26,993	14,608

19. Trade and other creditors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Trade creditors	4,268	4,179	1,812	1,830
Orient Publishing Plc loan notes	15,383	18,081	-	-
Market Link Publishing Plc loan notes	3,050	-	-	-
Employee Benefit Trust overdraft (guaranteed)	648	355	648	355
Finance lease obligations	241	243	-	-
Deferred lease premium	1,100	1,100	1,100	1,100
Amounts owed to subsidiary undertakings	-	-	690	1,001
Tax and social security	3,207	2,340	723	623
Other creditors	1,727	1,738	627	826
Accruals and deferred income	6,849	5,290	4,114	2,912
Payments on account	194	171	86	120
	36,667	33,497	9,800	8,767

Orient Publishing Plc loan notes

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

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Total loan notes outstanding	15,507	18,226	-	-
Less issue costs	(124)	(145)	-	-
	15,383	18,081	-	-

Market Link Publishing Plc loan notes

The Market Link Publishing Plc loan notes are floating rate, guaranteed, unsecured loan notes 2003, and were issued as part of the consideration for the acquisition of Pilot Publishing Company Limited. The interest is payable half yearly on 31 May and 30 November 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 any time after 25 August 2001, subject to giving the required notice. The loan notes are guaranteed by Barclays Bank Plc at a cost to the group of 0.45% per annum.

Notes to the accounts
as at 31 December 2000

20. Creditors

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amounts falling due after more than one year:				
Loans – film finance	1,613	1,613	1,613	1,613
Finance lease obligations	372	435	-	-
Deferred consideration on acquisitions	796	543	-	-
Deferred lease premium	988	2,088	988	2,088
Amounts owed to subsidiary undertakings	-	-	37,897	33,024
	3,769	4,679	40,498	36,725

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 Ex gratia Pensions £000	Group Other Provisions £000	Group Deferred Taxation £000	Group Total £000	Company Other Provisions £000	Company Deferred Taxation £000	Company Total £000
At 31 December 1999	762	738	4,386	5,886	275	5,020	5,295
Acquisition of subsidiary undertaking	-	-	3	3	-	-	-
Arising during the year	117	59	1,317	1,493	50	42	92
Utilised	(111)	(156)	-	(267)	(27)	-	(27)
At 31 December 2000	768	641	5,706	7,115	298	5,062	5,360

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

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

	Group Provided 2000 £000	Group Provided 1999 £000	Group Not Provided 2000 £000	Group Not Provided 1999 £000	Company Provided 2000 £000	Company Provided 1999 £000	Company Not Provided 2000 £000	Company Not Provided 1999 £000
Capital allowances in advance of depreciation	2,130	2,318	808	827	2,441	2,570	-	-
Other timing differences	3,576	2,068	351	-	2,621	2,450	16	16
	5,706	4,386	1,159	827	5,062	5,020	16	16

22. Called up share capital

	Authorised		Allotted, called up and fully paid	
	2000	1999	2000	1999
	£000	£000	£000	£000
6.45% Cumulative Preference Shares of £1 each				
308,500 issued	309	309	309	309
15.5% Cumulative Second Preference Shares of £1 each				
2,041,300 issued	2,041	2,041	2,041	2,041
Ordinary Shares of 20p each				
16,463,484 issued (1999: 16,382,832)	3,650	3,650	3,293	3,276
	6,000	6,000	5,643	5,626

Movement in Ordinary Shares	Number
Shares in issue at 1 January 2000	16,382,832
Shares issued 24 March 2000 at £3.75 to the trustee of the ECNG Long Term Incentive Plan Trust on maturity of the 1997 plan	26,720
Shares issued 24 March 2000 at the appropriate rates to the trustee of the ECNG Long Term Incentive Plan Trust following the redundancy of a participant in the scheme	2,050
Shares issued during April 2000 at £8.50 to the ECNG Qualifying Exempt Share Ownership Trust on the maturity of the 1997 three year SAYE scheme	48,192
Shares issued on 18 October 2000, at £9.30 to the ECNG Qualifying Exempt Share Ownership Trust	3,690
Shares in issue at 31 December 2000	16,463,484

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 February 1996	£2.00	1 February 2001	31 July 2001	208,543
1 March 1997	£2.24	1 March 2002	31 August 2002	121,567
				330,110

Long Term Incentive 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 35.

23. Movements on shareholders' funds

	Share Capital	Share Premium account	Revaluation surplus	Profit and loss account	Total
	£000	£000	£000	£000	£000
Group					
At 31 December 1998	5,539	1,372	991	60,926	68,828
Total recognised gains	-	-	-	20,271	20,271
Dividends	-	-	-	(3,550)	(3,550)
Issue of shares	87	2,664	-	-	2,751
Goodwill in associate	-	-	-	1,574	1,574
Realised on disposals	-	-	(364)	364	-
Distributable element of depreciation charge	-	-	(17)	17	-
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(1,869)	(1,869)
At 31 December 1999	5,626	4,036	610	77,733	88,005
Total recognised gains	-	-	-	19,193	19,193
Dividends	-	-	-	(4,251)	(4,251)
Issue of shares	17	536	-	-	553
Realised on disposals	-	-	(5)	5	-
Distributable element of depreciation charge	-	-	(13)	13	-
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(300)	(300)
At 31 December 2000	5,643	4,572	592	92,393	103,200
Company					
At 31 December 1998	5,539	1,372	13	61,074	67,998
Total recognised gains	-	-	-	18,004	18,004
Dividends	-	-	-	(3,550)	(3,550)
Issue of shares	87	2,664	-	-	2,751
Distributable element of depreciation charge	-	-	(1)	1	-
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(1,869)	(1,869)
At 31 December 1999	5,626	4,036	12	73,660	83,334
Total recognised gains	-	-	-	20,562	20,562
Dividends	-	-	-	(4,251)	(4,251)
Issue of shares	17	536	-	-	553
Contribution to Qualifying Exempt Share Ownership Trust	-	-	-	(300)	(300)
At 31 December 2000	5,643	4,572	12	89,671	99,898

The cumulative amount of goodwill written off to the Profit and Loss Account at 31 December 2000 in the consolidated accounts is £13,759,000 (1999: £13,759,000).

24. Financial instruments and related disclosures

Details of the Group's treasury policies and strategies, together with the carrying values of the Group's principal financial instruments at 31 December 2000, are included in the Financial Review on pages 9 to 11.
The disclosures below exclude short term debtors and creditors.

Interest rate risk profile of financial assets

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

2000	Total £000	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets on which no interest is earned £000
Fixed asset investments	316	10	-	306
Talkco (Holdings) Limited loan notes	13,774	-	13,774	-
Term deposits	24,500	-	24,500	-
Overnight deposits	3,300	-	3,300	-
Bank and cash balances	3,341	-	3,341	-
	45,231	10	44,915	306

1999	Total £000	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets on which no interest is earned £000
Fixed asset investments	406	15	-	391
Talkco (Holdings) Limited loan notes	13,774	-	13,774	-
Term deposits	13,500	-	13,500	-
Overnight deposits	2,140	-	2,140	-
Bank and cash balances	1,576	-	1,576	-
	31,396	15	30,990	391

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

Interest rate risk profile of financial liabilities

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

2000	Total £000	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities on which no interest is paid £000
Deferred lease premium	2,088	-	-	2,088
Orient Publishing Plc loan notes	15,383	-	15,383	-
Market Link Publishing Plc loan notes	3,050	-	3,050	-
Finance leases	613	613	-	-
Loans for film finance	1,613	-	-	1,613
6.45% cumulative preference shares	309	309	-	-
15.5% cumulative second preference shares	2,041	2,041	-	-
Provisions	1,409	-	-	1,409
	26,506	2,963	18,433	5,110

24. Financial instruments and related disclosures (continued)

1999	Total £000	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities on which no interest is paid £000
Deferred lease premium	3,188	-	-	3,188
Orient Publishing Plc loan notes	18,081	-	18,081	-
Finance leases	677	677	-	-
Loans for film finance	1,613	-	-	1,613
6.45% cumulative preference shares	309	309	-	-
15.5% cumulative second preference shares	2,041	2,041	-	-
Provisions	1,500	-	-	1,500
	27,409	3,027	18,081	6,301

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2000 was as follows:

	2000 £000	1999 £000
In one year or less, or on demand	19,929	19,659
In more than one year, but not more than two	1,385	1,470
In more than two years, but not more than five	481	1,600
In more than five years	4,711	4,680
	26,506	27,409

Fair value of financial assets and financial liabilities

The fair values of the financial assets and liabilities are deemed as being equal to their book values with the following exceptions. The fair values of the fixed asset investments at 31 December 2000 were £3,066,000 (1999: £2,923,000) which comprised market value for listed investments and directors' valuations for unlisted investments compared with a book value of £316,000 (1999: £406,000).

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

25. Reconciliation of operating profit to operating cash flows

	2000 £000	1999 £000
Operating profit	23,659	19,003
Depreciation of tangible fixed assets	4,269	4,436
Amortisation of intangible fixed assets	540	129
Lease premium amortisation	(1,100)	(1,100)
Amortisation of lump sum pension contribution	100	100
(Profit) on disposals of tangible fixed assets	(215)	(281)
Decrease/(increase) in stocks	198	(248)
Decrease/(increase) in debtors	288	(2,253)
Increase in creditors	2,089	812
Increase in provisions	176	163
Payment against provisions	(267)	(213)
Contribution to Qualifying Exempt Share Ownership Trust	(300)	(1,869)
Cash flow from operating activities	29,437	18,679

26. Analysis of cash flows for headings netted in the cash flow

Returns on investments and servicing of finance	Notes	2000 £000	1999 £000
Interest received		2,270	1,626
Dividends received		1,412	9
Interest paid		(1,086)	(1,205)
Preference dividends paid		(336)	(336)
Dividends paid to minority interests		(36)	(43)
Interest element of finance lease rental payments		(53)	(57)
		2,171	(6)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(82)	(23)
Purchase of tangible fixed assets		(2,044)	(2,939)
Sale of tangible fixed assets		177	925
Sale of investments		249	150
		(1,700)	(1,887)
Acquisitions and disposals			
Investments in associates		-	(87)
Acquisitions of businesses	14	(3,414)	(5,680)
Bank balance acquired with businesses	14	23	(1,096)
Adjustment to purchase consideration	14	15	16
Sale of associates		-	(79)
Deferred consideration		-	(105)
		(3,376)	(7,031)

Notes to the accounts

as at 31 December 2000

26. Analysis of cash flows for headings netted in the cash flow (continued)

Management of liquid resources	2000 £000	1999 £000
(Increase)/decrease in short term deposits	(11,000)	1,024

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

Financing	2000 £000	1999 £000
Issue of ordinary share capital	553	2,751
Repayment of Orient Publishing Plc loan notes	(2,719)	(6,166)
Capital element of finance lease rental payments	(300)	(242)
Repayment of loans to associate	-	2,157
	(2,466)	(1,500)

27. Analysis of net funds

	At 1.1.00 £000	Cash Flow £000	Other non cash changes £000	Acquisitions excluding cash and overdrafts £000	At 31.12.00 £000
Cash at bank and in hand	3,716	2,925	-	-	6,641
Short term deposits	13,500	11,000	-	-	24,500
Talkco (Holdings) Limited loan notes	13,774	-	-	-	13,774
	30,990	13,925	-	-	44,915
Loans	(18,226)	2,719	(3,050)	-	(18,557)
Loan issue costs	145	-	(21)	-	124
Finance leases	(677)	300	(236)	-	(613)
Total	12,232	16,944	(3,307)	-	25,869

28. Major non cash transactions

During the year the Group issued bank-guaranteed floating rate unsecured loan notes 2003 totalling £3,050,000 as part of the consideration for the acquisition of Pilot Publishing Company Limited.
The Group also entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £236,000.

29. Post balance sheet events

On 3 January 2001, the Group invested a further £1,002,000 in Westcom Media Limited, to allow Westcom to acquire CAT FM Limited. This investment increased the Group's holding in Westcom to 47.6%.

On 30 January 2001, the Group acquired the entire issued share capital of Oyston Publications Plc, who publish five lifestyle magazines across Cheshire, Lancashire and Yorkshire. The turnover of these titles for the year ended 31 December 2000 was £4,541,000.

30. Capital commitments

Approved future capital expenditure at 31 December 2000, for which no provision has been made in these accounts, amounted to:

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Contracted for but not provided	131	379	131	94

31. Commitments under operating leases

At 31 December 2000 annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant, equipment and vehicles	
	2000	1999	2000	1999
Group	£000	£000	£000	£000
Operating leases which expire:				
Within one year	87	95	363	210
Within two to five years	340	365	2,492	2,710
Over five years	565	616	-	-
	992	1,076	2,855	2,920

32. Contingent liabilities

ECNG has a contingent liability for any warranty claims made by the purchasers under the terms of the sale and purchase agreements for the sale of subsidiary undertakings and associates by ECNG, where the period allowed for warranty claims has not yet expired. Claims under the taxation warranties following the sale of subsidiary undertakings and associates can be lodged at any time up to 26 July 2005.

Notes to the accounts
as at 31 December 2000

33. 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 £2,833,000 (1999: £2,526,000).

The Group operates both defined benefit and defined contribution pension schemes.

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

For the Final Salary Section of the Pension and Life Assurance Scheme, at the most recent valuation, as at 1 January 1999, it was assumed that the rate of return on investments would be 3.5% above price inflation for the purpose of valuing the accrued liabilities and 3.75% above price inflation for the purpose of valuing future accruing liabilities, salaries would increase by 1.5% above price inflation and pensions would increase in line with price inflation. As at 1 January 1999 the market value of the assets was £71,243,000 and the actuarial value of the assets represented 107% of the liability for benefits that had accrued to the members for service to the review date, based on salaries projected to retirement. The employer's regular contribution rate, ignoring surplus, was identified as 13.6%. If the surplus was eliminated over the average remaining service lives of the members (13 years), the employer's contribution rate could have been reduced to 10.4%. However, in order to reduce the risk of failing to satisfy the minimum funding requirement under the Pension Act 1995, the full allowance for eliminating surplus was not implemented. Instead, the employer contribution rate was maintained at 11.0% during 2000. The Final Salary section was closed to new members with effect from 26 February 1998.

The Group also operates a Defined Contribution section of the ECNG Pension and Life Assurance Scheme. The pension cost represents contributions payable by the Group to this scheme with the company matching members' contributions in the following bandings as a percentage of pensionable salary:

	Range
■ under 40 years of age	3% to 6%
■ over 40 years of age	4% to 8%

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 2000 employer contributions were paid at the rate of 24.4%.

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. An actuarial valuation was carried out at 31 December 2000 which indicated a deficiency of £50,000 which has been provided within these accounts.

Five-year financial summary

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
Turnover					
Continuing operations	130,605	116,157	102,488	79,163	71,865
Discontinued operations	-	-	991	950	826
	130,605	116,157	103,479	80,113	72,691
Operating profit before amortisation and exceptional items					
Continuing operations	24,199	20,496	17,543	10,044	4,765
Discontinued operations	-	-	(423)	(201)	(222)
	24,199	20,496	17,120	9,843	4,543
Return on sales	18.5%	17.6%	16.5%	12.3%	6.2%
Operating results in associates	(9)	450	356	(25)	(166)
Amortisation of intangible fixed assets	(540)	(129)	(59)	-	-
Exceptional items	1,406	7,079	2,791	5,247	2,081
Income from investments & interest payable	1,116	78	78	736	334
Profit before tax	26,172	27,974	20,286	15,801	6,792
Tax	6,940	7,660	6,170	4,183	1,494
Effective rate of taxation	26.5%	27.4%	30.4%	26.5%	22.0%
Dividends	4,251	3,550	2,878	2,289	1,982
Retained profit for the year	14,942	16,721	11,212	9,321	3,316
Basic earnings per share	116.5p	124.6p	86.6p	71.5p	31.5p
Adjusted earnings per share	111.1p	94.7p	74.0p	44.3p	19.5p
Diluted earnings per share	113.0p	121.3p	84.8p	70.7p	31.4p
Net dividends per share	24.0p	20.0p	16.0p	12.4p	10.5p
Dividend cover (based on adjusted EPS)	4.6	4.7	4.6	3.6	1.9
Net assets	103,200	88,005	68,828	56,274	46,881
Net cash/(debt)	25,869	12,232	(5,672)	25,730	6,897
Net gearing %*	N/a	N/a	8.20	N/a	N/a

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

	2000	1999	1998	1997	1996
Exceptional items					
Special dividends from The Press Association Limited	1,406	-	-	-	-
Reorganisation costs	-	(1,364)	-	-	-
Profits/(losses) on the disposal of:					
40% interest in The Radio Partnership Limited	-	8,443	-	-	-
20% interest in Xfm Limited	-	-	2,838	-	-
29.8% interest in Faze FM Radio Limited	-	-	-	4,603	-
25.4% interest in Surrey & NE Hants Radio Limited	-	-	-	714	-
20% interest in Bucks Broadcasting Limited	-	-	-	232	-
Other radio interests	-	-	-	(221)	1,644
Bath & Trowbridge newspaper titles	-	-	1,377	-	-
Paper Chain (East Anglia) Limited	-	-	-	-	(241)
Swansea Sound Limited	-	-	-	-	351
Home Counties acquisition restructuring costs	-	-	(564)	-	-
Loss on closure of Orient Direct Marketing Limited	-	-	(860)	-	-
Other exceptional items	-	-	-	(81)	327
Total exceptional items	1,406	7,079	2,791	5,247	2,081

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 16 May 2001 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 2000 be and are hereby received.

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

3 THAT Mr R V J Cadbury, retiring as director at this Meeting, be re-elected.

4 THAT Mr C H Lawrence, retiring as director at this Meeting, be re-elected.

5 THAT Mr T Stevenson, retiring as director at this Meeting, be re-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 18 May 2001.

8 That the ECNG All Employee Share Plan ("the Plan"), the main features of which are summarised in the Appendix to the Chairman's letter dated 20 April 2001 and a copy of the draft Rules for which were produced at this Meeting and signed by the Chairman for the purpose of identification, be and the same is hereby approved and the directors are hereby authorised to do all such things as may be necessary or desirable to carry the Plan into effect including making such amendments as may be necessary or desirable to obtain the approval of the Inland Revenue to the Plan.

Special Resolution

9 That Articles 31(B), 33(C), (D), (F) and (J) of the Company's Articles of Association be and are hereby revoked and replaced with equivalent new Articles, as set out below:

31(B) Subject to the provisions of Article 34 any share may be transferred at any time or bequeathed by will or codicil by a member to the Trustee of a trust or settlement created for the benefit of any such person as is a permitted transferee pursuant to Article 30 hereof regardless as to whether such person or persons who are named as Trustees may otherwise be entitled to be a transferee of the shares pursuant to these Articles PROVIDED THAT in no circumstances shall any shares be transferred to a company whether or not such company is a specially designated trust company and whether or not the same is incorporated with limited liability or otherwise unless such company is a specially designated trust company being the trustee or one of the trustees for the time being of any trust established in connection with an employee share scheme within the meaning of Section 743 of the Companies Act 1985 approved by the shareholders of the Company and including the ECNG Employee Benefit Trust established by a Trust Deed dated 20 November 1992 (a 'Share Scheme Trust').

33(C) The delivery to the Company of the transfer notice as aforesaid shall constitute the Company the agent of the proposing transferor for the sale of the Ordinary Shares to the trustee(s) for the time being of a Share Scheme Trust or to any holder of Ordinary Shares or holders of Ordinary Shares of the Company or other persons selected by the directors willing to purchase the said Ordinary Shares comprised in the transfer notice at the fair price. A transfer notice shall not be revocable except with the sanction of the directors.

(D) Within seven days after the fair price shall have been agreed or certified by the auditors, as the case may be, the directors shall offer the Ordinary Shares comprised in the transfer notice for sale at the fair price in the first instance to the trustee(s) of any Share Scheme Trust who shall have seven days from the date of such offer in which to confirm in writing to the directors the number of shares (if any) the trustee(s) wish to purchase and thereafter any balance remaining under the transfer notice will be immediately offered to all the holders of Ordinary Shares other than the trustee(s) for the time being of any Share Scheme Trust inviting each of them to state in writing within twenty-eight days from the date of such offer whether he wishes to purchase any and, if so, what maximum number of the said Ordinary Shares. At the expiration of the said period of twenty-eight days the directors shall allocate the said Ordinary Shares to and amongst the said trustee(s) and/or the other holders of Ordinary Shares who shall have expressed their wish to purchase as aforesaid and in the case of holders of Ordinary Shares other than the said trustee(s) so far as may be pro rata to the number of Ordinary Shares held by them respectively. No holder of Ordinary Shares shall be obliged to take more than the maximum number of the said Ordinary Shares so notified by him as aforesaid.

(F) If at the expiration of the said offer or offers (as the case may be) all or any of the Ordinary Shares comprised in the transfer notice shall not have been agreed to be purchased by the trustee(s) of a Share Scheme Trust or by other Ordinary Shareholders the directors may find purchasers for such Ordinary Shares at the fair price whether the holders of Ordinary Shares of the Company or not, within a further twenty-eight days thereafter and shall give notice thereof to the proposing transferor, who shall be bound, upon payment of the fair price, to transfer such Ordinary Shares to such purchasers.

(J) Any Ordinary Share may be transferred at any time by the trustee(s) for the time being of any Share Scheme Trust to the trustee(s) of any other Share Scheme Trust or to any person or persons eligible or entitled to received the same in accordance with the terms of the Share Scheme Trust or the relevant employee share scheme.

Notice of Annual General Meeting

Ordinary Resolution

10 THAT pursuant to the provisions of Section 80 of the Companies Act 1985 ("the Act"), the directors are generally and unconditionally authorised to exercise all the powers of the Company to allot Ordinary Shares in the Capital of the Company to any director and/or any senior employee of the Company or any of its subsidiary companies who does not already hold any shares in the capital of the Company upon such terms as the Directors shall at their complete discretion determine provided that:

- the maximum aggregate amount of such shares that may be allotted under this authority to any one individual is shares having an aggregate nominal value of £2,000;
- the maximum amount of such shares that may be allotted under this authority is shares having an aggregate nominal value of £20,000;
- the price at which such shares shall be issued shall be not less than the fair value for the shares at the time of issue as determined by the Company's auditors in accordance with the provisions of Article 33 (B) of the Company's Articles of Association; and
- this authority shall, unless it is (prior to its expiry) duly revoked or varied or is renewed, expire on the date five years following the date of this resolution save that the Company may, before such expiry, make an offer or agreement which will or may require such shares to be allotted after such expiry.

Special Resolution

11 THAT subject to the passing of the previous resolution the directors be and are hereby empowered pursuant to Section 95 of the Act to allot at the then current market value Ordinary Shares having an aggregate nominal value of £20,000, in accordance with the authority conferred by the previous resolution as if the provisions of Sections 89 and 90 of the Act and the pre-emption provisions in the Company's Articles of Association did not apply to such allotment.

By order of the Board
J O Ellison
Secretary
20 April 2001

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

Telephone 01603 628311
Facsimilie 01603 613276

Registered Number 19300

www.ecng.co.uk

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

Financial calendar for the year to 31 December 2001

20 April	2000 Annual Report issued
2 May	Share register balances struck for 2000 final dividend
16 May	Annual General Meeting
18 May	Payment of 2000 Final Dividend
16 June	Half-Year End
30 June	Payment of 6.45% and 15.5% Preference Dividends
10 August	Interim Statement despatched and Interim Dividend announced (provisional)
1 October	Payment of 2001 Interim Dividend
31 December	Payment of 6.45% and 15.5% Preference Dividends

Produced and designed for ECNG by
Summerhouse
St James' Yarn Mill
Whitefriars
Norwich NR3 1XU

Telephone 01603 664242

magazines@summerhouse1.com
www.summerhouse1.com

Text Charlie Watson
Photography Bryn Colton 01603 754254