

Hemming Group Limited

Report and Accounts

31 December 1998



Hemming Group Limited

Registered No. 1431106

DIRECTORS

J H Hemming	-	Joint Chairman
L A Service	-	Joint Chairman
N A McF D Service	-	Managing Director
M Bird		
M A Burton		
J A Dowling		
M C V Taylor		
N Yorke		

SECRETARY

D Braiden

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

32 Vauxhall Bridge Road
London SW1V 2SS

Hemming Group Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDEND

The profit for the year, after taxation, amounted to £151,171 (1997 - profit £82,589). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company continue to be the publication of trade magazines and directories and the organisation of trade exhibitions and conferences.

The company's core products performed well during the year. The company continues its policy of expansion as appropriate opportunities arise.

During the year the company acquired the Harrogate Lingerie and Swimwear exhibition and the trade magazine Lingerie Buyer.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as stated on page 1.

No director held any interest in the ordinary shares or non-cumulative redeemable preference shares. Directors' interests in the ordinary shares of the ultimate parent undertaking, Hemming Publishing Limited, are shown in that company's accounts.

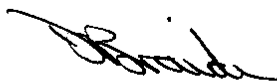
YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of addressing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks. The cost of implementing the action plans will not be material and will be subsumed into the recurring costs of the company as they arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved.

By order of the board



D Braiden
Secretary

11 May 1999

Hemming Group Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**REPORT OF THE AUDITORS
to the members of Hemming Group Limited**

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

11 May 1999

Hemming Group Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

	<i>Notes</i>	<i>1998</i> £	<i>1997</i> £
TURNOVER	3	10,707,016	9,425,790
Operating costs		(10,526,913)	(9,381,607)
OPERATING PROFIT	4	180,103	44,183
Bank interest receivable		1,581	38,406
Income from investments		26,684	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		208,368	82,589
Tax on profit on ordinary activities	7	(57,197)	-
PROFIT FOR THE YEAR		151,171	82,589

There are no recognised gains or losses other than those included in the profit and loss account.

Hemming Group Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Intangible assets	8	2,264,501	1,397,477
Tangible assets	9	4,077,157	4,020,361
Investments	10	2,467,668	2,467,668
		<u>8,809,326</u>	<u>7,885,506</u>
CURRENT ASSETS			
Stocks	11	78,348	171,402
Debtors	12	3,741,401	3,249,975
Cash at bank		802,831	1,409,838
		<u>4,622,580</u>	<u>4,831,215</u>
CREDITORS: amounts falling due within one year	13	(5,243,961)	(3,523,767)
NET CURRENT (LIABILITIES)/ASSETS		<u>(621,381)</u>	<u>1,307,448</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,187,945</u>	<u>9,192,954</u>
CREDITORS: amounts falling due after more than one year	14	11,000,000	12,156,180
CAPITAL AND RESERVES			
Called up share capital - equity	15	999	999
- non-equity		3,001	3,001
Profit and loss account	16	(2,816,055)	(2,967,226)
Shareholders' funds		<u>(2,812,055)</u>	<u>(2,963,226)</u>
		<u>8,187,945</u>	<u>9,192,954</u>

N A McF D Service

Director

Nicholas Service

11 May 1999

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

1. FUNDAMENTAL ACCOUNTING CONCEPT

The ongoing operations of the company are dependent on the continuing availability of funds from the ultimate parent company, Hemming Publishing Limited. Hemming Publishing Limited has confirmed that it will maintain its financial support for the foreseeable future to enable the company to continue normal trading operations. The directors consider that it is appropriate to prepare the accounts on a going concern basis.

2. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Intangible fixed assets

Intangible fixed assets represent acquired separable publishing titles and trading names and are valued at historical cost.

Amortisation is provided over the remaining estimated useful life of the title, ranging between 10 and 20 years, from the date of acquisition, using a straight line basis.

The carrying value of intangible assets 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off the cost of the assets over their expected useful lives, at the following rates:

Motor vehicles	-	25% per annum
Fixtures fittings and equipment	-	5% to 33% per annum
Freehold buildings	-	2% per annum
Freehold land is not depreciated.		

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of finished publications and publications in progress, cost comprises direct costs.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Group accounts

The company is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985.

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

2. ACCOUNTING POLICIES (continued)

Recognition of income

- (i) Revenue arising on exhibitions and conferences is taken to the profit and loss account in the period in which an event is held.
- (ii) Subscriptions revenue is allocated to accounting periods in proportion to the number of issues covered by the subscription published before and after the accounting date.
- (iii) Advertising revenue on directories is recognised at date of publication.
- (iv) Sales revenue on directories is recognised in the period in which orders are delivered.

Investments

Investments are carried at cost.

Pensions

The company funds pension liabilities, on the advice of professionally qualified actuaries, by payments to an independent insurance company. The expected cost of pensions in respect of the defined benefit pension scheme is charged to profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

Variations in pensions cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of the employees in proportion to their expected payroll costs.

Operating leases

Obligations under operating leases are charged to the profit and loss account as they fall due.

3. TURNOVER

Turnover represents the amounts derived from the provisions of goods and services which fall within the company's ordinary continuing activities, stated net of value added tax.

4. OPERATING PROFIT

This is stated after charging/(crediting):

	1998 £	1997 £
Amortisation of publishing rights and trading names	81,820	80,976
Depreciation of tangible fixed assets	276,810	231,181
Auditors' remuneration - audit services	24,000	20,000
- non audit services	5,000	10,000
Operating lease rentals - other	64,222	60,361
Profit on sale of tangible fixed assets	(3,728)	(2,800)

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

5. STAFF COSTS

Employees costs (including directors) during the year amounted to:

	1998 £	1997 £
Salaries	2,698,746	2,312,352
Social security costs	250,216	191,555
Other pension costs	226,719	138,969
	<u>3,175,681</u>	<u>2,642,876</u>

The average weekly number of persons employed by the company during the year was as follows:

	1998 No.	1997 No.
Administrative	29	19
Publishing	48	57
Event organising	20	23
	<u>97</u>	<u>99</u>

6. DIRECTORS' REMUNERATION

The following remuneration was paid in respect of directors of Hemming Group Limited:

	1998 £	1997 £
Emoluments (including pension contributions)	<u>407,172</u>	<u>383,316</u>

	1998 No.	1997 No.
Members of the defined benefit pension schemes	<u>5</u>	<u>5</u>

The directors' remuneration shown above (excluding pension contributions) included:

	1998 £	1997 £
Highest paid director	<u>83,551</u>	<u>80,000</u>

7. TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK corporation tax	31,000	-
Corporation tax under provided in previous years	26,197	-
	<u>57,197</u>	<u>-</u>

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

8. INTANGIBLE FIXED ASSETS

	£
Cost:	
At 1 January 1998	1,631,477
Additions	948,844
At 31 December 1998	2,580,321
Depreciation:	
At 1 January 1998	234,000
Charge for the year	81,820
At 31 December 1998	315,820
Net book value:	
At 31 December 1998	2,264,501
At 1 January 1998	1,397,477

Intangible assets comprise acquired publishing rights and trade names.

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost:				
At 1 January 1998	3,500,000	1,394,942	21,361	4,916,303
Additions	-	271,029	62,577	333,606
Disposals	-	(40,030)	(21,361)	(61,391)
At 31 December 1998	3,500,000	1,625,941	62,577	5,188,518
Depreciation:				
At 1 January 1998	100,000	775,253	20,689	895,942
Charge for the year	50,000	217,126	9,684	276,810
Disposals	-	(40,030)	(21,361)	(61,391)
At 31 December 1998	150,000	952,349	9,012	1,111,361
Net book value:				
At 31 December 1998	3,350,000	673,592	53,565	4,077,157
At 1 January 1998	3,400,000	619,689	672	4,020,361

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

10. FIXED ASSET INVESTMENTS

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

Proportion of ordinary share capital at 31 December 1998 held by:

	<i>Parent undertaking</i>	<i>Subsidiary undertaking</i>	<i>Nature of business</i>
Subsidiary undertakings:			
Cities Limited	100%	-	Event organising
Printerhall Limited	100%	-	Publishing and exhibition organising
Brintex Limited	100%	-	Dormant
Municipal Journal Limited	100%	-	Dormant
Newdata Limited	-	100%	Dormant
Newman Books Limited	100%	-	Dormant
Brintex Exhibitions Limited*	100%	-	Dormant

* Incorporated in Hong Kong.

	<i>Subsidiary undertakings £</i>
Cost:	
At 1 January 1998	2,639,235
Disposals	(42,570)
At 31 December 1998	2,596,665
Amounts written off:	
At 1 January 1998	171,567
On disposals	(42,570)
At 31 December 1998	128,997
Net book value:	
At 31 December 1998	2,467,668
At 1 January 1998	2,467,668

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

11. STOCKS

	1998 £	1997 £
Raw materials and consumables	14,506	7,310
Work in progress	-	46,777
Finished goods	63,842	117,315
	<u>78,348</u>	<u>171,402</u>

12. DEBTORS

	1998 £	1997 £
Trade debtors	2,629,604	2,629,540
Amounts owed by subsidiaries	408,619	55,486
Other debtors	114,498	36,528
Prepayments and accrued income	588,680	528,421
	<u>3,741,401</u>	<u>3,249,975</u>

13. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	593,270	177,266
Trade creditors	686,710	606,040
Corporation tax	57,197	-
Amounts owed to subsidiary undertakings	373,285	355,758
Amounts owed to parent undertaking	282,317	-
Other taxes and social security costs	314,218	130,033
Other creditors	360,218	419,212
Accruals and deferred income	2,576,746	1,835,458
	<u>5,243,961</u>	<u>3,523,767</u>

14. CREDITORS: amounts falling due after more than one year

	1998 £	1997 £
Amounts owed to parent undertaking	<u>11,000,000</u>	<u>12,156,180</u>

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

15. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted called up and fully paid:		
9,990 ordinary shares of 10 pence each	999	999
3,001 non-cumulative redeemable preference shares of £1 each	3,001	3,001
	<u>4,000</u>	<u>4,000</u>

The holders of preference shares shall be entitled to a non-cumulative preferential dividend of a net cash sum equal to 10% of the net profit in excess of £200,000 of the company for the accounting period.

On a return of assets on liquidation or otherwise, the surplus assets of the company remaining after the payment of its liabilities shall be applied first in paying to the holders of the preference shares the sum of £2 per share.

The holders of preference shares shall be entitled to receive notice of every General Meeting but shall not be entitled to attend or to vote in person or by proxy at any such meeting except if the business of the General Meeting includes the consideration of a resolution to reduce the capital of the company, to wind up the company or affecting directly or adversely the rights or privileges attached to the said preference shares.

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1997	4,000	(3,049,815)	(3,045,815)
Retained profit for the year		82,589	82,589
At 1 January 1998	4,000	(2,967,226)	(2,963,226)
Retained profit for the year		151,171	151,171
At 31 December 1998	4,000	(2,816,055)	(2,812,055)

17. PENSION COMMITMENTS

The company operates a pension scheme for employees. The scheme is of the defined benefit type and is funded upon the advice of professionally qualified actuaries. The assets of the scheme are held in separate trustee administered funds. Contributions to the scheme are determined on the basis of regular valuations. The scheme was last valued on 1 July 1997 using the attained age method. The assumptions adopted in that valuation were that future investment returns would be 8.5% per annum, that salaries would increase at 7% per annum and pensions at 4% per annum. The market value of the assets at the valuation date was £5,394,668, and the actuarial value of the assets was sufficient to cover the benefits which had accrued to members after allowing for expected future increases in pensionable remuneration. The charge to profit and loss account for 1998 was £226,719 (1997 - £138,969) and represents the premiums paid which in the opinion of the directors is not materially different from the calculation required to comply with SSAP 24.

Hemming Group Limited

NOTES TO THE ACCOUNTS at 31 December 1998

18. OTHER FINANCIAL COMMITMENTS

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Other 1998 £</i>	<i>1997 £</i>
Operating leases which expire:		
within one year	7,175	7,531
between one to two years	18,538	26,186
between two to five years	11,460	24,055
	<u>37,173</u>	<u>57,772</u>

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with related parties that are part of the Hemming Publishing Limited group of companies.

20. ULTIMATE PARENT UNDERTAKING

In the directors' opinion, the company's ultimate parent undertaking is Hemming Publishing Limited, a company registered in England and Wales. Copies of its group accounts are available to the public from Companies House, Crown Way, Cardiff CF4 3UZ.