

FINANCIAL STATEMENTS 2001

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31 December 2001

Archant Regional Limited
(formerly Eastern Counties Newspapers Group Limited)

Secretary

J O Ellison

Registered Office

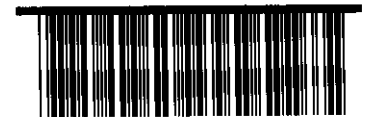
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• ANNUAL REPORT 2001

Archant Regional Limited
(formerly Eastern Counties Newspapers Group Limited)

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Archant Limited

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CHAIRMAN'S STATEMENT

ANNUAL REPORT 2001

Results

I am pleased to announce further progress for the Group in 2001. Operating profits before amortisation of goodwill were up 8.0% at £26.1m (2000 – £24.2m) on turnover up 10.3% at £144.0m (2000 – £130.6m). Pre-tax profits were down 2.7% at £25.5m (2000 – £26.2m) partly because of a reduced special dividend from the Press Association. Adjusted earnings per share were up 6% at 118p (2000 – 111p). Profit margins on our newspaper publishing interests remained just over 22%.[¶]

Operating cash flow of £29.5m was again satisfactory at 125% of group operating profit but net funds reduced to £17.9m (2000 – £25.9m) reflecting acquisitions of £16.6m and the £7.8m spent on cancelling the preference shares.[¶]

Dividend

The Board is recommending a final dividend of 17.6p (2000 – 16p) per ordinary share. This makes a total for 2001 of 26.4p (2000 – 24p) an increase of 10%. The dividend increase reflects our confidence in the prospects for the Group and our strong balance sheet. Shareholders will receive this dividend, if approved, as the first interim dividend of Archant Limited.[¶]

Highlights

Detailed reports follow from the Chief Executive and the Finance Director, but I would draw attention to a number of highlights, not least the two Extraordinary General Meetings at which shareholders overwhelmingly supported proposals to cancel the preference shares, and to restructure the group and rename it Archant. The re-branding, which involved an enormous amount of detailed

work by all the management – and in particular Peter Swallow who led the implementation and John Ellison our Company Secretary – has been completed successfully.[¶]

The East London and Essex-based *Recorder* series and the Hertfordshire-based titles saw big increases in revenue and margins. The *Romford Recorder* and *Ham & High* in particular saw circulation increases in excess of 5%.

Eastern Daily Press developments include further improvements in *EDP Norfolk* and the introduction of *EDP Sunday* included in the Saturday paper. *EDP24* was voted the best regional web site of the year by the Newspaper Society. The *Evening News* was successfully re-launched with renewed focus on campaigning and community issues. Norwich Print Centre was the first in the UK to adopt the latest computer-to-plate thermal imaging technology.[¶]

The *East Anglian Daily Times*, voted Daily Newspaper of the Year for the south-east and east region in the BT media awards, has been redesigned to meet the demands of a changing market in Suffolk. We have put in hand a £1.5m investment in colour printing capacity at Ipswich.[¶]

We acquired county magazines in Cheshire, Lancashire and Yorkshire, and additionally *Cotswold Life*. We have successfully launched *Photography Monthly*.[¶]

Staff and Board

We have devoted much effort during the year to redefining and communicating our core values of innovation, openness, quality and commitment. With consultants we have developed our management appraisal and development schemes. We have a creative and enthusiastic staff who

"We have devoted much effort during the year to redefining and communicating our core values of innovation, openness, quality and commitment. We have a creative and enthusiastic staff who are our strength and future"

Richard Jewson Chairman

are our strength and future, and I pay tribute to them.¶

Richard Copeman and Ivan Lockett retired from the Board in September after 21 and 10 years service respectively. They have each made a distinctive contribution to the Board and I am delighted to express our thanks to them.¶

We are pleased to welcome Simon Copeman and Anita Frew as Non-Executive Directors. You will find biographical details on page 14 of this report.¶

On 15 March we announced that, following Peter Strong's decision to retire, we have recruited John Fry to succeed him. The contribution Peter has made to the Group in his five years with us is enormous. The business is larger, more diverse and more profitable and has strengthened management at all levels. It has been as much a pleasure

for me as Chairman to have him as a colleague as it is to pay him this tribute. John Fry, who joins us in June, will bring a keen intelligence and a broad experience with him and we look forward to working with him.¶

Outlook

The economic outlook remains uncertain but if the economy recovers as the year unfolds we expect to make further progress. We shall be helped by newsprint prices which have been fixed below last year's levels.¶

The management has no shortage of ideas for pushing the Group forward and for using technology to increase efficiency and levels of customer service. We remain alert to opportunities where we can use our financial strength to make acquisitions when we find opportunities to create value for shareholders.¶

The metamorphosis to Archant emphasises our further development during 2001 as a media group of scale in the UK.¶

It was a year of solid progress with some excellent county magazine acquisitions and the launch of *Photography Monthly* considerably adding to our growing magazine portfolio.¶

Your Group now publishes in excess of 100 titles which include the country's top selling regional daily newspaper, the *Eastern Daily Press*, the top selling weekly paid for series – the *Recorder* in Romford, Ilford and Newham – and the top selling county magazines in Cheshire, Lancashire, and Yorkshire.¶

Against a background of increasing costs, newsprint rising

by 12% in the year and a marked slowdown in like-for-like revenue growth, from 7% ahead in the first quarter of the year to 2.5% in the last, operating profits increased by 8% to £26.1m – another record year.¶

Recruitment advertising in our newspapers is particularly sensitive to the economic cycle and fell from growth of 20% for the first quarter to a decrease of 2% in the last quarter. In spite of this, a strong performance, particularly from property and display advertising in the second half, helped us to record overall growth in newspaper advertising revenues for the year of 4.6%.¶

These results reflect a year when local and regional newspaper revenues have maintained in the face of savage falls elsewhere in the media, and in particular TV and radio.¶

“We remain confident in our strategy of growing our newspaper, magazine and new media interests in regional, local and specialist markets”

Peter Strong Chief Executive

They are a great credit to our teams of people throughout the company, and in April we were proud to be declared the 26th fastest growing unquoted company in the country in terms of profit in the *Sunday Times* PwC Profit Track 100. The results are measured by taking a three-year view and this is the highest position we have achieved.¶

Underpinning our financial performance, good circulation performances were achieved by a number of our paid-for newspapers. Notable were the *Romford Recorder*, voted Newspaper of the Year in our in-house awards, which showed a 6.6% gain year-on-year for the July-Dec period and the relaunched *Evening News* in Norwich which halted a slide with an improvement of 7% to end the year within 100 copies of the previous year. Proof, if we needed it, that editorial excellence is the key!¶

In magazines the growth in copy sales was even more notable. *Cheshire Life*, *Lancashire Life* and *Yorkshire Life* achieved an aggregate gain year-on-year of 12% to 54,662 copies per month and in the specialist area, new launch *Photography Monthly* exceeded our expectations.¶

Our drive to improve efficiency continues and we see this coming from benchmarking of processes across the business under the Avanti initiative which was launched in 2001 and the benefits of which will begin to flow during 2002.¶

But Avanti is more than just a benchmarking exercise and will lead the way for us as we use technology to bring our customers closer to us, for example with facilities for approval of advertisement visuals over the internet.¶

During the year we took the decision not to pursue further the business of commercial service provision on the internet – the development of web sites for outside customers. It is an extremely fragmented market and we judged that we could better focus on internet presence for our own titles. Good progress has been made with our brands on the internet and though still loss-making (our investment in 2001 was £1.5m), we expect losses to reduce in 2002.¶

Two print contracts were lost during the year when EMAP withdrew to print at Peterborough. It will take time to replace these but we are well under way. We brought a further six of our own publications in-house and won a

contract to print a weekly property magazine for the Cambridge daily paper.¶

Elsewhere, revenues grew in both leaflet distribution and events as we added to the media services our customers enjoy – which now range from newspapers to magazines, awards events, exhibitions and the internet.¶

We remain confident in our strategy of growing our newspaper, magazine and new media interests in regional, local and specialist markets, and we are increasing our launch capacity. There is risk attached, but the risk can be quantified, and the creative forces at work in the company will be given greater support in pursuit of this goal.¶

The Archant values of innovation, openness, quality and commitment are the rules by which we are measuring our actions, and the unification of the Group under the Archant banner puts us in a stronger position than ever before to capitalise on our combined strength and experience. Our aim is to successfully invest up to 15% of our operating profits in launch activities.¶

To ensure we succeed, we are determined to give our people the training and the tools they need to do the job – our people are at the heart of everything we do.¶

A major initiative in 2001 was the introduction of a formal succession planning and management development programme for the senior people in the business. It has resulted in a step change in our attitude to growing leaders across the company, and a comprehensive development plan kicks off in 2002 under the Archant banner.¶

Another initiative, a 'marketing university', was launched by Archant Norfolk – open to all, and a range of training courses have been expanded to become available to people across the whole business.¶

Finally, it was gratifying to see our company magazine *Network* win another clutch of prestigious awards against national competition, including the Communicators in Business Award of Excellence for internal newspapers.¶

Good communication is at the heart of Archant, it is the key to our success.¶

The Group again made significant progress in 2001 despite a 12% increase in newsprint prices.†

Turnover increased 10.3%, Group operating profit before amortisation and exceptional items was up 8.0%, and adjusted earnings per share were 6.0% higher.†

The Group again featured in the *Sunday Times* PwC Profit Track league of the top 100 fastest growing unquoted companies in the UK with compound earnings growth of 43% since 1996.†

Profits are stated after net costs of digital activities of £1.3m in 2001 (2000 – £2.0m).†

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

£m	Turnover		Profit	
	2001	2000	2001	2000
Newspapers	124.7	119.5	27.7	26.7
Magazines	18.7	10.7	0.5	0.1
New media	0.6	0.4	(0.9)	(1.6)
Common costs			(1.2)	(1.0)
	144.0	130.6	26.1	24.2

Newspapers

Newspaper revenues rose by 4.3% and margins were steady at 22%.†

Advertising revenues increased by 4.6% with recruitment up 11.3% and other categories in aggregate up 2.1%. Only the motors category declined, by 3.9%, reflecting the increasingly competitive nature of the retail motors market.†

Overall advertising revenue growth slowed to 3.5% in the second half of the year from 6.1% in the first half. This was primarily due to year-on-year recruitment revenues falling by 2.0% in the last quarter.†

Circulation revenues reduced marginally to £20.3m (2000 – £20.4m).†

Magazines

The magazine division now comprises Archant Life (formerly Lifestyle), Archant Specialist (formerly Marketlink) and Archant Dialogue (formerly Summerhouse Publishing).†

The division continued to expand its portfolio of titles during the year. Archant Life acquired *Cheshire, Lancashire & Yorkshire Life* in January (Oyston Publications Plc) and *Cotswold Life* in May (Loyalty and Conquest Communications Ltd), and Archant Specialist launched *Photography Monthly* in May.†

Archant Life moved *France* magazine, *Somerset Life* and the newly acquired *Cotswold Life* to one location in Cheltenham, under a new management team. *France* magazine's operations in Stow on the Wold and London (a shop in the French Tourist Office in Piccadilly) were closed.†

Magazine revenues rose by 74.9%. Profits of £0.5m (2000 – £0.1m), are stated after a number of non-recurring costs – *Photography Monthly* launch (£0.3m); Link 2001 imaging exhibition closure (£0.3m); Archant Life reorganisation costs (£0.2m).†

Underlying profits increased to £1.3m (2000 – £0.4m).†

New media

Following a strategic review of options for the division, the Group announced in July that the web development business would not take on any further third party business, but would continue to maintain and host the web sites of its 300 existing customers.†

Revenues increased by 49% to £0.6m (2000 – £0.4m) and losses reduced by 41% to £0.9m (2000 – £1.6m) largely as a result of processing the backlog of orders brought forward from 2000.†

Associated company

In January 2001, the Group increased its holding in

Group turnover

2001	2000	1999
<input checked="" type="checkbox"/> Newspapers <input checked="" type="checkbox"/> Magazines <input checked="" type="checkbox"/> New media (shown as % of total)		

Chris Lawrence Finance Director

Westcom Media Limited to 47.6%, investing a further £1.0m to part fund the acquisition of CAT FM Ltd, owner and operator of the local radio station in Cheltenham.[¶]

Our interest in Westcom was subsequently sold to UKRD Ltd in September for £2.1m. The consideration received by the Company was a mixture of £1.25m cash, and 655,370 UKRD shares valued at £0.85m.[¶]

Only the 'cash profit' has been recognised – £264,000 – with the UKRD shares being recorded in the books at a nominal value.[¶]

Exceptional operating costs

Archant launch costs of £0.5m include the cost of creating and communicating the Archant brand, vision and values. It also includes a provision for the costs of implementing the new corporate identity during 2002.[¶]

In the context of the corporate rebrand, we also took the opportunity to simplify the legal and organisational structure of the Group to align it with the management

structure. This ultimately resulted in:

- ✗ creation of a pure holding company – Archant Ltd
- ✗ consolidation of the Group's newspaper publishing activities into one company – Archant Regional Ltd
- ✗ creation of a dedicated printing company – Archant Print Ltd
- ✗ creation of a dedicated division for our magazine operations – Archant Lifestyle Plc[¶]

The new organisational structure creates the foundation for future growth. The reorganisation cost was £0.5m.[¶]

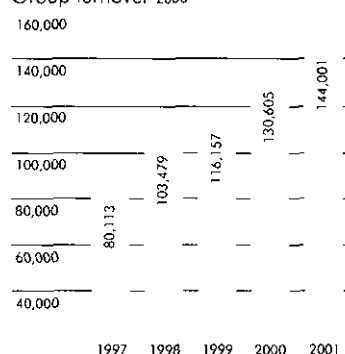
Investment income

Net interest receivable for the year reduced to £1.0m (2000 – £1.1m), primarily as a result of lower interest rates.[¶]

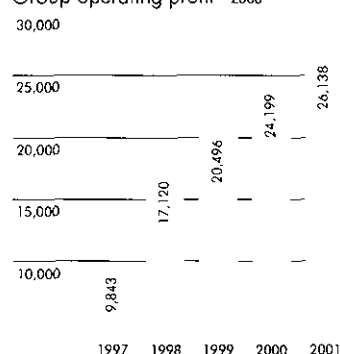
Exceptional investment income

Archant continues to have a 3.5% shareholding in the Press Association (PA). A second special dividend payment of £0.7m relating to the disposal of PA's new media operation, Ananova, to Orange in July 2000 became

Group turnover £000

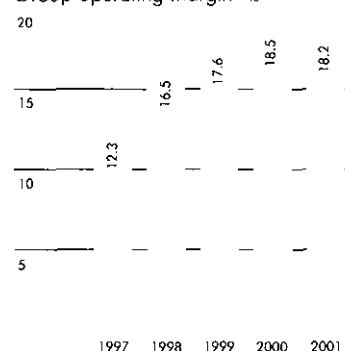


Group operating profit* £000



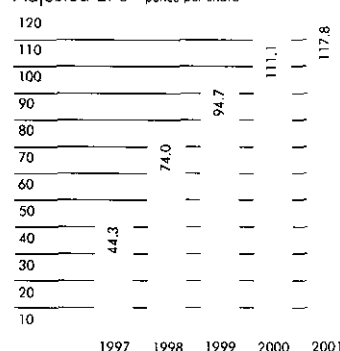
* before amortisation and exceptional items

Group operating margin* %



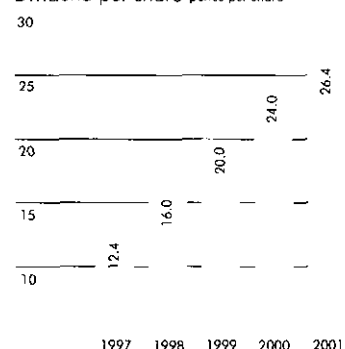
* before amortisation and exceptional items

Adjusted EPS* pence per share

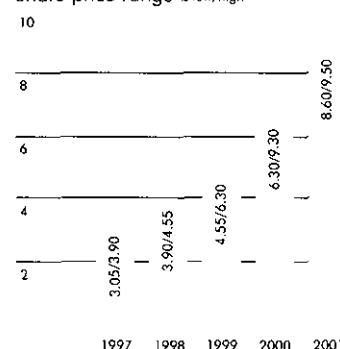


* before amortisation and exceptional items

Dividend per share pence per share



Share price range £ low/high



receivable in December 2001 and was received shortly after the year end. The first payment of £0.9m was received in December 2000. One more payment is planned for December 2002, subject to any claims against warranties given to the purchaser.[¶]

Taxation

The effective rate of taxation in the year was 29.4% (2000 – 26.5%). The standard rate of tax in the year was 30% (2000 – 30%). The effective rate is higher than 2000 because of lower contributions to profit from non-taxable income such as the PA dividends, and also because in 2000 capital gains previously provided for were rolled over.[¶]

Dividend cover

The cost of the ordinary dividend for the year increased by 10.0% to £4.3m. The preference share dividend reduced by 10.1% to £0.3m following the cancellation of both classes of preference share. Ordinary dividends are covered 4.5 times by profits attributable to shareholders, ignoring amortisation of intangible assets and exceptional items (2000 – 4.6 times).[¶]

Net funds

The business continues to be highly cash generative.[¶]

In summary, the movements in funds were as follows:

£m	2001	2000
Operating cash flow	29.5	29.4
Acquisitions	(16.6)	(6.5)
Cancellation of preference shares	(7.8)	–
Other cash flows	(13.1)	(9.3)
	(8.0)	13.6

The operating cash flow to operating profit ratio for the year was 125% (2000 – 124%).[¶]

Other cash flows include capital expenditure -£2.2m, investment income +£0.9m, special dividends +£0.8m, taxation -£8.5m, dividends -£4.4m, and proceeds from the issue of shares +£0.8m. The principal year-on-year variance was increased tax payments (+£1.9m) reflecting the increasing profitability of the Group, and also the accelerated payment of current year corporation tax liabilities as the Inland Revenue move to a 'payment on account' regime.[¶]

Net funds at the year end were £17.9m (2000 - £25.9m), comprised of the following:

£m	2001	2000
Cash	34.6	31.1
Loan notes receivable	13.8	13.8
Loan notes payable	(30.1)	(18.4)
Finance leases	(0.4)	(0.6)
	17.9	25.9

FRS 17 - Accounting for pensions

In accordance with FRS 17 transitional rules, in note 35 to the financial statements, we have disclosed the information that would have been shown in the current balance sheet if the standard had been in force at the balance sheet date.[¶]

The note discloses a shortfall on the scheme of £6.3m or 6.9% of the market value of the pension schemes' assets of £92.3m. The note also discloses that at the last triennial actuarial valuation on 1 January 1999 for the main scheme, and on 1 July 1998 for the senior scheme, the market value of scheme assets were £71.2m and £15.1m respectively, and that actuarial surpluses were 107% and 105%.[¶]

This change from surplus to deficit over the last three years is in part real, due to the under-performance of equities in the last two years, and in part due to different valuation methodologies.[¶]

Both the FRS 17 and actuarial valuations use market value for assets, but on the liabilities side the calculations are different. FRS 17 uses a lower (corporate bond) rate to discount future liabilities, resulting in a higher valuation of current liabilities.[¶]

The next triennial valuation for both schemes (as at 1 January 2002) will be completed during the course of 2002. We have been advised by William Mercers that the actuarial funding position is likely to be less favourable than at the last triennial. In view of this, we expect that the company may increase its level of contribution in the second half of 2002.[¶]

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 with surplus balances invested in money market funds. The Archant Lifestyle Plc loan notes 2003 are fixed rate, at a cost of 5.45% including bank guarantee fees. The cost of other 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 focused in the UK, there is minimal foreign currency risk.[¶]

Financial position

The Group started the year with net assets of £103.2m. Retained profit for the year was £13.4m, which was transferred to reserves. A further £0.8m was added to reserves following the issue of share capital. £7.8m was transferred out of the reserves to fund the cancellation of the preference shares. The financial position at the year end is represented by net assets of £109.6m.[¶]

DIRECTORS &

ANNUAL REPORT 2001

Left to right: Tom Stevenson, Nigel Websper, Geoffrey Copeman, Roger Cadbury

Left to right: Peter Troughton, Richard Jewson

OFFICERS

Peter Strong, June de Moller

Left to right: Chris Lawrence, John Ellison, Simon Copeman

Anita Frew

R W Jewson R N*Chairman*

Richard Jewson, 57, 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, Queens Moat House Plc, Octagon Healthcare (Holdings) Ltd., Deputy Chairman of awg Plc, and a Non-Executive Director of Grafton Group Plc and Temple Bar Investment Trust Plc. He is Chairman of the Remuneration and Nominations Committees.

P M Strong N P*Chief Executive*

Peter Strong, 55, joined the Board 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.

G H C Copeman CBE DL R A N P*Vice-Chairman*

Geoffrey Copeman, 65, 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 for 'Services to the Newspaper Industry'. He is Chairman of the Pensions Committee.

R V J Cadbury R A*Non-Executive*

Roger Cadbury, 64, 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 a Director of the Soil Association Certification Company. He is Chairman of the Audit Committee.

S C Copeman A*Non-Executive*

Simon Copeman, 35, joined the Board in September 2001 as a Non-Executive Director having previously been a member of the ECNG Newspaper Board. He has held a variety of sales and marketing positions with 3M UK Plc during the past 11 years.

J O Ellison P*Company Secretary*

John Ellison, 50, was appointed Company Secretary in February 1996 having previously been Finance Director of Paper Chain (East Anglia) Limited, the company's retail subsidiary, until its disposal in 1996. He currently represents Archant's interests on the Board of St Andrews Management Company Limited.

A Frew R*Non-Executive*

Anita Frew, 44, joined the Board as a Non-Executive Director in September 2001. She was previously Executive Director of Abbott Mead Vickers Plc and Director of Corporate Development at WPP Group Plc. She began her career as an Investment Manager at Scottish Provident Institute. She is also a Non-Executive Director of Ansbacher Holdings, NXT Plc, Securities Trust of Scotland Plc and Vitrex Plc.

C H Lawrence P*Finance Director*

Chris Lawrence, 40, was appointed 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 held senior financial positions in several public companies including EMAP and North West Water. Immediately prior to joining the company, he was Finance Director at Whesoe Plc, an international process instrumentation company based in County Durham.

J F de Moller R N*Non-Executive*

June de Moller, 54, 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 J Sainsbury Plc, Cookson Group Plc and Aldeburgh Productions.

T Stevenson P*Managing Director*

New Media and Group Operations
Tom Stevenson, 52, began his career with Thomson Regional Newspapers and joined the company in 1982. 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 Board in April 1996. He is immediate past Chairman of the Newspaper Society's Marketing Strategy Group. He serves on the Newspaper Society Council and is also a Trustee of the Norwich Theatre Royal Trust.

P J C Troughton R A N*Non-Executive*

Peter Troughton, 53, joined the 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. A former member of H M Diplomatic Service and Director of WH Smith Group Plc, he is Chairman of Clifton Nurseries (Holdings) Ltd, a Director of Five Arrows Ltd and a Non-Executive Director of the Lowland Investment Company and the International Growth & Value Fund.

N G F Websper*Managing Director**Archant Regional Ltd*

Nigel Websper, 45, was appointed Managing Director of ECNG Newspapers in 1999. He was previously MD of the company'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 MD in 1995 and MD in 1996. Before CML, Nigel was Group Marketing Accountant for Bowyers Foods, having previously held various project, acquisition and finance roles. He joined the Board in December 1998. Nigel serves on the Newspaper Society Council.

R Member of the Remuneration Committee

A Member of the Audit Committee

N Member of the Nominations Committee

P Member of the Pensions Committee

NOTE: References to historic appointments within the group refer to the organisational names at the date of appointment.

NEWSPAPERS

Front page news

Not so many years ago, a newspaper was a newspaper. Each day it appeared, black on white, recording the previous day's or week's events. And although its readers valued it highly as their link with the local community and the wider world, they expected nothing more. But those days are gone. Modern readers do expect more than just news, and today's newspapers are linked to web sites, awards, holidays, books, magazines, calendars, conferences and exhibitions. What remains central, though, is the importance of local and regional newspapers to their communities. ¶

Archant is building on that relationship. In 2001, its newspaper businesses continued to develop their brands by offering their readers a range of new products and services. Scroll down the list of high points for the year, and you will find *Press Gazette's* regional web site of the year, booming newspaper-branded lifestyle magazines, a reader travel operation which trebled its revenues year-on-year, and sell-out awards events such as the *EDP Food Awards*, the *North Herts Business Awards* and the *Norfolk Recruitment Awards*. And much more besides. ¶

"There's a fantastic commitment to moving the business on and to developing titles and brands, and the work that's been done will make going forward much easier"

Nigel Websper Managing Director, Archant Regional

What you will also find is record profits: overall newspaper profits rose from £26.7m in 2000 to £27.7m in 2001.[¶]

"I've never known people to work harder than in the last six months," says Nigel Websper, Managing Director of Archant Regional. "There's a fantastic commitment to moving the business on and to developing titles and brands, and the work that's been done will make going forward much easier. Look at the ideas developed by the Avanti project team, for example, which will create new ways of interacting with our customers. Intelligent use of technology will bring us closer to customers and give them on-line access to our products and services."[¶]

"Similar benefits will flow from the uniting of all our businesses under the Archant banner. By offering common training across the group, developing new lines of communication, and by enabling the movement of people between different Archant businesses, we stand to gain a great deal, individually and collectively. There's so much we can learn from each other."[¶]

The improvement in communication and knowledge-sharing is well under way. In mid-summer, delegates from across the country attended the first-ever group editorial conference and, in September, ad sales specialists headed to Harlow for a group motors conference. There was a significant jump, too, in the range and quality of training offered in-house and externally. And, says Websper, there's more to come: "In 2002 we plan to spend double what we spent on training in 2001. The total will be something over £1m, aimed at all levels of the organisation."

But that's an initiative which will bear fruit in 2002 and beyond. Back in Norfolk in 2001, meanwhile, there was plenty of evidence of the hard work noted by Websper. The *Eastern Daily Press* retained its title as the UK's biggest-selling regional daily, the weekly titles had another record year, and the *Pink 'Un* and the *Evening News* were both relaunched to great effect. "Before the relaunch, the *Evening News* had been 7% down year-on-year," recalls Archant Norfolk Managing Director Barry Dennis, "but now it's more campaigning, it's got

"It was our best-ever performance and a record year for profit; this was the fifth successive year-on-year increase"

Enzo Testa Executive Managing Director,
Archant Regional

"The weekly titles had another record year, and the *Pink 'Un* and the *Evening News* were both relaunched to great effect"

Barry Dennis Managing Director, Archant Norfolk

more community focus, and it's selling more copies. And that was achieved in just seven months."¶

Archant Norfolk also stepped up its efforts to make a profit through sending its readers away, so to speak. "A key part of our strategy for the year was to develop a strong third-line revenue stream," explains Dennis, "so we looked at the reader holiday market. We gave our reader travel offers a better quality and look, and set a target for turnover in 2001 of £1m. We beat that target in nine months. How? Through better planning and co-ordination of features with the offers. It was a simple but effective strategy that trebled that revenue stream."¶

It was a busy, record year too at Archant Suffolk, where empowerment of people paid off. As newspaper brands went on-line, for instance, local journalist teams were given not just ownership of the sites, but the software to enable them to post stories for the paper and the web simultaneously. In no time at all, there had been a five-fold increase in page impressions for both daily titles to 250,000 per month.¶

"It wasn't only the local journalists who did a great job," says Peter Swallow, Managing Director of Archant Suffolk. "Our locally-managed telephone and door-to-door sales canvassing campaign gave us above industry-average retentions on new orders, the advertising sales teams broke previous revenue records and our local management teams improved the way we work now and did a lot of groundwork for new products and services for 2002."¶

In December, the *East Anglian Daily Times* underwent an extensive and successful modernisation backed by a multi-media advertising campaign. Nothing was taken out, but beefed-up features, a new sports section, daily entertainment and TV gossip, plus increased letters improved the package – so much so that a 2p price rise was followed by letters of congratulation on the new style, not complaint. "It was a very pleasing reaction," says Swallow.¶

This came at the end of a superb year for the *EADT*, when it won the Regional Newspaper of the Year title in the BT Media Awards for the south-east and

Peter Swallow Managing Director, Archant Suffolk

"It wasn't only the local journalists who did a great job – our locally-managed telephone and door-to-door sales canvassing campaign gave us above industry-average retentions"

east. And for *Evening Star* journalist Lisa Baxter, 2001 was a year to remember, as she won the highly respected *Press Gazette* Specialist Reporter of the Year award.[¶]

But redesigning one title, however successfully, wasn't enough of a challenge for Archant Anglia. Following months of behind-the-scenes research and design work, all eight titles in its *Advertiser* series were relaunched in late 2001.[¶]

"It was a year when we consolidated all the revenue-improvement measures we'd talked about," explains Managing Director Richard Nicholls, "and one gratifying result was that advertising revenues were up 6.5% on 2000, with the Cambridgeshire and Herts Mid-Anglia titles delivering an impressive 12% of year-on-year ad revenue growth. But redesigning the *Advertiser* was a big step for the future. There's a lot of work to be done now to establish the new-look titles in their markets, but we've begun 2002 with a much stronger product."[¶]

The Archant Anglia business also began 2002 with one of the best free distribution

"Redesigning the Advertiser was a big step for the future. There's a lot of work to be done now to establish the new-look titles in their markets, but we've begun 2002 with a much stronger product"

Richard Nicholls Managing Director, Archant Anglia

networks in the country. In 2001, the team won two awards (including the B&Q Stepcheck award for the second year running) for its unbeatable, and independently verified, 100% success rate for its leaflet distribution. Bearing in mind that the team delivers up to 310,000 copies each week, that's some achievement.¶

High achievement was the order of the day elsewhere too. "It was our best-ever performance and a record year for profit," says Enzo Testa, Executive Managing Director, Archant Regional. "And this was the fifth successive year-on-year increase in profit. The most impressive performance was in East London & Essex, which ended the year with profits up 37% on the previous year. Hertfordshire also had a strong year with profits up on 2000. One of our most pleasing achievements was with *The Ham & High*. After a difficult year in 2000 the paper now has circulation, revenue and profit stability for the first time in five years. This is a real credit to the team there, who have achieved this against a difficult background of continually being

scrutinised for their every action by industry media.¶

"We've been working really hard at sharing ideas and best practice. Our regional directors get together regularly to swap publishing successes, and there are ad managers' conferences. It sounds simple, but it works. Take *Fine Dining* magazine. It began life in Ilford, but now it's produced as a local, quarterly title in each publishing centre. We're currently designing a web site to complement the magazine and it may be possible to take this idea nationally. It's a classic, simple example of how working together more closely pays off.¶

"The fifth North Hertfordshire Business Awards took place in November with Ruby Wax as guest speaker. The evening was the most successful to date. A new record of £4,000 was set for monies raised on the night for the chosen charity. For the first time this year a hot-off-the-press A5 leaflet version of the *Comet* was produced, showing winners of the night's awards, within 10 minutes of the close of the ceremony."¶

As well as spawning new ideas, the Ilford centre gave a powerful reminder in 2001 of the value of a more traditional newspaper activity: campaigning for local causes. In this case, the cause was Redbridge magistrates court, which had been threatened with closure as part of a programme of centralisation. In August, the *Ilford Recorder* launched a campaign, supported by local MPs, to save the court. The chairman of the bench himself said: "Closure would have a devastating effect on the borough." After a petition and an accompanying letter from the *Recorder's* editor were presented to the Lord Chancellor, the Greater London Magistrates' Courts Authority published its findings: Redbridge court would remain open.¶

While Redbridge was the site of one victory for an Archant publication, cyberspace was another when the EDP24 web site was voted Web site of the Year at the *Press Gazette* Regional Press Awards 2001. "Proof that local newspapers have woken up to the internet's potential," said the judges. But they didn't stop there. "The site really

has a soul," they went on. Then: "great depth and understanding of its area," and "very high editorial quality." See for yourself what the judges were so excited about at www.EDP24.co.uk.[¶]

"Our big focus was to put our brands on-line properly," says Bob Crawley, Web Publisher for Archant Norfolk. "We'd had the *Norfolk Now* web site, which was an amalgam of brands, but in late 2000 we decided it was our brands that are important. The technology is advancing quickly, and the challenge is to harness it for business advantage, not just for the sake of it. It's our print brands that are important to people, and it's that exposure that can give us the edge on-line."[¶]

An effective web operation also enables newspapers to outperform the competition. As the appalling events in New York and Washington were unfolding on September 11, for example, the *EDP24* news team was able to get the story on-line within five minutes. And away from the minute-by-minute tension of breaking news, some Archant titles

lend themselves to e-commerce applications. "*Country Smallholding* is one publication that's very focused on revenue generation through e-commerce," agrees Clive Haden, Manager, New Media Systems, "mainly selling books and videos. But it's the first of what will be a growing trend – of building revenue-based functionality into sites that have a well-defined, special-interest constituency."[¶]

While technology changes and e-commerce trends develop, Archant's local and regional newspapers continue to deliver the goods in print. An important aspect of this work is raising funds for deserving causes. Each year, hundreds of Archant staff devote time and energy to generating hundreds of thousands of pounds for charity, and 2001 was no exception. Events ranged from coffee mornings and sponsored half-marathons to abseiling, concert evenings and fines for men who wouldn't wear their underpants over their trousers in support of Comic Relief's 'Say Pants to Poverty' campaign. Every penny counts.[¶]

A special mention, though, must go to *Eastern Daily Press* Deputy Editor James Ruddy, whose work on behalf of children and refugees in war zones in Bosnia, Croatia and Sierra Leone was recognised by the One World Broadcasting Trust, the UK's leading organisation for the promotion of media coverage of the suffering of countries in crisis. After Ruddy had received the Trust's first-ever unique achievement award at the Grosvenor Square Hotel in London on June 14, One World Trust director Ritchie Cogan praised Ruddy and the *EDP*: "This is the first time we've had a regional newspaper in head-on competition and winning against the nationals in this way ... here was a regional newspaper with all the usual pressures and a deputy editor creating campaigns and following them through with the readers being involved all the way along the line. It is a superb example of compassionate journalism in action."[¶]

It's also an inspiring note on which to close. It may have been a year of turmoil in the media world at large, but it was a very good year for Archant's newspapers.[¶]

MAGAZINES

Colour close-up

A quick look at the crowded racks of magazines in most supermarkets tells you all you need to know: competition in the world of magazine publishing is tough. But there are magazines and magazines. Those whose brand values are poorly defined will soon go to the wall, while effectively branded titles that consistently deliver what their regional, national or special-interest readerships want will thrive. In 2001, Archant showed just how good it has become at building strong magazine brands.¶

The boldest example is *Photography Monthly*, launched by Archant Specialist in May. "We did a lot of research, including focus groups and so on," explains Publishing Director Warren Parkinson, "and we confirmed that there was a niche for a traditional photography title, but without the titillation of naked bodies everywhere. Basically, the public was fed up with it."

And the research paid off. "From a standing start, *Photography Monthly* is on course to become the number-two best selling title in its sector," says Alan Lewis, Managing Director of Archant Specialist. "It's no surprise, either, that *Photography Monthly* has a higher percentage of women readers than any of its rivals."¶

Archant Specialist's other photographic ventures included linking up with Canon to present a series of reader evenings at the Victoria & Albert Museum, becoming a member of the Photographic Imaging Council, collaborating with WH Smith on a *Beginner's Guide to Photography*, and producing two further issues of *Which Camera Digital*, which began life as a one-off Christmas special in 2000.¶

"Other titles had a good year, too," says Lewis. "*Live Well* and *Healthy You* both benefited from greater consumer

interest in healthy lifestyle issues, and *Sport Diver* had a record year, doubling sales and growing ad revenue by 30%. For market-leading *Pilot* magazine, a number of factors made 2001 a difficult year in the aviation market. The wet spring delayed the flying season, foot and mouth meant restrictions on grassfield sites, and September 11 meant even more flying restrictions and that people bought more newspapers rather than magazines in the last quarter. Despite all that, though, the circulation held up well and we're

"From a standing start, *Photography Monthly* is on course to become the number-two best selling title in its sector"

Alan Lewis Managing Director, Archant Specialist

"Our magazines' unique selling point is their localness, and Archant has 150 years experience of doing localness really well – county magazines are simply an extension of what we do"

Johnny Hustler Managing Director, Archant Life

looking forward to a good performance from *Pilot* in 2002."[¶]

But Archant Specialist wasn't the only magazine business to have a busy year. In January 2001, the purchase of Oyston Publications brought to Archant the UK's top three county titles – *Cheshire Life*, *Lancashire Life* and *Yorkshire Life*. In May, the three northern titles were followed by *Cotswold Life*. On January 1 2002 *Essex Life*, *Hertfordshire Life*, *Somerset Life* and *France* magazine moved from other divisions within the group to join the growing Archant Life portfolio. Add in the existing *EDP Norfolk* and *EADT Suffolk* titles and Archant is

now publishing nine successful county magazines.[¶]

"Our vision is to have titles in all the strongest county markets in the country," says Jonathan Hustler, Managing Director of Archant Life, "and we are lucky to already own the best which we've achieved through a mixture of launch and acquisition. If we can buy strong existing titles, that's our first port of call. If not, but there's a title that needs further development, we may still be interested in buying. And if there's not, we'll launch."[¶]

"People ask, 'Why Archant? Why do you

guys think you can develop a county publication, when others can't?' Well, our magazines' unique selling point is their localness, and Archant has 150 years experience of doing localness really well – county magazines are simply an extension of what we do. And the proof we've got a winning formula is in the figures."[¶]

"Before April 1999, this business didn't exist within Archant, although some of the magazines had already been launched by their previous owners. But today, only three years later, each month we sell around 90,000 copies. That's a good start."[¶]

Paul Bates Regional Director (South), Archant Life

"We know how important it is to understand who our readers are and what they want to read"

Peter Bourhill Regional Director (North), Archant Life

It's also a growing business, and not only through projected acquisitions and new launches. The combined audited circulation of the Cheshire, Lancashire and Yorkshire titles, for instance, rose from 48,786 in 2000 to 54,662 in 2001. And that is in a turbulent year for the media industries. ¶

"It wasn't just circulation that rose," observes Peter Bourhill, Regional Director (North) for Archant Life. "In a year of great change, during which we joined Archant and moved offices, among other things, we also saw ad revenues up 14% year-on-year and profits up by 25%. Why the good numbers? Because we produce a first-class product that

people read and get hooked on. Because we've got great people here. And because we know how important it is to understand who our readers are and what they want to read." ¶

Television advertising also played its part. "Yes," agrees Bourhill, "we advertised *Lancashire Life* and *Cheshire Life* on Granada TV early in the year and achieved a 25% rise in newtrade sales. Then in the autumn we ran ads for *Yorkshire Life* on Yorkshire TV and Tyne Tees TV and saw trade sales go up by 30%. It's not cheap, but advertisers in the magazines wanted to be in the issue advertised on TV, so the cost of the campaigns was recouped faster than

we expected. We held on to most of the rise in circulation, too." ¶

Further south, meanwhile, there was plenty to smile about in the new Archant Life regional office in Cheltenham. Acquired in May, *Cotswold Life* has since seen advertising revenues double and, in October, the biggest-ever issue in the magazine's history appeared, at 232 pages. More intriguing still, the Cheltenham team is looking at the opportunities for *Cotswold Life* in North America, where there is enormous interest in the history and beauty of the Cotswolds. ¶

"It certainly was a busy year for *Cotswold*

Life," says Paul Bates, Archant Life's Regional Director (South), "and the prospect of taking it to the US is a very exciting one. But if anything it was a busier year still for *France* magazine. It went from 100 pages quarterly to 132 pages bi-monthly, it was launched on the newsstand in March, and it had to go head-to-head with two rival magazines on *France* launched during the year. We also launched the *France by Post* web site, produced three specialist supplements for WH Smith Exclusives, and sold 22,000 *France* magazine calendars.¶

"There was a very positive outcome after all that activity, too. Newsstand sales are now up to 13,000 in addition to subscriptions, and the magazine increased its ABC performance by 3%, despite the increased competition."¶

Away from Archant Specialist and Archant Life's newstrade and subscription magazines, life was tougher for Archant Dialogue in the world of contract publishing, where increased competition and pressure on prices meant a high turnover of contracts during 2001. Nevertheless, new business was won from the Institution of Mechanical Engineers, whose magazine was

launched by Archant Dialogue this year. And, according to Managing Director Jonathan Arnold, the company discovered rich new seams of opportunity among its existing clients.¶

"We're now producing four titles for Saab," he says, "which go all over the world. The latest language we produce *Saab Magazine* in is Russian, for instance, and last year we launched *SaabWorld*, a new magazine for prospective Saab owners. The Association of Teachers and Lecturers,

too, has increased the volume and frequency of its publication, *Report*, to 180,000 copies 10 times a year, all mailed to members' homes. Those are just two examples, of course, but organic growth like that is a real vote of confidence in our publishing-agency expertise."¶

And expertise is what lies at the heart of Archant's magazine businesses. Five years ago, magazine publishing was just a twinkle in the eye of the senior management team. Today it's a robust reality.¶

"Organic growth is a real vote of confidence in our publishing-agency expertise"

Jonathan Arnold
Managing Director, Archant Dialogue

PRINT

A year in print

ANNUAL REPORT 2001

2001 was a turbulent year for the printing industry, kicking off with the very real prospect of newsprint prices rising by 20% or more. "For the first time since 1995," says Peter Dodds, Managing Director of Archant Print, "many printers began the new year without having secured sufficient tonnage to satisfy their projected needs for the next 12 months."

But as the first quarter unfolded and the American economy slipped into recession, it became clear that newsprint supply and demand were becoming more balanced. The US accounts for almost one-third of world newsprint consumption, and a 10% reduction in demand released around one million tonnes on to the world market. By staying in touch with the market and by identifying lower-cost alternative suppliers, the year-on-year increase was kept down to 12%.

Events closer to home also had a bearing on Archant Print's year. The most significant was EMAP's decision to centralise all its newspaper printing

— including *Motor Cycle News* and *Garden News*, printed until then by Archant — nearer its Peterborough base. But there was a silver lining for Archant.

"Yes," agrees Dodds, "the move freed up enough press time to allow the printing of more Archant titles to be transferred to Thorpe. During 2001, six were added to our schedules, including the *Welwyn & Hatfield Times* and its supplements, the *EDP's* broadsheet Sunday supplement and the *Ham & High Property Extra*. We also won two new contract titles, *Hertfordshire on Saturday* and the *Cambridge Evening News* property supplement."

Meanwhile, Archant's printing capacity was the subject during 2001 of a comprehensive review, carried out in close consultation with the various publishing divisions. The principal outcome was a £1.5m investment in the Tribune press at Ipswich. A new printing tower will be installed in July 2002, doubling the colour printing capability of the press to 32 pages and, to match the technology of the new tower, the

dampening system of the Tribune press will be replaced by a leading-edge spraybar facility, which will improve print quality and cut newsprint waste.

There was good news on investment at the Thorpe plant, too. "The computer-to-plate line, which we were trialling, surpassed the contractual performance standards," explains Dodds, "and two further lines were ordered. Computer-to-plate technology eliminates the need for film and will result in more consistent print quality, reduced newsprint waste and an improvement in deadlines for our publishing customers."

"To improve the communication of customer requirements, we also installed a soft-proofing system at Thorpe late last year, which enables press operators to display on colour monitors any page from any publication for colour matching and content checking. It's one more way that technology can help us deliver a better service and look to the future with confidence."

"Computer-to-plate technology will result in more consistent print quality, reduced newsprint waste and an improvement in deadlines"

Peter Dodds Managing Director, Archant Print

INNOVATION

ARCHANT } #

The award-winning EDP24 web site team. EDP24 has pioneered a unique regional live news service that fully integrates with the newspaper.

ARCHANT } VALUES

Be open-minded enough to challenge the norm
Come up with solutions, not problems
Think on your feet
Be prepared to learn from others

OPENNESS

Organisers of the first ever group Motors Conference in 2001

ARCHANT } VALUES

Be honest at all times
Share knowledge and expertise with others
Give and receive straightforward feedback
Be open to other people's ideas and change

OPENNESS

Organisers of the first-ever group Motors Conference in 2001

ARCHANT } VALUES

Be honest at all times
Share knowledge and expertise with others
Give and receive straightforward feedback
Be open to other people's ideas and change

QUALITY

ARCHANT } #29

The annual Archant awards recognises and rewards the best in our business

ARCHANT } VALUES

Never settle for second best
Always exceed customer expectations
Set high personal standards
Never devalue our brand, company or team

COMMITMENT

Some of the members of the First Line Managers Programme '13, who set new standards when they passed the course with flying colours earlier this year

ARCHANT } VALUES

Always see things through to the end
Have a strong desire to learn and progress
Be dedicated to the job and your team
Take responsibility for your actions

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements of the Group for the year ended 31 December 2001.

Events since the Balance Sheet date

On 1 March 2002 the Eastern Counties Newspapers Group of Companies completed a structural reorganisation in conjunction with a re-branding of the Group under the Archant Brand, upon completion of a court sanctioned scheme of arrangement under section 425 of the Companies Act 1985. Shareholders of ECNG exchanged their holdings for an equivalent holding in Archant Limited which was thereby established as the new holding company of the Group.

In consequence of this reorganisation, ECNG was renamed Archant Regional Limited and has been succeeded as the holding company by Archant Limited. All newspaper and associated activities have been consolidated within Archant Regional Limited; the printing activity has been transferred to a new subsidiary Archant Print Limited; and all of the magazine companies have been brought under a common holding company, Archant Lifestyle Plc.

The brand name has been introduced throughout the Group of Companies, its Share Schemes, associated Trusts and Pension Schemes.

Throughout this Annual Report references to Companies, Schemes and Trusts have been shown under their current names, with their former names given in Note 15.

Financial statements

The Group profit for the year after taxation and minority interests amounted to £18,003,000 compared to £19,193,000 for 2000.

Dividends have been paid or proposed as follows:

	£000	£000
6.45% cumulative preference shares		18
15.5% cumulative second preference shares		284
Ordinary shares		
Interim of 8.8p paid on 1 October 2001	1,436	
Proposed final of 17.6p	2,869	4,305
		4,607

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

Trustees of the Archant No. 1 Long Term Incentive Plan Trust. The final ordinary dividend, if approved, will be paid on 23 May 2002 to Archant Regional Limited's ultimate holding company, Archant Limited, who will in turn apply those funds to pay a first interim dividend to its shareholders whose names appeared on the register on 7 May 2002.

Activities and review of business developments

The principal activities of the Group are publishing newspapers and magazines, and printing newspapers.

The key factors affecting the Group's trading performance and details of the acquisitions are highlighted in the Financial Review on pages 8 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 with the exception of Mr R C Copeman and Mr I R Lockett, both of whom retired on 17 September 2001. Mr S C Copeman and Ms A Frew were appointed to the Board on 17 September 2001.

All directors of Archant Regional Limited have been appointed to the Board of Archant Limited.

The directors' interests in the shares of the Company are disclosed in Note 5 on page 48.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

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

The directors confirm that the financial statements comply with the above requirements.

REPORT OF THE DIRECTORS

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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

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 Corporate Governance policies and procedures adopted by the Company have been transferred and adopted by the Board of Archant Limited with effect from 1 March 2002.

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 year to 31 December 2001.

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 financial statements is set out above 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 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 21 May 2002 are set out in the Notice of Annual General Meeting on page 76.

Internal control

The directors are responsible for the system of internal controls in the Company and its subsidiaries and for reviewing its effectiveness. Any such system can only provide reasonable, and not absolute, assurance against misstatement and loss.

The Code requires the Directors to assess 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 Finance Director and reported annually to the Audit Committee to whom responsibility for this review has been delegated by the Board.

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:

- 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.

REPORT OF THE DIRECTORS

- 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.
- 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.
- 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.
- The Group Audit Committee has kept under review the effectiveness of the financial control systems and has reported regularly to the Board of Directors.
- Directors obtain assurance directly 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 financial statements.

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

During 2001 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.

Employees are encouraged to present their suggestions and raise issues. A network of employee consultative forums is now well established. 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.

In 2001, focus groups drawn from across the Group determined the four core values of innovation, openness, quality and commitment that have been adopted by the Group alongside the introduction of the Archant brand.

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.

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.

The Group supports charitable fundraising by staff through a programme of matched funding.

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 2001, the Company held an average of 20 days' purchases outstanding in trade creditors (2000 – 25 days).

Donations

Charitable donations made by the Company and its subsidiaries totalled £117,000 (2000 – £78,000).

Auditors

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

Ordinary and special business at the Annual General Meeting of Archant Limited

At the Annual General Meeting on 21 May 2002 resolutions 1 to 15 are termed ordinary business whilst resolution 16 is special business.

By way of further explanation, Resolution 1 considers the

REPORT OF THE DIRECTORS

financial statements of Archant Limited to 31 December 2001, a period throughout which the company was dormant but was latterly being prepared to become the new holding company. These are the financial statements that shareholders must consider under the requirements of the Companies Act.

Resolution 2 presents the consolidated financial statements of Archant Regional Limited, formerly Eastern Counties Newspapers Group Limited, which was the holding company throughout 2001. These financial statements, although not required by statute to be presented to the Archant Limited Annual General Meeting, are so presented to enable Archant Limited shareholders to have a full understanding of the performance of ECNG throughout 2001.

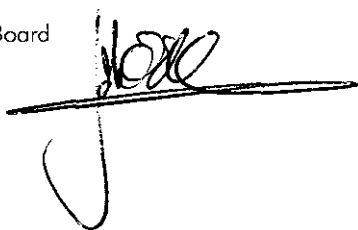
Resolutions 3 to 14 inclusive deal with the normal business of an Annual General Meeting except that, as this is the first General Meeting of Archant Limited, all directors are required to submit themselves for election to the Board by shareholders.

Resolution 15 proposes the establishment of a new Long Term Incentive Plan for Archant Limited and is fully explained in a separate letter to shareholders from the Chairman.

Resolution 16 permits the directors at their discretion and in such manner as they may decide, for a period of 5 years, to offer ordinary shareholders an opportunity to elect to receive Ordinary Shares in Archant Limited, credited as fully paid, instead of cash in respect of all or part of any dividend to which they may be entitled.

By order of the Board

J O Ellison
Secretary
22 March 2002



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, Mrs J F de Moller, Ms A Frew (appointed to the Committee on 17 December 2001), and Mr P J C Troughton. During the year Mr R C Copeman and Mr I R Lockett were members of the Committee until their retirement on 17 September 2001. 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.

With effect from 1 March 2002 the functions and responsibilities of the Remuneration Committee have been assumed by the Remuneration Committee of Archant Limited comprising the same persons as previously but in their capacity as directors of Archant Limited.

The main elements of the remuneration package are discussed below.

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

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

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

Pensions: The executive directors are members of the Senior Management Pension Scheme (see note 35 to the financial statements). 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: The name of the Plan was changed to the Archant No. 1 Long Term Incentive Plan on 1 March 2002. Under the terms of the 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 Archant Employee Share Scheme. Details of the 2001 scheme are given in note 6 to the financial statements.

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 authority set out 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 financial statements.

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

Re-election: The re-election of directors is dealt with in the Notice of Annual General Meeting of Archant Limited on page 76.

On behalf of the Remuneration Committee.

R W Jewson
22 March 2002



REPORT OF THE AUDITORS TO THE MEMBERS OF ARCHANT REGIONAL LIMITED

We have audited the Group's financial statements for the year ended 31 December 2001 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds and the related notes 1 to 35. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, 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 information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the Report of the Directors, Chairman's Statement, Chief Executive's Report and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

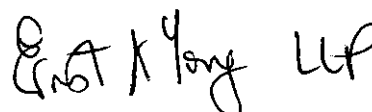
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor

Cambridge

22 March 2002



GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Turnover			
Ongoing operations		138,287	130,605
Acquisitions		5,714	-
Group Turnover	2	144,001	130,605
Operating Profit			
Ongoing operations		24,874	24,199
Acquisitions		1,264	-
Continuing operations		26,138	24,199
Amortisation of goodwill and other intangible assets		(1,425)	(540)
Archant launch costs	4	(539)	-
Reorganisation costs	4	(549)	-
Group Operating Profit	2,3	23,625	23,659
Share of operating results in associate		(67)	(9)
Total Operating Profit: Group and Share of Associate		23,558	23,650
Profit on sale of investment in associate	4	264	-
		23,822	23,650
Special dividends receivable	4	703	1,406
Other income from investments	7	2,560	2,276
Interest payable	8	(1,580)	(1,160)
Profit on Ordinary Activities before Taxation		25,505	26,172
Tax on profit on ordinary activities	9	7,502	6,940
Profit on Ordinary Activities after Taxation		18,003	19,232
Minority interests		-	(39)
Profit attributable to Members of the Parent Company		18,003	19,193
Dividends (including non-equity interests)	11	4,607	4,251
Retained Profit for the Year	25	13,396	14,942
Earnings per share – basic	12	108.3p	116.5p
– adjusted	12	117.8p	111.1p
– diluted	12	106.1p	113.0p

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

Note of historical cost profits and losses

	2001 £000	2000 £000
Reported profit on ordinary activities before taxation	25,505	26,172
Realisation of property revaluation gains of previous years	12	5
Difference between historical cost depreciation charge and the depreciation charge calculated on the revalued amount	13	13
Historical cost profit on ordinary activities before taxation	25,530	26,190
Historical cost profit for the year retained after taxation, minority interests, dividends and other appropriations	13,421	14,960

Group statement of total gains and losses recognised in the financial statements


	2001 £000	2000 £000
Profit for the financial year excluding share of results of associate	18,070	19,202
Share of associate's results for the year	(67)	(9)
Profit attributable to members of the parent company	18,003	19,193
Contribution to Qualifying Exempt Share Ownership Trust	—	(300)
Total recognised gains and losses relating to the year	18,003	18,893

BALANCE SHEETS

at 31 December 2001

		Group		Company	
	Notes	2001 £000	2000 £000	2001 £000	2000 £000
Fixed Assets					
Intangible assets	13	72,725	58,839	404	393
Tangible assets	14	29,976	31,539	13,085	14,223
Investments	15	305	368	38,653	38,647
		103,006	90,746	52,142	53,263
Current Assets					
Stocks	16	1,377	1,483	1,199	1,231
Debtors	17	20,713	20,481	70,920	65,127
Short term investments	18	15,198	14,422	15,198	14,422
Cash and deposits	19	34,630	31,141	33,414	26,993
		71,918	67,527	120,731	107,773
Creditors – amounts falling due within one year	20	53,757	41,139	16,196	15,280
Net current assets		18,161	26,388	104,535	92,493
Total assets less current liabilities		121,167	117,134	156,677	145,756
Creditors – amounts falling due after more than one year	21	5,355	6,819	43,394	40,498
Provisions for liabilities and charges	23	6,186	7,115	4,716	5,360
		109,626	103,200	108,567	99,898
Capital and reserves					
Called up share capital	24	3,320	5,643	3,320	5,643
Share premium account	25	5,369	4,572	5,369	4,572
Revaluation reserve	25	567	592	-	12
Special reserve	25	2,350	-	2,350	-
Profit and loss account	25	98,020	92,393	97,528	89,671
Shareholders' funds					
Equity		109,626	100,850	108,567	97,548
Non-equity		-	2,350	-	2,350
		109,626	103,200	108,567	99,898

R W Jewson
Chairman
22 March 2002



GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Cash flow from operating activities	27	29,502	29,437
Returns on investment and servicing of finance	28	684	2,171
Taxation		(8,552)	(6,595)
Capital expenditure and financial investment	28	(2,194)	(1,700)
Acquisitions and disposals	28	(3,967)	(3,376)
Equity dividends paid		(4,059)	(3,546)
Cash inflow before use of liquid resources and financing		11,414	16,391
Management of liquid resources	28	(8,090)	(11,000)
Financing	28	(7,925)	(2,466)
(Decrease)/increase in cash	29	(4,601)	2,925

Reconciliation of net cash flow to movement in net funds (Note 29)

	2001 £000	2000 £000
(Decrease)/increase in cash	(4,601)	2,925
Cash inflow from increase in loans	(12,392)	(3,050)
Repayment of loans	752	2,719
Amortisation of loan issue costs	(6)	(21)
Cash outflow from lease financing	203	300
Cash inflow from short term deposits	8,090	11,000
Change in net funds resulting from cash flows	(7,954)	13,873
Finance leases acquired with subsidiary undertakings	(13)	-
New finance leases	(47)	(236)
Movement in net funds	(8,014)	13,637
Net funds at 1 January	25,869	12,232
Net funds at 31 December	17,855	25,869

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

1. Accounting policies

Basis of preparation

The financial statements 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 financial statements consolidate the financial statements of Archant Regional Limited (Archant) and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Archant as permitted by section 230 of the Companies Act 1985.

Oyston Publications Plc and Loyalty & Conquest Communications Limited have been included in the Group financial statements 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 Oyston Publications Plc and Loyalty & Conquest Communications Limited for the periods from their respective acquisitions on 30 January 2001 and 2 May 2001. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the dates 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 financial statements, associates are accounted for using the equity method.

Intangible fixed assets

[i] Newspaper Titles

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

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

[ii] Magazine titles

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

[iii] Franchises

Franchises represent purchased news delivery businesses which are licensed back to franchisees under five year agreements. The news delivery businesses are amortised on a straight line basis over their estimated useful lives of 5 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.

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

estimated to write off the cost or valuation of those assets, less their estimated residual values, 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 their respective lease terms and the estimated useful lives of the assets.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

2. Segmental analysis

	2001 £000	2000 £000
Turnover		
Newspapers and printing	124,732	119,534
Magazines and contract publishing – existing operations	12,992	10,694
Magazines and contract publishing – acquisitions	5,714	–
New media	563	377
	144,001	130,605

	2001 £000	2000 £000	2001 £000	2000 £000
			excluding amortisation, Archant launch costs and reorganisation costs	
Group Operating Profit				
Newspapers and printing	27,733	26,736	27,733	26,736
Magazines and contract publishing – existing operations	(763)	40	(763)	40
Magazines and contract publishing – acquisitions	1,264	–	1,264	–
Amortisation of goodwill and other intangible assets	–	–	(1,425)	(540)
	501	40	(924)	(500)
Sub total	28,234	26,776	26,809	26,236
New media	(945)	(1,594)	(945)	(1,594)
Common costs	(1,151)	(983)	(1,151)	(983)
Archant launch costs	–	–	(539)	–
Reorganisation costs	–	–	(549)	–
	26,138	24,199	23,625	23,659

	2001 £000	2000 £000
Net Assets		
Newspapers and printing	78,102	79,603
Magazines and contract publishing	27,975	13,841
Radio	–	52
	106,077	93,496
Central net assets	3,549	9,704
	109,626	103,200

Central net assets comprise certain fixed assets, certain current assets and liabilities, bank and cash balances, loan notes payable and receivable, taxation and dividends.

Archant Dialogue Limited (formerly Summerhouse Publishing Limited), Archant Specialist Plc (formerly Market Link Publishing Plc) and France Magazine had combined export sales of £1,488,000 (2000 – £830,000). These export sales were to Europe £990,000 (2000 – £701,000), the USA £416,000 (2000 – £129,000) and the rest of the world £82,000 (2000 – £nil). All other sales were made in the United Kingdom.

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

Archant Life (North) Plc (formerly Oyston Publications Plc) was acquired on 30 January 2001, Archant Life (South) Limited (formerly Loyalty & Conquest Communications Limited) was acquired on 2 May 2001 and Country Smallholding magazine was acquired on 15 March 2001.

All other segments of the business have continued throughout 2001.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

3. Group Operating Profit

	Continuing Operations £000	Acquisitions £000	Total 2001 £000	Total 2000 £000
Turnover	138,287	5,714	144,001	130,605
Other operating income	1,173	–	1,173	1,235
Operating costs				
Change in stocks of finished goods and work in progress	91	(20)	71	(16)
Raw materials and consumables	17,139	33	17,172	14,661
Other external charges	11,124	1,582	12,706	11,384
Staff costs (Note 6)	52,281	1,431	53,712	49,876
Depreciation and amortisation	5,334	30	5,364	4,809
Other operating charges	30,042	1,394	31,436	27,467
	116,011	4,450	120,461	108,181
Archant launch costs	(539)	–	(539)	–
Reorganisation costs	(549)	–	(549)	–
Operating profit	22,361	1,264	23,625	23,659
Operating profit is stated after charging:			2001 £000	2000 £000
Directors' remuneration (Note 5)			954	909
Auditors' remuneration – audit services			140	130
Auditors' remuneration – non-audit services – corporation tax compliance			142	127
Auditors' remuneration – non-audit services – corporate governance			–	20
Auditors' remuneration – non-audit services – other			336	90
Rentals under operating leases – property			1,138	945
Rentals under operating leases – non-property			3,275	2,842

The "Auditors' remuneration – non-audit services – other" relates mainly to advice regarding the reorganisation. Additionally, a further £61,000 of auditors' remuneration for non-audit services was incurred, capitalised as part of the cost of acquisition of Archant Life (North) Plc (formerly Oyston Publications Plc), and £29,000 in relation to the cancellation of the preference shares.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

4. Exceptional items

	2001 £000	2000 £000
Recognised in arriving at operating profit		
Archant launch costs	(539)	—
Reorganisation costs	(549)	—
	(1,088)	—
Recognised below operating profit:		
Profit on disposal of investment in associate	264	—
Special dividends receivable from The Press Association Limited	703	1,406
	967	1,406
Total exceptional items	(121)	1,406

The Archant launch costs are the costs incurred in rebranding the Group as Archant.

The reorganisation costs include the costs incurred in changing the Group's organisational structure to match the Group's operational structure.

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

	2001 £000	2000 £000
Directors' remuneration		
Fees	167	140
Other emoluments:		
basic salaries	520	481
benefits	41	55
performance related pay	180	193
	908	869
Contributions to funded unapproved retirement benefit scheme	46	40
	954	909

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

5. Directors' remuneration and interests (continued)

	Salaries and Fees	Benefits	Performance related bonuses	Total	
	£000	£000	£000	2001 £000	2000 £000
R W Jewson	57	—	—	57	53
G H C Copeman	20	—	—	20	15
P M Strong	180	12	64	256	247
T Stevenson	105	9	48	162	131
C H Lawrence	102	11	30	143	145
N G F Websper	133	9	38	180	207
R V J Cadbury	20	—	—	20	15
R C Copeman	13	—	—	13	14
S C Copeman	5	—	—	5	—
A Frew	5	—	—	5	—
I R Lockett	13	—	—	13	14
J de Moller	17	—	—	17	14
P J C Troughton	17	—	—	17	14
	687	41	180	908	869

The accrued pension entitlements of the executive directors were:

	Age at 31.12.01	Years of service at 31.12.01	Increase, excluding inflation, in accrued pension during the year £000	Transfer value of increase £000	Accrued entitlement	
					31.12.01 £000	31.12.00 £000
P M Strong	54	5	3	48	16	13
T Stevenson	52	16	4	47	47	43
C H Lawrence	40	3	3	21	10	7
N G F Websper	45	20	6	54	51	45

Inflation has been assumed to be equivalent to the actual rate of price inflation, which was 0.7% for the year ended 31 December 2001.

The pension entitlement shown above for the participating directors is that which would be paid on retirement based on service to 31 December 2001.

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

Contributions of £46,000 (2000 – £40,000) 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 £95,400 of two thirds salary at retirement age of 60.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

5. Directors' remuneration and interests (continued)

Directors' interests in the shares of the Company

	As at 1 January 2001 or date of appointment			As at 31 December 2001 or date of retirement		
	£1 Preference Shares	£1 Second Preference Shares	20p Ordinary Shares	£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	—	—	230,504
	—	*3,000	*24,500	—	—	*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
S C Copeman	—	—	45,222	—	—	45,222
	—	—	*24,500	—	—	*24,500
A Frew	—	—	—	—	—	—
C H Lawrence	—	—	20,522	—	—	24,466
I R Lockett	—	4,044	159,320	—	†4,044	159,320
J de Moller	—	—	—	—	—	10,000
T Stevenson	—	—	11,423	—	—	17,812
P M Strong	—	—	50,722	—	—	59,617
P J C Troughton	—	3,333	91,755	—	—	91,755
	*35,448	—	*3,096,518	—	—	*3,096,518
N G F Websper	—	—	9,445	—	—	17,963

* Held as Trustee

† Subsequently cancelled 9 November 2001

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.

During the period from 31 December 2001 to 22 March 2002 the following transactions in the shares of the Company have taken place:

	20p Ordinary Shares Transferred (from)
G H C Copeman	(6,939)
P J C Troughton	*(1,610,000)

* P J C Troughton's interest as Trustee has reduced as a result of a re-organisation of certain Trusts. The underlying beneficial interest of the relevant family has not been reduced as a consequence of this re-organisation.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

5. Directors' remuneration and interests (continued)

Long Term Incentive Plan

Under the Archant No. 1 Long Term Incentive Plan, the following shares have been notionally awarded to executive directors:

	Cycle ending	Award date	At 1.1.2001 Number	Awarded Number	Number	Exercised Market price on exercise £	Value on exercise £	At 31.12.2001 Number
C H Lawrence	2001	16.2.98	7,692	—	3,846	8.60	33,076	3,846
	2002	22.3.99	7,500	—	—	—	—	7,500
	2003	14.2.00	8,000	—	—	—	—	8,000
	2004	12.02.01	—	6,700	—	—	—	6,700
T Stevenson	2000	25.3.97	4,160	—	—	—	—	4,160
	2001	16.2.98	9,231	—	4,615	8.60	39,689	4,616
	2002	22.3.99	6,000	—	—	—	—	6,000
	2003	14.2.00	6,000	—	—	—	—	6,000
	2004	12.02.01	—	2,000	—	—	—	2,000
P M Strong	2000	25.3.97	9,200	—	—	—	—	9,200
	2001	16.2.98	17,692	—	8,846	8.60	76,076	8,846
	2002	22.3.99	15,625	—	—	—	—	15,625
	2003	14.2.00	15,000	—	—	—	—	15,000
	2004	12.02.01	—	11,700	—	—	—	11,700
N G F Websper	2001	16.2.98	4,519	—	2,259	8.60	19,427	2,260
	2002	22.3.99	8,000	—	—	—	—	8,000
	2003	14.2.00	12,500	—	—	—	—	12,500
	2004	12.02.01	—	8,500	—	—	—	8,500
			131,119	28,900	19,566		168,268	140,453

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, £6.20 for 2000 and £8.60 for 2001.

Further explanation of the Plan is included in the Report of the Remuneration Committee on Page 36.

Directors' interests in options

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

		Exercise price	At 1 Jan 2001	Exercised during the year	At 31 Dec 2001
T Stevenson	(a)	£2.00	1,725	(1,725)	—
T Stevenson	(b)	£2.24	6,160	—	6,160
N G F Websper	(a)	£2.00	6,210	(6,210)	—
N G F Websper	(b)	£2.24	2,156	—	2,156
			16,251	(7,935)	8,316

The options are exercisable between the following dates:

(a) 1 February 2001 and 31 July 2001.

(b) 1 March 2002 and 31 August 2002.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

6. Staff and their pay and benefits

Average monthly number of staff:	2001	2000
Newspapers and printing	2,160	2,072
Magazines	168	126
	2,328	2,198
Pay and benefits	£000	£000
Wages and salaries	46,305	43,189
Social security costs	3,552	3,344
Other pension costs	3,245	2,833
	53,102	49,366
Employee share scheme	610	510
	53,712	49,876

Other pension costs include £100,000 (2000 – £100,000) in respect of the lump sum pension contribution made in 1997, the balance of which is carried forward under debtors in Note 17.

Employee share scheme

The staff share scheme was approved by the members at the 1997 Annual General Meeting, and operates under the Archant Employee Share Ownership Plan Trust. For 2001, under the scheme, all eligible staff of the Group will be invited to subscribe for shares with a value of up to a maximum of £75, 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.

7. Other income from investments

	2001 £000	2000 £000
Interest and dividends received		
Listed investments	6	6
Unlisted investments	105	—
Short term interest	1,703	1,417
Talkco (Holdings) Limited loan notes	746	853
	2,560	2,276

8. Interest payable

	2001 £000	2000 £000
Bank overdraft and loans	125	91
Finance charges payable under finance leases	49	53
Other	—	28
Loan notes	1,400	967
Amortisation of loan issue costs	6	21
	1,580	1,160

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

9. Tax on profit on ordinary activities

The taxation charge is made up as follows:

	2001 £000	2000 £000
Based on the profit for year		
Corporation tax	8,414	5,539
Deferred taxation	(73)	1,293
	8,341	6,832
Adjustments relating to previous years	(839)	108
	7,502	6,940

The effective tax rate for the current year is 29.4% compared to a standard rate for 2001 of 30%. The charge for the year has been reduced by 1.0% 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 £181,000 (2000 – charge of £nil).

10. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £20,246,000 (2000 – £20,562,000).

11. Dividends

	2001 £000	2000 £000
Non-equity dividends on Preference Shares		
6.45% Cumulative Preference Shares	18	20
15.5% Cumulative Second Preference Shares	284	316
	302	336
Equity dividends on Ordinary Shares:		
Interim of 8.8p paid on 1 October 2001 (2000 : 8.0p)	1,436	1,291
Proposed final of 17.6p (2000 : 16.0p)	2,869	2,624
	4,305	3,915
	4,607	4,251

The Archant Employee Benefit Trust, the Archant Qualifying Exempt Share Ownership Trust and the Trustees of the Archant No. 1 Long Term Incentive Plan Trust have waived the dividends payable on the shares that they own and have agreed to waive future dividends.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

12. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on profits after preference dividends of £17,701,000 (2000 – £18,857,000) and on ordinary shares of 16,339,000 (2000 – 16,189,000) being the weighted average number of shares in issue during the year, excluding the shares owned by the Archant Employee Benefit Trust and the Archant 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:

	2001 p	2000 p
Earnings per share	108.3	116.5
Adjustment for exceptional items	0.8	(8.7)
Adjustment for amortisation of goodwill and other intangible assets	8.7	3.3
Tax impact of exceptional items	–	–
Adjusted earnings per share	117.8	111.1

The diluted earnings per share is based on earnings for the year of £17,701,000 (2000 – £18,857,000) as above, and on 16,688,000 (2000 – 16,694,000) ordinary shares, calculated as follows:

	2001 thousands	2000 thousands
Basic weighted average number of shares	16,339	16,189
Dilutive potential ordinary shares:		
Employee share options	91	248
Contingently issuable shares under the Long Term Incentive Plan	258	257
	16,688	16,694

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

13. Intangible fixed assets

Group	Franchises £000	Newspaper Titles £000	Magazine Titles £000	Goodwill £000	Total £000
Cost:					
At 31 December 2000	105	45,834	8,343	5,285	59,567
Additions	59	—	—	—	59
Adjustments to purchase consideration	—	—	(120)	(64)	(184)
Acquisition of businesses	—	—	13,962	1,533	15,495
Disposal	—	—	(59)	—	(59)
At 31 December 2001	164	45,834	22,126	6,754	74,878
Amortisation					
At 31 December 2000	11	—	289	428	728
Provided during the year	29	—	1,065	331	1,425
At 31 December 2001	40	—	1,354	759	2,153
Net book value					
At 31 December 2001	124	45,834	20,772	5,995	72,725
At 31 December 2000	94	45,834	8,054	4,857	58,839

Company	Franchises £000	Magazine Titles £000	Total £000
Cost:			
At 31 December 2000	105	383	488
Additions	59	—	59
At 31 December 2001	164	383	547
Amortisation:			
At 31 December 2000	11	84	95
Provided during the year	29	19	48
At 31 December 2001	40	103	143
Net book value			
At 31 December 2001	124	280	404
At 31 December 2000	94	299	393

- Goodwill arising on the acquisition of subsidiary undertakings is being amortised evenly over the directors' estimates of their useful economic lives 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 5 years.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

14. Tangible fixed assets

Group	Freehold land & buildings £000	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Cost or valuation					
At 31 December 2000	14,910	401	49,465	4,100	68,876
Additions	52	11	2,399	—	2,462
Acquisition of businesses	—	17	425	—	442
Disposals	(35)	(67)	(884)	—	(986)
At 31 December 2001	14,927	362	51,405	4,100	70,794
Depreciation					
At 31 December 2000	902	143	33,805	2,487	37,337
Charge for year	235	22	3,682	—	3,939
Acquisition of businesses	—	16	322	—	338
Disposals	(5)	(17)	(774)	—	(796)
At 31 December 2001	1,132	164	37,035	2,487	40,818
Net book value					
At 31 December 2001	13,795	198	14,370	1,613	29,976
At 31 December 2000	14,008	258	15,660	1,613	31,539

Included in freehold land and buildings is land valued at £3,398,000 (2000 – £3,408,000), which is not depreciated. The net book value of plant, equipment and vehicles above includes an amount of £464,000 (2000 – £646,000) in respect of assets held under finance leases, and £7,122,000 (2000 – £8,222,000) for both Group and Company in respect of assets subject to a chattel mortgage. The depreciation charge comprises depreciation of owned assets of £3,734,000 and depreciation of assets held under finance leases of £205,000.

Company	Leasehold buildings £000	Plant, equipment & vehicles £000	Films £000	Total £000
Cost or valuation				
At 31 December 2000	50	37,199	4,100	41,349
Additions	—	1,230	—	1,230
Disposals	(50)	(98)	—	(148)
At 31 December 2001	—	38,331	4,100	42,431
Depreciation				
At 31 December 2000	3	24,636	2,487	27,126
Charge for year	—	2,315	—	2,315
Disposals	(3)	(92)	—	(95)
At 31 December 2001	—	26,859	2,487	29,346
Net book value				
At 31 December 2001	—	11,472	1,613	13,085
At 31 December 2000	47	12,563	1,613	14,223

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

14. Tangible fixed assets (continued)

The cost or valuation of land and buildings at 31 December 2001 comprises:

	Group	Freehold Company	Long	Leasehold Group	Long	Leasehold Company
	£000	£000	£000	Short £000	£000	Short £000
At valuation – 1996	13,664	–	125	–	–	–
At cost	1,263	–	–	237	–	–
	14,927	–	125	237	–	–

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:

	2001 £000	Freehold 2000 £000	2001 £000	Leasehold 2000 £000
Group				
Cost	13,876	13,836	371	387
Aggregate depreciation	2,604	2,397	169	162
Company				
Cost	–	–	–	28
Aggregate depreciation	–	–	–	14

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 (2000 – £13,000).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

15. Investments

Group	2001 £000	2000 £000
Associates (a)	—	52
Other fixed asset investments (b)	305	316
	305	368

a. Associates

	Share of net assets £000
At 31 December 2000	52
Additional investment	1,002
Share of results retained by associate	(67)
Disposal	(987)
At 31 December 2001	—

On 3 January 2001, the Group invested £1,002,000 in Westcom Media Limited to enable them to acquire CAT FM Limited.

On 7 September 2001, the Group sold its investment in Westcom Media Limited for a mixture of cash consideration, net of disposal costs, of £1,250,000 and 655,370 shares in UKRD Limited, the acquiring company. UKRD Limited is unlisted and a nominal value has been placed on the shares in UKRD in these financial statements.

b. Other fixed asset investments

	Listed £000	Unlisted £000	Total £000
Cost			
At 31 December 2000	305	36	341
Disposals	(11)	—	(11)
At 31 December 2001	294	36	330
Provisions			
At 31 December 2000 and 2001	—	25	25
Net book value			
At 31 December 2001	294	11	305
At 31 December 2000	305	11	316

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

15. Investments (continued)

Company	Subsidiary undertakings £000	Listed £000	Unlisted £000	Total £000
Cost				
At 31 December 2000	38,848	288	36	39,172
Inter group transfer	-	7	-	7
Disposals	-	(1)	-	(1)
At 31 December 2001	38,848	294	36	39,178
Provisions				
At 31 December 2000 and 2001	500	-	25	525
Net book value				
At 31 December 2001	38,348	294	11	38,653
At 31 December 2000	38,348	288	11	38,647

The market value of the listed investments at 31 December 2001 was £782,000 for the Group and the Company (2000 – £1,051,000 and £972,000 respectively). Unlisted investments, consisting of equity share capital, are valued by the directors at £2,861,000 for the Group and £2,015,000 for the Company (2000 – £2,015,000 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 £1,001,000 (2000 – £825,000) in the event of disposals at these values.

The Company's principal trading subsidiary undertakings, all of which are incorporated in England, are listed below. Certain name changes were made on 1 March 2002 as part of the legal re-organisation; the principal changes are detailed below. Those in which the equity is held by a subsidiary undertaking are marked with an asterisk.

Company	Renamed At 1 March 2002	Activity During 2001	Percentage of Ordinary Shares
Community Media Limited	Archant (Services) Limited	Newspaper publishing	100
The Anglia Advertiser Limited	Archant Anglia (East) Limited*	Newspaper publishing	100
ECNG Properties Limited	Archant Properties Limited*	Property	100
ECNG Leasing Limited	Archant Leasing Limited*	Property & leasing	100
Orient Publishing Plc	Archant Lifestyle Plc*	Holding company	100
Market Link Publishing Plc*	Archant Specialist Plc*	Magazine publishing	100
Summerhouse Publishing Limited*	Archant Dialogue Limited*	Contract publishing	100
Pilot Publishing Company Limited*		Magazine publishing	100
Oyston Publications Plc*	Archant Life (North) Plc*	Magazine publishing	100
Loyalty & Conquest Communications Limited*	Archant Life (South) Limited*	Magazine publishing	100

On 30 January 2001, the Group acquired Oyston Publications Plc (re-named Archant Life (North) Plc on 1 March 2002), publishers of five lifestyle magazines in Cheshire, Lancashire and Yorkshire; on 15 March 2001, the Group acquired Country Smallholding magazine; and on 2 May 2001, the Group acquired Loyalty & Conquest Communications Limited (re-named Archant Life (South) Limited), publishers of Cotswold Life magazine.

The aggregate consideration for these acquisitions was £17,625,000, satisfied by cash consideration of £5,233,000 and fixed rate unsecured guaranteed loan notes 2003 issued by Archant Lifestyle Plc (formerly Orient Publishing Plc) of £12,392,000.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

15. Investments (continued)

Net assets at date of acquisitions:

	Book value £000	Revaluation £000	Fair value to Group £000
Intangible fixed assets	23	15,472	15,495
Tangible fixed assets	104	—	104
Stocks	26	—	26
Debtors	519	385	904
Bank and cash balances	1,510	—	1,510
Creditors due within one year	(716)	(207)	(923)
Creditors due in more than one year	(9)	—	(9)
Deferred taxation	—	518	518
Net assets	1,457	16,168	17,625
Discharged by:			
Cash consideration			4,984
Archant Lifestyle Plc loan notes 2003			12,392
Costs associated with the acquisitions			249
			17,625

Revaluation adjustments

Trade debtors and trade creditors have been adjusted to bring the timing of the recognition of revenues and costs for the publication of monthly titles into line with the Group policy.

Taxation balances have been restated to the assets and liabilities at the dates of acquisition.

The excess consideration over the net assets acquired, restated to their fair values, has been classified as magazine titles and goodwill under intangible fixed assets.

16. Stocks

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Raw materials	1,212	1,191	1,187	1,166
Finished goods and goods for resale	165	292	12	65
	1,377	1,483	1,199	1,231

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

17. Debtors

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Due in less than one year:				
Trade debtors	16,168	16,700	5,928	7,332
Amounts owed by subsidiary undertakings	—	—	4,686	1,830
Other debtors	539	731	261	475
Prepayments and accrued income	2,887	2,367	1,404	725
Corporation tax recoverable	616	80	485	—
Pension prepayment	100	100	100	100
	20,310	19,978	12,864	10,462
Due in over one year:				
Amounts owed by subsidiary undertakings	—	—	57,657	54,166
Pension prepayment	399	499	399	499
Other debtors	4	4	—	—
	403	503	58,056	54,665
Total debtors	20,713	20,481	70,920	65,127

18. Short term investments

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Shares held by Archant Employee Benefit Trust	1,424	648	1,424	648
Loan notes receivable	13,774	13,774	13,774	13,774
	15,198	14,422	15,198	14,422

The Archant Employee Benefit Trust held shares in Eastern Counties Newspapers Group Limited valued at £1,424,000 at 31 December 2001. On 1 March 2002, the shares in ECNG held by the Archant Employee Benefit Trust were converted to an equal number of Archant Limited 20p ordinary shares. The bank overdraft of the Trust is guaranteed by Archant 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.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

19. Cash and deposits

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Term and other deposits	32,590	24,500	32,590	24,500
Cash at bank and in hand	2,040	6,641	824	2,493
	34,630	31,141	33,414	26,993

20. Creditors: amounts falling due within one year

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Trade creditors	3,553	4,268	1,545	1,812
Loan notes payable (Note 22)	27,029	15,383	—	—
Employee Benefit Trust overdraft (guaranteed)	1,424	648	1,424	648
Finance lease obligations	153	241	—	—
Deferred lease premium	988	1,100	988	1,100
Amounts owed to subsidiary undertakings	—	—	736	690
Corporation tax	4,912	4,898	2,326	2,856
Tax and social security	3,225	3,207	1,064	723
Other creditors	1,436	1,727	882	627
Accruals and deferred income	7,564	6,849	4,216	4,114
Payments on account	604	194	146	86
Proposed dividend	2,869	2,624	2,869	2,624
	53,757	41,139	16,196	15,280

21. Creditors: amounts falling due after more than one year

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Loans – film finance	1,613	1,613	1,613	1,613
Loan notes payable (Note 22)	3,050	3,050	—	—
Finance lease obligations	317	372	—	—
Deferred consideration on acquisitions	375	796	—	—
Deferred lease premium	—	988	—	988
Amounts owed to subsidiary undertakings	—	—	41,781	37,897
	5,355	6,819	43,394	40,498

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.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

22. Loan notes payable

Loan notes payable comprise:

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Archant Lifestyle Plc (formerly Orient Publishing Plc) loan notes 2008	14,755	15,507	-	-
Less issue costs	(118)	(124)	-	-
Archant Specialist Plc (formerly Market Link Publishing Plc) loan notes 2003	3,050	3,050	-	-
Archant Lifestyle Plc (formerly Orient Publishing Plc) loan notes 2003	12,392	-	-	-
	30,079	18,433	-	-

Archant Lifestyle Plc (formerly Orient Publishing Plc) loan notes 2008

The Archant Lifestyle 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.

Archant Specialist Plc (formerly Market Link Publishing Plc) loan notes 2003

The Archant Specialist 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 are due for redemption on 31 May 2003. The loan notes are guaranteed by Barclays Bank PLC at a cost to the Group of 0.45% per annum.

Archant Lifestyle Plc (formerly Orient Publishing Plc) loan notes 2003

The Archant Lifestyle Plc loan notes are fixed rate, guaranteed, unsecured loan notes 2003, and were issued as part of the consideration for the acquisitions during 2001. Interest is payable at a rate of 5% per annum on the last working day of each month on loan notes totalling £12,000,000. The remaining loan notes are interest free. The loan notes can be redeemed by the holders at any interest payment date after 31 January 2002 up to 30 April 2003, 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.

23. Provisions for liabilities and charges

	Ex gratia Pensions £000	Other Provisions £000	Deferred Taxation £000	Group Total £000	Other Provisions £000	Deferred Taxation £000	Company Total £000
At 31 December 2000	768	641	5,706	7,115	298	5,062	5,360
Acquisition of subsidiary undertaking	-	-	(518)	(518)	-	-	-
Arising during the year	68	177	(480)	(235)	-	(594)	(594)
Utilised	(107)	(69)	-	(176)	(50)	-	(50)
At 31 December 2001	729	749	4,708	6,186	248	4,468	4,716

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

23. Provisions for liabilities and charges (continued)

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

	Provided		Group Not Provided		Provided		Company Not Provided	
	2001	2000	2001	2000	2001	2000	2001	2000
	£000	£000	£000	£000	£000	£000	£000	£000
Capital allowances in advance of depreciation	1,802	2,130	224	808	2,174	2,441	–	–
Other timing differences	2,906	3,576	351	351	2,294	2,621	16	16
	4,708	5,706	575	1,159	4,468	5,062	16	16

24. Called up share capital

	2001	Authorised	Allotted, called up and fully paid	
	2000	2000	2001	2000
	£000	£000	£000	£000
6.45% Cumulative Preference Shares of £1 each Class cancelled (2000 – 308,500 issued)	–	309	–	309
15.5% Cumulative Second Preference Shares of £1 each Class cancelled (2000 – 2,041,300 issued)	–	2,041	–	2,041
Ordinary Shares of 20p each 16,600,630 issued (2000 – 16,463,484 issued)	3,650	3,650	3,320	3,293
	3,650	6,000	3,320	5,643

Movement in Ordinary Shares

	Number
Shares in issue at 1 January 2001	16,463,484
Shares issued 5 March 2001 at £8.60 to the Archant Qualifying Exempt Share Ownership Trust on the maturity of the 1996 five year SAYE scheme	45,116
Shares issued 11 April 2001 at £3.90 to the Trustee of the Archant No. 1 Long Term Incentive Plan Trust on maturity of the 1998 plan	77,567
Shares issued on 27 July 2001 to a director pursuant to the ordinary resolution passed at the Annual General Meeting held on 16 May 2001	10,000
Shares issued on 2 November 2001, at £8.90 to the Archant Qualifying Exempt Share Ownership Trust	4,463
Shares in issue at 31 December 2001	16,600,630

The cancellation and repayment of the 6.45% Cumulative Preference Shares and 15.5% Cumulative Second Preference Shares, under a reduction of capital, were approved at separate class meetings of the holders of the 6.45% Cumulative Preference Shares, the 15.5% Cumulative Second Preference Shares, and the Ordinary Shares, and at an Extraordinary General Meeting of holders of the Ordinary Shares, held on 19 October 2001.

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at 31 December 2001

24. Called up share capital (continued)

Savings related share options

Date of grant	Option price	Earliest exercise date	Latest exercise date	Number of ordinary shares
1 March 1997	£2.24	1 March 2002	31 August 2002	121,567

Long Term Incentive Plan

The establishment of the Archant No.1 Long Term Incentive Plan was approved by shareholders at the Annual General Meeting on 19 May 1997 for a five year term. A proposal for the establishment of a new Plan under Archant Limited is detailed in that company's Notice of Annual General Meeting on page 76 of this document. The operation of this Plan is detailed in the report of the Remuneration Committee on page 36.

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at 31 December 2001

25. Movements on shareholders' funds

	Share capital	Share premium account	Revaluation surplus	Special reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000	£000
Group						
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
Total recognised gains	—	—	—	—	18,003	18,003
Dividends	—	—	—	—	(4,607)	(4,607)
Issue of shares	27	797	—	—	—	824
Realised on disposals	—	—	(12)	—	12	—
Distributable element of depreciation charge	—	—	(13)	—	13	—
Cancellation of preference shares	(2,350)	—	—	2,350	(7,794)	(7,794)
At 31 December 2001	3,320	5,369	567	2,350	98,020	109,626
Company						
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
Distributable element of depreciation charge	—	—	—	—	—	—
Contribution to Qualifying Exempt Share Ownership Trust	—	—	—	—	(300)	(300)
At 31 December 2000	5,643	4,572	12	—	89,671	99,898
Total recognised gains	—	—	—	—	20,246	20,246
Dividends	—	—	—	—	(4,607)	(4,607)
Issue of shares	27	797	—	—	—	824
Realised on disposals	—	—	(12)	—	12	—
Cancellation of preference shares	(2,350)	—	—	2,350	(7,794)	(7,794)
At 31 December 2001	3,320	5,369	—	2,350	97,528	108,567

The special reserve was created on the cancellation of the preference shares to protect the creditors of the Company at the date of cancellation. The reserve can be released to distributable reserves when all of the creditors of the Company at the date of cancellation have been satisfied.

The cumulative amount of goodwill written off to the Profit and Loss Account at 31 December 2001 in the consolidated financial statements is £13,759,000 (2000 – £13,759,000).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

26. Financial instruments and related disclosures

Details of the Group's treasury policies and strategies, together with the carrying values of the Group's financial instruments at 31 December 2001, are included in the Financial Review on pages 8 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:

	Total	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is earned
2001	£000	£000	£000	£000
Fixed asset investments	305	—	—	305
Talkco (Holdings) Limited loan notes	13,774	—	13,774	—
Term deposits	32,090	—	32,090	—
Overnight deposits	500	—	500	—
Bank and cash balances	2,040	—	2,040	—
	48,709	—	48,404	305
	Total	Fixed rate financial assets	Floating rate financial assets	Financial assets on which no interest is earned
2000	£000	£000	£000	£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

Term 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:

	Total	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is paid
2001	£000	£000	£000	£000
Deferred lease premium	988	—	—	988
Loan notes payable	30,079	12,000	17,687	392
Finance leases	470	470	—	—
Loans for film finance	1,613	—	—	1,613
Deferred consideration on acquisitions	375	—	—	375
Provisions	1,478	—	—	1,478
	35,003	12,470	17,687	4,846

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

26. Financial instruments and related disclosures (continued)

	Total	Fixed rate financial liabilities	Floating rate financial liabilities	Financial liabilities on which no interest is paid
2000	£000	£000	£000	£000
Deferred lease premium	2,088	—	—	2,088
Loan notes payable	18,433	—	18,433	—
Finance leases	613	613	—	—
Loans for film finance	1,613	—	—	1,613
Deferred consideration on acquisitions	796	—	—	796
6.45% cumulative preference shares	309	309	—	—
15.5% cumulative second preference shares	2,041	2,041	—	—
Provisions	1,409	—	—	1,409
	27,302	2,963	18,433	5,906

Maturity of financial liabilities

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

	2001 £000	2000 £000
In one year or less, or on demand	28,270	16,879
In more than one year, but not more than two	3,445	1,550
In more than two years, but not more than five	815	4,162
In more than five years	2,473	4,711
	35,003	27,302

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 2001 were £3,643,000 (2000 – £3,066,000) which comprised market value for listed investments and directors' valuations for unlisted investments compared with a book value of £305,000 (2000 – £316,000).

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

27. Reconciliation of operating profit to operating cash flows

	2001 £000	2000 £000
Operating profit	23,625	23,659
Depreciation of tangible fixed assets	3,939	4,269
Amortisation of intangible fixed assets	1,425	540
Lease premium amortisation	(1,100)	(1,100)
Amortisation of lump sum pension contribution	100	100
(Profit) on disposals	(21)	(215)
Decrease in stocks	131	198
Decrease in debtors	1,811	288
(Decrease)/increase in creditors	(477)	2,089
Increase in provisions	245	176
Payment against provisions	(176)	(267)
Contribution to Qualifying Exempt Share Ownership Trust	-	(300)
Cash flow from operating activities	29,502	29,437

28. Analysis of cash flows for headings netted in the statement of cash flows

	Notes	2001 £000	2000 £000
Returns on investments and servicing of finance			
Interest received		2,449	2,270
Dividends received		111	1,412
Interest paid		(1,525)	(1,086)
Preference dividends paid		(302)	(336)
Dividends paid to minority interests		-	(36)
Interest element of finance lease rental payments		(49)	(53)
		684	2,171
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(59)	(82)
Purchase of tangible fixed assets		(2,414)	(2,044)
Sale of intangible fixed assets		60	-
Sale of tangible fixed assets		206	177
Sale of investments		13	249
		(2,194)	(1,700)
Acquisitions and disposals			
Investment in associate		(1,002)	-
Acquisitions of businesses	15	(5,233)	(3,414)
Bank balances acquired with businesses	15	1,510	23
Adjustment to purchase consideration	15	-	15
Sale of associate		1,250	-
Deferred consideration		(492)	-
		(3,967)	(3,376)

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

28. Analysis of cash flows for headings netted in the statement of cash flows (continued)

	Notes	2001 £000	2000 £000
Management of liquid resources			
(Increase) in short term deposits		(8,090)	(11,000)

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

	Notes	2001 £000	2000 £000
Financing			
Issue of ordinary share capital		824	553
Repayment of Archant Lifestyle Plc (formerly Orient Publishing Plc) loan notes 2008		(752)	(2,719)
Capital element of finance lease rental payments		(203)	(300)
Cancellation of preference shares		(7,794)	—
		(7,925)	(2,466)

29. Analysis of net funds

	At 1.1.01	Cash flow	Other non cash changes	Acquisitions excluding cash and overdrafts	At 31.12.01
	£000	£000	£000	£000	£000
Cash at bank and in hand	6,641	(4,601)	—	—	2,040
Short term deposits	24,500	8,090	—	—	32,590
Loan notes receivable	13,774	—	—	—	13,774
	44,915	3,489	—	—	48,404
Loan notes payable	(18,557)	752	(12,392)	—	(30,197)
Loan issue costs	124	—	(6)	—	118
Finance leases	(613)	203	(47)	(13)	(470)
Total	25,869	4,444	(12,445)	(13)	17,855

30. Major non cash transactions

During the year the Group issued bank-guaranteed fixed rate unsecured loan notes 2003 totalling £12,392,000 as part of the consideration for the acquisitions during the year.

The Group also entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £47,000.

NOTES TO THE FINANCIAL STATEMENTS

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31. Post balance sheet events

On 1 February 2002, the shareholders of ECNG approved the introduction of a new holding company, Archant Limited, under a Court sanctioned scheme of arrangement under section 425 of the Companies Act 1985, with effect from 1 March 2002. As a consequence, the shareholders of ECNG exchanged their shares in ECNG for an equivalent number of shares in Archant Limited. At the same time, the Group organisational structure was simplified, to bring it into line with the Group's management and operational structure.

32. Capital commitments

Approved future capital expenditure at 31 December 2001, for which no provision has been made in these financial statements, amounted to:

	2001 £000	Group 2000 £000	2001 £000	Company 2000 £000
Contracted for but not provided	1,424	131	1,393	131

33. Commitments under operating leases

At 31 December 2001 annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Plant, equipment and vehicles	
Group	2001 £000	2000 £000	2001 £000	2000 £000
Operating leases which expire:				
Within one year	26	87	300	363
Within two to five years	359	340	2,477	2,492
Over five years	757	565	—	—
	1,142	992	2,777	2,855

34. Contingent liabilities

Archant Regional Limited 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 Archant, 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 7 September 2008.

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35. 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 £3,245,000 (2000 – £2,833,000).

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 Archant Pension and Life Assurance Scheme, at the most recent valuation, as at 1 January 1999, it was assumed that the rate of return on investments would be 3.5% above price inflation for the purpose of valuing the accrued liabilities and 3.75% above price inflation for the purpose of valuing future accruing liabilities, salaries would increase by 1.5% above price inflation and pensions would increase in line with price inflation. As at 1 January 1999 the market value of the assets was £71,243,000 and the actuarial value of the assets represented 107% of the liability for benefits that had accrued to the members for service to the review date, based on salaries projected to retirement. The employer's regular contribution rate, ignoring surplus, was identified as 13.6%. If the surplus was eliminated over the average remaining service lives of the members (13 years), the employer's contribution rate could have been reduced to 10.4%. However, in order to reduce the risk of failing to satisfy the minimum funding requirement under the Pensions Act 1995, the full allowance for eliminating surplus was not implemented. Instead, the employer contribution rate was maintained at 11.0% during 2001. 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 Archant Pension and Life Assurance Scheme. The pension cost represents contributions payable by the Group to this scheme with the Group 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	5% to 8%

For the Archant 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 2001 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 financial statements.

Pension disclosure under FRS 17

The pension cost figures used in these financial statements comply with the current pension cost accounting standard SSAP 24. A new pension cost accounting standard, FRS 17, came into effect for accounting years ending on or after 22 June 2001. Under transitional arrangements, the Group is required to disclose the following information about the schemes and the figures that would have been shown under FRS 17 in the current balance sheet, as if the new accounting standard had been in force.

This schedule shows the combined results of the three main benefit schemes in the UK. A full actuarial valuation was carried out for each of the schemes in the past and updated to 31 December 2001 by a qualified independent actuary.

Assumptions

The major assumptions used by the actuary were:

	At 31 December 2001
Rate of increase in salaries	4.00%
Rate of increase in deferred pensions	2.50%
Rate of increase in pensions in payment	2.50%
Discount rate	5.83%
Inflation assumption	2.50%

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35. Pension schemes (continued)

Assets/liabilities

The assets in the schemes and the expected rates of return were:

	Long term rate of return expected at 31 December 2001	Value at 31 December 2001 £000
Equities	7.0%	72,693
Bonds and gilts	5.5%	18,054
Other	5.0%	1,466
Total market value of assets		92,213
Present value of scheme liabilities		98,532
Shortfall in the schemes		(6,319)
Related deferred tax asset		1,896
Net pension shortfall		(4,423)

If the above pension shortfall was recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	At 31 December 2001 £000
Balance sheet	
Net assets excluding pensions shortfall	109,626
Less pension prepayment (Note 17)	(499)
Pensions shortfall	(4,423)
Net assets including pensions shortfall	104,704
	At 31 December 2001 £000
Reserves note	
Profit and loss reserve excluding pensions shortfall	98,020
Less pension prepayment (Note 17)	(499)
Pensions shortfall	(4,423)
Profit and loss reserve	93,098