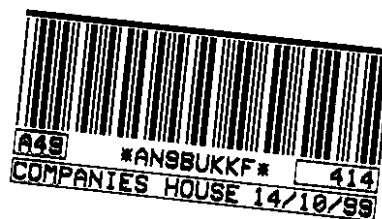




HAYMARKET GROUP LIMITED

Report and Financial Statements

31 December 1998



**REPORT AND FINANCIAL STATEMENTS 1998**

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The Rt Hon M R D Heseltine CH MP (Chairman)
D B Fraser FCA
A S Kemp
Lord Levene of Portsoken KBE
J L Masters
S P Tindall

SECRETARY

D B Fraser FCA

REGISTERED OFFICE

174 Hammersmith Road
London
W6 7JP

BANKERS

National Westminster Bank PLC

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

ACTIVITY

The principal activity of the group continues to be the publishing and development of magazines. The directors do not anticipate any major changes in the foreseeable future.

REVIEW OF DEVELOPMENTS

The group's results for the year and state of affairs at 31 December 1998 are shown in the attached financial statements. The introduction of FRS10, "Goodwill and intangible assets" has led to an amortisation charge for the group in the year. Excluding this amortisation charge the group profit before tax has risen from £14,452,000 to £18,280,000.

A dividend of £2,628,000 (1997 - £1,314,000) has been paid and the retained profit for the financial year was £7,928,000 (1997 - £8,353,000).

The group is currently addressing Year 2000 problems and the impact on computer and other electronic systems. This process also covers the progress made by suppliers and other intermediaries. In performing remedial work the group is incurring additional external costs, but the total is not expected to be material.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year. The interests of the directors in the shares of the company were as follows:

	Ordinary shares of 1p each at 1 January 1998	Ordinary shares of 1p each at 31 December 1998
M R D Heseltine (Chairman)	16,611,650	16,611,650
D B Fraser	1,483,640	1,483,640
J L Masters	1,158,220	1,158,220
S P Tindall	3,433,435	3,537,715

The directors of the company do not have any interests in the shares of subsidiary undertakings.

EMPLOYMENT OF DISABLED PERSONS

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities.

DONATIONS

During the year the group made charitable donations of £34,000 (1997 - £13,000) and made a donation of £1,000 to the Conservative Party (1997 - £50,000).

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

D B Fraser
Secretary

11 May 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the group as at the end of the financial year 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 group 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.



AUDITORS' REPORT TO THE MEMBERS OF HAYMARKET GROUP LIMITED

We have audited the financial statements on pages 5 to 25 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 company's and 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 the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

11 May 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1998 £'000	Restated 1997 £'000	Restated 1997 £'000
TURNOVER					
Group and share of joint ventures		120,664		109,174	
Less: share of joint ventures		(8,323)		(6,916)	
Group turnover	2		112,341		102,258
Cost of sales			(90,760)		(85,724)
Gross profit			21,581		16,534
Amortisation of publishing and exhibition rights		(1,324)		-	
Other administrative expenses		(1,229)		(1,249)	
Administrative expenses			(2,553)		(1,249)
Other operating income			40		59
OPERATING PROFIT	4		19,068		15,344
Share of profit of joint ventures			6		604
Share of profit of associates			36		251
Profit on disposal of associated undertakings			-		94
Profit on disposal of fixed assets	5		280		26
Investment income	6		77		59
Interest payable and similar charges	7		(2,656)		(1,926)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			16,811		14,452
Tax on profit on ordinary activities	8		(5,950)		(4,529)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			10,861		9,923
Equity minority interests			(305)		(256)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF HAYMARKET GROUP LIMITED			10,556		9,667
Equity dividends paid			(2,628)		(1,314)
RETAINED PROFIT FOR THE GROUP AND ITS SHARE OF ASSOCIATES AND JOINT VENTURES			7,928		8,353

All activities derive from continuing operations.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 31 December 1998**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	1998 £'000	1997 £'000
Profit for the year	10,556	9,667
Currency translation differences on foreign currency net investments	-	(27)
Adjustment on revaluation of fixed assets	1,623	847
Total recognised gains and losses relating to the year	<u>12,179</u>	<u>10,487</u>


**CONSOLIDATED BALANCE SHEET
31 December 1998**

	Note	1998	Restated
		1997	
		£'000	£'000
FIXED ASSETS			
Intangible assets	10	23,811	24,480
Tangible assets	11	24,957	20,908
Investments	12	70	242
Investments in associates	12	115	2
Investments in joint ventures	12		
- Gross assets		6,297	3,073
- Gross liabilities		(3,619)	(3,073)
		<u>2,678</u>	<u>-</u>
		51,631	45,632
CURRENT ASSETS			
Stocks	13	1,265	1,338
Debtors falling due within one year	14(a)	21,781	21,266
Debtors falling due after more than one year	14(b)	406	2,693
Cash at bank and in hand		769	318
		<u>24,221</u>	<u>25,615</u>
CREDITORS: amounts falling due within one year	15	(42,759)	(45,910)
NET CURRENT LIABILITIES		<u>(18,538)</u>	<u>(20,295)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		33,093	25,337
CREDITORS: amounts falling due after more than one year	16	(35,368)	(37,467)
EQUITY MINORITY INTEREST		<u>(585)</u>	<u>(281)</u>
		<u>(2,860)</u>	<u>(12,411)</u>
CAPITAL AND RESERVES			
Called up share capital	18	335	335
Capital redemption reserve	19	177	177
Revaluation reserve	20	6,394	4,771
Merger reserve	21	6,236	6,236
Profit and loss account	22	(16,002)	(23,930)
EQUITY SHAREHOLDERS' DEFICIT		<u>(2,860)</u>	<u>(12,411)</u>

These financial statements were approved by the Board of Directors on 11 May 1999.

Signed on behalf of the Board of Directors

The Rt. Hon. M R D Heseltine CH MP
Director


BALANCE SHEET
31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Investments	12	359	359
CURRENT ASSETS			
Debtors falling due within one year	14(a)	39,653	40,068
Debtors falling due after more than one year	14(b)	31	18,178
		39,684	58,246
CREDITORS: amounts falling due within one year	15	(12,928)	(15,507)
NET CURRENT ASSETS		26,756	42,739
TOTAL ASSETS LESS CURRENT LIABILITIES		27,115	43,098
CREDITORS: Amounts falling due after more than one year	16	(7,723)	(20,434)
		19,392	22,664
CAPITAL AND RESERVES			
Called up share capital	18	335	335
Capital redemption reserve	19	177	177
Profit and loss account	22	18,880	22,152
EQUITY SHAREHOLDERS' FUNDS		19,392	22,664

These financial statements were approved by the Board of Directors on 11 May 1999.

Signed on behalf of the Board of Directors

 The Rt. Hon. M R D Heseltine CH MP
Director


CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Net cash inflow from operating activities	24	20,491	21,766
Dividends received from associated undertakings		47	575
Returns on investments and servicing of finance			
Interest received		30	7
Dividends received		47	52
Interest paid		(2,533)	(1,741)
Net cash outflow from returns on investments and servicing of finance		(2,456)	(1,682)
Taxation			
UK corporation tax paid (including advance corporation tax)		(2,224)	(8,067)
Total tax paid		(2,224)	(8,067)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(4,332)	(5,698)
Purchase of intangible fixed assets		(684)	(2,275)
Proceeds from sale of intangible asset		40	120
Proceeds from sale of tangible fixed assets		178	249
Proceeds from sale of investment		385	-
Net cash outflow from capital expenditure and financial investment		(4,413)	(7,604)
Acquisitions and disposals			
Purchase of interest in associated undertakings		(2,934)	-
Net cash outflow from acquisitions and disposals		(2,934)	-
Equity dividends paid		(2,628)	(1,314)
Net cash inflow before financing		5,883	3,674
Financing			
Bank loan drawdown	25	10,300	15,000
Redemption of loan stock	25	(15,285)	(17,859)
Redemption of share capital		-	(40,126)
Issue of loan stock		-	39,797
Net cash outflow from financing		(4,985)	(3,188)
Increase in cash	26	898	486

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1998**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as amended by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 1998, as restated under FRS9.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits or losses and attributable taxation of the associated undertakings.

In the consolidated balance sheet the shares in the associated undertakings are shown at the group's share of the net assets of the associated undertakings. Joint ventures' assets and liabilities have been disclosed gross in accordance with FRS9.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net assets. Where the cost of the acquisition exceeds the values attributed to such net assets, the difference is treated as purchased goodwill. From 1 January 1998, purchased goodwill will be capitalised and amortised at 5% per annum. Previously it was written off directly to reserves.

Publishing and exhibition rights

Prior to FRS10 'Goodwill and intangible assets', Haymarket Group Limited and its fellow group companies capitalised its acquired publishing and exhibition rights and periodic impairment write downs were made. In the light of the more conservative approach recommended by FRS10 the directors have determined that publishing and exhibition rights are to be amortised on a straight line basis at 5% per annum commencing in 1998.

Tangible fixed assets

Short leasehold properties are amortised over the period of the lease. No depreciation is usually charged on freehold land. When it has proved impossible to obtain a split between land and buildings for a property then the full cost has been depreciated. Other assets are depreciated by equal annual instalments over the anticipated lives of the assets, principally at the following rates:

Freehold properties	2%
Vehicles, furniture and equipment	20% - 25%

Investments

Investments are stated at cost less provision for permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks of magazine back issues are not valued.

Agricultural stock is included at independent professional valuation.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
1. ACCOUNTING POLICIES (continued)
Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Loan stock

Provision is made for the accrued premium payable on the redemption of redeemable loan stock.

Foreign currency

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account. The financial statements of foreign subsidiary undertakings are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiary undertakings at the closing rates are taken directly to reserves.

Pension costs

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the period in which they become payable.

Operating leases

Rentals are charged to the profit and loss account in equal annual amounts over the lease term.

2. TURNOVER

Turnover represents revenue receivable and the value of goods (excluding VAT) sold to third parties. All turnover and profit before tax relates to the group's principal activity.

	1998 £'000	1997 £'000
Geographical analysis		
United Kingdom	108,433	99,242
Other Countries	3,908	3,016
	<u>112,341</u>	<u>102,258</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Emoluments	<u>1,016</u>	<u>831</u>
Remuneration of highest paid director	<u>252</u>	<u>252</u>
	<u>No.</u>	<u>No.</u>
Average number of persons employed (including directors)	<u>844</u>	<u>821</u>

There is a defined contributions pension plan for the benefit of three directors. The contributions by the group in the year were £nil (1997 - £nil).


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1998	1997
	£'000	£'000
Staff costs during the year		
Wages and salaries	22,912	20,272
Social security costs	2,202	2,012
Pension costs	970	934
	<u>26,084</u>	<u>23,218</u>

4. OPERATING PROFIT

	1998	1997
	£'000	£'000
Operating profit is after charging:		
Depreciation	1,805	1,270
Rentals under operating leases	544	447
Auditors' remuneration - audit	96	116
- other services	168	206
Amortisation of publishing and exhibition rights	1,324	-
	<u>1,324</u>	<u>-</u>

5. PROFIT ON DISPOSAL OF FIXED ASSETS

	1998	1997
	£'000	£'000
Profit on disposal of intangible assets	12	26
Profit on disposal of freehold property	55	-
Profit on disposal of investments	213	-
	<u>280</u>	<u>26</u>

6. INVESTMENT INCOME

	1998	1997
	£'000	£'000
Income from other fixed asset investments	47	52
Interest receivable and similar income	30	7
	<u>77</u>	<u>59</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
7. INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£'000	£'000
Bank loan and overdraft interest	1,890	1,140
Other interest payable	616	607
Premium on loan stock	105	179
Foreign exchange	45	-
	<u>2,656</u>	<u>1,926</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£'000	£'000
United Kingdom corporation tax at 31% (1997 - 31%)	5,884	4,159
Group share of tax on profits of:		
Joint ventures	42	195
Associates	24	85
	<u>5,950</u>	<u>4,439</u>
Adjustment in respect of prior years	-	90
	<u>5,950</u>	<u>4,529</u>

9. LOSS ATTRIBUTABLE TO MEMBERS OF THE COMPANY

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the company is not presented as part of these financial statements. The company's loss for the year amounted to £644,000 (1997-loss £714,000).


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. INTANGIBLE FIXED ASSETS

Group	Publishing and exhibition rights £'000
Cost or valuation	
At 1 January 1998	28,314
Additions during the year	684
Disposals	(1,237)
At 31 December 1998	27,761
Accumulated amortisation	
At 1 January 1998	3,834
Charged in the year	1,324
Disposals	(1,208)
At 31 December 1998	3,950
Net book value	
At 31 December 1998	23,811
At 31 December 1997	24,480

11. TANGIBLE FIXED ASSETS

Group	Freehold properties £'000	Short leasehold properties £'000	Vehicles, furniture and equipment £'000	Total £'000
Cost or valuation				
At 1 January 1998	17,289	437	8,598	26,324
Foreign exchange translation differences	-	(1)	(2)	(3)
Additions	2,452	-	1,880	4,332
Adjustment on revaluation	1,296	-	-	1,296
Disposals	-	(131)	(643)	(774)
At 31 December 1998	21,037	305	9,833	31,175
Accumulated depreciation				
At 1 January 1998	317	347	4,752	5,416
Foreign exchange translation differences	-	(1)	(1)	(2)
Charge for the year	343	22	1,440	1,805
Adjustment on revaluation	(327)	-	-	(327)
Disposals	-	(131)	(543)	(674)
At 31 December 1998	333	237	5,648	6,218
Net book value				
At 31 December 1998	20,704	68	4,185	24,957
At 31 December 1997	16,972	90	3,846	20,908


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
11. TANGIBLE FIXED ASSETS (continued)

Freehold properties at 31 December 1998 comprise properties at open market value as determined by the directors of £17,700,000 (1997 - £11,150,000) and properties at cost of £3,004,000 (1997 - £5,822,000).

The net book value of freehold properties comprises land of £1,831,000 (1997 - £1,817,000) and properties for which no split can be obtained of £18,873,000 (1997 - £15,155,000).

	Freehold properties £'000
The comparable amounts for properties at valuation determined according to the historical cost convention:	
Cost	16,168
Accumulated depreciation	(1,362)
Net book value at 31 December 1998	<u>14,806</u>
Net book value at 31 December 1997	<u>10,303</u>

12. INVESTMENTS HELD AS FIXED ASSETS

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Shares in subsidiary undertakings (a)	-	-	359	359
Other investments (b)	70	242	-	-
Investments in associated undertakings (c)	2,793	2	-	-
	<u>2,863</u>	<u>244</u>	<u>359</u>	<u>359</u>

(a) Shares in subsidiary undertakings

The principal subsidiary undertakings, all of which are registered in England and Wales and operate principally in the United Kingdom, are as follows:

Subsidiary undertakings	Percentage of equity held	Principal Activity
Haymarket Business Publications Limited	100%	Magazine publishing
Haymarket Medical Limited	100%	Magazine publishing
Haymarket Magazines Limited *	95%	Magazine publishing
Haymarket Exhibitions Limited*	100%	Exhibition organising
Haymarket Publishing Services Limited*	100%	Administrative services
Ansdell Street Properties Limited	100%	Property investment
Teddington Properties Limited	100%	Property investment
* Shares held by Haymarket Publishing Group Services Limited		


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
12. INVESTMENTS HELD AS FIXED ASSETS (continued)
(b) Other investments

	Other Listed £'000	Other Unlisted £'000	Total £'000
Cost			
At 1 January 1998	70	172	242
Disposal	-	(172)	(172)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	70	0	70
	<hr/>	<hr/>	<hr/>
		1998 £'000	1997 £'000
Market value of investments listed on a recognised stock exchange (cost £54,069 (1997 - £54,069))		4,822	3,201
		<hr/>	<hr/>

(c) Associated undertakings

	Joint Ventures £'000	Associates £'000	Total £'000
Share of net assets			
At 1 January 1998	0	2	2
Additions	2,786	148	2,934
Share of retained profits/(losses)	27	(25)	2
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2,813	125	2,938
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 1998	0	0	0
Charge for the year	(135)	(10)	(145)
	<hr/>	<hr/>	<hr/>
At 31 December 1998	(135)	(10)	(145)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1998	2,678	115	2,793
	<hr/>	<hr/>	<hr/>
At 31 December 1997	0	2	2
	<hr/>	<hr/>	<hr/>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
12. INVESTMENTS HELD AS FIXED ASSETS (continued)

Details of investments representing more than 10% of the company's issued share capital:

Associated undertakings	Country of incorporation/ registration and principal place of operation	Percentage of equity held	Principal activity
Associates:			
Frontline Limited*	England and Wales	Ordinary 'A' shares 5% Ordinary 'C' shares 100% Ordinary 'E' shares 25% Ordinary 'F' shares 17%	Distribution of magazines
Graduate Group Limited	England and Wales	25%	Training service provider
Joint ventures:			
SCMP Haymarket*	Hong Kong	49%	Magazine publisher
BBC Haymarket Exhibitions Limited*	England and Wales	50%	Organisation of exhibitions

* Shares held by a subsidiary undertaking

The group's share of SCMP Haymarket and Graduate Group Limited were acquired on 29 September 1998 and 9 April 1998 respectively.

(d) Transactions with associated undertakings

Frontline Limited is the Group's agent in relation to the sale of publications to third parties.

Distribution services totalling £2,584,000 (1997 - £2,213,000) were provided to the Group by Frontline Limited.

During the year the Group provided the following services to BBC Haymarket Exhibitions Limited:

	1998 £'000	1997 £'000
Administrative services	935	828
Editorial and advertising services	26	25

Amounts owed to and from associated undertakings are shown in notes 14 and 15 to the accounts.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
13. STOCKS

	1998 £'000	1997 £'000
Group		
Raw materials and consumables	1,265	1,338

Raw materials and consumables include £130,000 (1997 - £149,000) of agricultural stocks which are included at independent professional valuation.

The balance represents stocks of paper for which, in the directors' opinion, the replacement cost does not differ significantly from the value included in the financial statements.

14. DEBTORS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
(a) Falling due within one year				
Trade debtors	14,073	13,156	-	-
Amounts owed by subsidiary undertakings	-	-	39,622	39,931
Amounts owed by associated undertakings	2,534	2,890	-	-
Other debtors	684	1,326	31	137
Prepayments and accrued income	4,490	3,894	-	-
	<u>21,781</u>	<u>21,266</u>	<u>39,653</u>	<u>40,068</u>

Other debtors includes £30,000 (1997 - £134,000) of taxation recoverable for the group and £nil (1997 - £nil) for the company. Amounts owed by associated undertakings include £2,100,000 (1997 - £2,100,000) owed by Frontline Limited.

	1998 £'000	1997 £'000	1998 £'000	1997 £'000
(b) Falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	-	15,792
Advance corporation tax recoverable	31	2,386	31	2,386
Other debtors	375	307	-	-
	<u>406</u>	<u>2,693</u>	<u>31</u>	<u>18,178</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank overdraft	22	469	-	-
1.667% unsecured loan stock (see note 16)	4,593	4,593	4,593	4,593
1.6087% unsecured loan stock (see note 16)	8,117	10,691	8,117	10,691
Trade creditors	8,218	9,899	-	-
Other creditors including taxation and social security	6,212	5,709	218	223
Accruals and deferred income	15,597	14,549	-	-
	<u>42,759</u>	<u>45,910</u>	<u>12,928</u>	<u>15,507</u>
Other creditors including taxation and social security:				
Amounts owed to associated undertakings	214	581	-	-
Corporation tax	2,778	1,577	218	223
Taxation and social security	2,485	2,058	-	-
Other creditors	735	1,493	-	-
	<u>6,212</u>	<u>5,709</u>	<u>218</u>	<u>223</u>

The bank overdraft is secured by fixed and floating charges on the assets of the group.

At the end of the year no balances were owed to any director.

During the year the group entered into the following transactions with its directors:

	M R D	J L	S P
	Heseltine	Masters	Tindall
	£	£	£
1998			
Personal costs paid for by the group and fully reimbursed	94,000	43,000	34,000
Other costs paid for by the group and fully reimbursed	85,000	76,000	121,000
	M R D	J L	S P
	Heseltine	Masters	Tindall
	£	£	£
1997			
Purchase of fixed and other assets from a subsidiary undertaking	-	100,400	3,500
Personal costs paid for by the group and fully reimbursed	79,000	123,000	157,000
Other costs paid for by the group and fully reimbursed	-	183,000	297,000
Income collected and repaid	-	219,000	135,000



NOTES TO THE ACCOUNTS
Year ended 31 December 1998

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans	25,300	15,000	-	-
1.667% unsecured loan stock	-	4,594	-	4,594
1.6087% unsecured loan stock	7,723	15,840	7,723	15,840
Unsecured loan stock 2004	1,152	1,081	-	-
Accruals	1,193	952	-	-
	<u>35,368</u>	<u>37,467</u>	<u>7,723</u>	<u>20,434</u>

Interest on the unsecured loan stock 2004 is payable at 0.25% below the base lending rate of National Westminster Bank Plc.

In 1997 the company issued £39,797,274 1.6087% unsecured loan stock. £15,445,617 was issued to S P Tindall, a director of the company, and Island Trustees (Jersey) Limited as a trustee of a trust for the benefit of, or nominee for, certain members of his family. £24,351,657 of the stock was issued to Mr J L Masters which is redeemable in three equal annual instalments which commenced on 1 June 1997. The remaining stock relating to Mr S P Tindall is redeemable in three instalments payable on 1 June 1997, 1 June 1998 and 31 December 2000 at 33.3%, 16.7% and 50%, respectively.

In 1996, the company issued £13,300,000 1.667% Unsecured Loan Stock to Walbrook Trustees (Jersey) Limited and R&H Trust Co (Jersey) Limited as trustees of trusts for the benefit of, or nominee for, certain members of the family of Mr J L Masters. The Stock is redeemable by three equal annual instalments commencing on 1 June 1997, at a premium of £480,360.

Of the bank loans £15m bear fixed interest at 8.7% for five years after drawdown and 1 3/8% above LIBOR thereafter. The remaining £10.3m bears interest at a variable rate. These are secured by fixed and floating charges on the assets of the group and are repayable by instalments as follows:

	£'000
Between two and five years	14,300
After more than five years	11,000
	<u>25,300</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
17. PROVISIONS FOR LIABILITIES AND CHARGES

Under the policy stated in note 1 no deferred tax is provided on capital allowances in excess of depreciation or surpluses on revaluation.

The unprovided deferred tax assets are:

	1998 £'000	1997 £'000
Capital allowances in (excess)/below depreciation	(120)	(134)
Other timing differences	1,086	885
Gain deferred by roll over relief	(576)	(382)
Capital losses	576	382
	<u>966</u>	<u>751</u>

18. CALLED UP SHARE CAPITAL

	1997 and 1998 £'000	
Authorised:		
52,000,000 ordinary shares of 1p each		520
		<u>520</u>
	No.	£'000
Allotted, called up and fully paid:	33,522,805	335
	<u>33,522,805</u>	<u>335</u>

In 1997 the company entered into an agreement with J L Masters whereby it can be required to purchase 1,158,220 ordinary shares of 1p each, the cost to be determined on the basis of the net asset value of the Group at the immediately preceding accounting date. If the company is required to purchase these shares on or before 31 December 1999 the cost will be approximately £6,600,000.

In 1997 the company purchased 8,016,310 ordinary shares of 1p each from Walbrook Trustees (Jersey) Ltd as trustees of trusts for the family of J L Masters, for an aggregate price, including associated costs of £24,552,800.

In 1997 the company purchased 5,084,535 ordinary shares of 1p each from Walbrook Trustees (Jersey) Ltd as trustees of trusts for the family of S P Tindall, for an aggregate price, including associated costs of £15,573,200.

The Rt. Hon. M R D Heseltine and his family have a controlling interest in the company.

19. CAPITAL REDEMPTION RESERVE

	£'000
Group and company	
As at 1 January 1998 and 31 December 1998	<u>177</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
20. REVALUATION RESERVE

	1998 £'000	1997 £'000
Group		
At 1 January	4,771	3,924
Revaluation of freehold properties	1,623	847
At 31 December	<u>6,394</u>	<u>4,771</u>

21. MERGER RESERVE

	£'000
Group	
At 1 January 1998 and 31 December 1998	<u>6,236</u>

22. PROFIT AND LOSS ACCOUNT

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
At 1 January	(23,930)	7,870	22,152	64,306
Profit/(loss) for the financial year	10,556	9,667	(644)	(714)
Dividends	(2,628)	(1,314)	(2,628)	(1,314)
Currency translation differences on foreign currency net investments	-	(27)	-	-
Redemption of share capital, with associated costs	-	(40,126)	-	(40,126)
At 31 December	<u>(16,002)</u>	<u>(23,930)</u>	<u>18,880</u>	<u>22,152</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Profit/(loss) for the financial year	10,556	9,667	(644)	(714)
Foreign exchange differences	-	(27)	-	-
Dividends	(2,628)	(1,314)	(2,628)	(1,314)
	<u>7,928</u>	<u>8,326</u>	<u>(3,272)</u>	<u>(2,028)</u>
Redemption of share capital	-	(40,126)	-	(40,126)
Adjustment on revaluation of freehold properties	1,623	847	-	-
Net increase/(reduction) to shareholders' funds	<u>9,551</u>	<u>(30,953)</u>	<u>(3,272)</u>	<u>(42,154)</u>
Opening shareholders' (deficit)/funds	<u>(12,411)</u>	<u>18,542</u>	<u>22,664</u>	<u>64,818</u>
Closing shareholders' (deficit)/funds	<u>(2,860)</u>	<u>(12,411)</u>	<u>19,392</u>	<u>22,664</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £'000	1997 £'000
Operating profit	19,068	15,344
Depreciation (net of profits on disposal)	1,783	1,247
Amortisation of publishing and exhibition rights	1,324	-
Foreign exchange adjustment	-	(27)
Increase in debtors	(687)	(1,367)
Decrease in stocks	73	121
(Decrease)/increase in creditors	(1,070)	6,448
Net cash inflow from operating activities	<u>20,491</u>	<u>21,766</u>

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans 1998 £'000	Loan stock 1998 £'000
Balance at 1 January	15,000	36,799
Cash inflow/(outflow) from financing	10,300	(15,285)
Premium payable on and interest accrued on loan stock	-	71
Balance at 31 December	<u>25,300</u>	<u>21,585</u>

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £'000	1997 £'000
Increase in cash in the period	898	486
Cash outflow/(inflow) from debt financing	<u>4,985</u>	<u>(36,938)</u>
Change in net debt resulting from cash flows	5,883	(36,452)
Interest accumulated on loan notes	<u>(71)</u>	<u>(62)</u>
Movement in net debt in the period	5,812	(36,514)
Net debt at 1 January	<u>(51,950)</u>	<u>(15,436)</u>
Net debt at 31 December	<u>(46,138)</u>	<u>(51,950)</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
27. ANALYSIS OF NET DEBT

	At 1 January 1998 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 1998 £'000
Cash at bank and in hand	318	451	-	769
Overdrafts	(469)	447	-	(22)
	<u>(151)</u>	<u>898</u>	<u>-</u>	<u>747</u>
Debt due after one year	(36,515)	2,411	(71)	(34,175)
Debt due within one year	(15,284)	2,574	-	(12,710)
	<u>(51,950)</u>	<u>5,883</u>	<u>(71)</u>	<u>(46,138)</u>

28. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1998 (1997 - £575,000) relating to the group and £nil (1997 - £nil) relating to the company.

29. OPERATING LEASE COMMITMENTS

As at 31 December 1998 the group was committed to making the following payments during the next year in respect of operating leases:

Group

	Motor vehicles £'000	Land and buildings £'000	Total £'000
Leases which expire:			
Within one year	5	9	14
Within two to five years	-	299	299
After five years	-	259	259
	<u>5</u>	<u>567</u>	<u>572</u>

30. CONTINGENT LIABILITIES

A subsidiary undertaking has granted a put option to a shareholder in another subsidiary undertaking under which it may be required to purchase all or part of the shareholding. The maximum liability under this put option as at 31 December 1998 was £2,068,000 (1997 - £1,428,000).

31. PENSION SCHEME

The principal scheme operated by the group is a defined contribution scheme in which eligible employees participate in personal pension plans to which the company contributes 8% and the employees contribute a minimum of 5% of relevant earnings. The assets of the individual plans are held separately from those of the company in independently administered funds.

**NOTES TO THE ACCOUNTS****Year ended 31 December 1998****32. POST BALANCE SHEET EVENTS**

A freehold property has been sold for an amount in excess of its balance sheet value and land owned by the group has been sold for £525,000. Publishing rights of £2,150,000 have been purchased since the year end.