

HAYMARKET GROUP LIMITED

Report and Financial Statements

31 December 1999

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



REPORT AND FINANCIAL STATEMENTS

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Consolidated profit and loss account	5
Statement of total recognised gains and losses	6
<i>Note of historical cost profits and losses</i>	6
Consolidated balance sheet	7
Balance sheet	8
Consolidated cash flow statement	9
Notes to the accounts	10

REPORT AND FINANCIAL STATEMENTS

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 1999.

ACTIVITY

The principal activity of the group continues to be the publishing and development of magazines and the organisation of exhibitions. 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 1999 are shown in the attached financial statements. During the year the group incurred significant expenditure in the launch and development of new publications. Net expenditure on such new activities of £10,228,000 was charged against profits, compared to £2,642,000 in 1998; excluding that net expenditure and amortisation of publishing rights, the group profit before tax was £21,665,000 and, before interest payable, £25,479,000.

A dividend of £2,500,000 (1998 - £2,628,000) has been paid and the retained profit for the financial year was £2,991,000 (1998 - £7,928,000).

The group is continuing to address 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 has incurred 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 1999	Ordinary shares of 1p each at 31 December 1999
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	3,537,715	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.

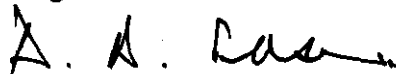
DONATIONS

During the year the group made charitable donations of £69,000 (1998 - £34,000) and made a donation of £25,000 to Conservative Mainstream, with a donation of £1,000 to the Conservative Party in 1998.

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
Director and Secretary

10 May 2000

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 26 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, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 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 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche

Chartered Accountants and
Registered Auditors

10 May 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £'000	1999 £'000	1998 £'000	1998 £'000
TURNOVER					
Group and share of joint ventures		138,976		120,664	
Less: share of joint ventures		(9,906)		(8,323)	
		<u> </u>		<u> </u>	
Group turnover	2		129,070		112,341
Cost of sales			(112,138)		(90,760)
			<u> </u>		<u> </u>
Gross profit			16,932		21,581
Amortisation of publishing and exhibition rights		(1,616)		(1,324)	
Other administrative expenses		(1,930)		(1,229)	
		<u> </u>		<u> </u>	
Administrative expenses			(3,546)		(2,553)
Other operating income			24		40
			<u> </u>		<u> </u>
OPERATING PROFIT	4		13,410		19,068
Share of operating (loss)/profit of joint ventures			(503)		6
Share of operating profit of associates			50		36
Amortisation of intangibles in respect of joint ventures and associates			(254)		-
Profit on disposal of fixed assets	5		436		280
Investment income	6		242		77
Interest payable and similar charges	7		(3,814)		(2,656)
			<u> </u>		<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			9,567		16,811
Tax on profit on ordinary activities	8		(3,916)		(5,950)
			<u> </u>		<u> </u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			5,651		10,861
Equity minority interests			(160)		(305)
			<u> </u>		<u> </u>
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF HAYMARKET GROUP LIMITED			5,491		10,556
Equity dividends paid			(2,500)		(2,628)
			<u> </u>		<u> </u>
RETAINED PROFIT FOR THE GROUP AND ITS SHARE OF ASSOCIATES AND JOINT VENTURES			2,991		7,928
			<u> </u>		<u> </u>

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1999

	1999	1998
	£'000	£'000
Profit for the year	5,491	10,556
Currency translation differences on foreign currency net investments	(15)	-
Adjustment on revaluation of fixed assets	5,170	1,623
	<u>10,646</u>	<u>12,179</u>
Total recognised gains and losses relating to the year	<u>10,646</u>	<u>12,179</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1999	1998
	£'000	£'000
Profits on ordinary activities before taxation	9,567	16,811
Realisation of property valuation gains of prior years	49	-
	<u>9,616</u>	<u>16,811</u>
Historical cost profit on ordinary activities before taxation	<u>9,616</u>	<u>16,811</u>
Historical cost profit on ordinary activities after taxation	<u>5,700</u>	<u>10,861</u>

CONSOLIDATED BALANCE SHEET
31 December 1999

	Note	1999	1998
		£'000	£'000
FIXED ASSETS			
Intangible assets	10	34,098	23,811
Tangible assets	11	31,040	24,957
Investments	12	70	70
Investments in associates	12	1,872	115
Investments in joint ventures	12		
- Goodwill		2,831	110
- Gross assets		5,955	6,187
- Gross liabilities		(3,976)	(3,619)
		<u>4,810</u>	<u>2,678</u>
		<u>71,890</u>	<u>51,631</u>
CURRENT ASSETS			
Stocks	13	1,534	1,265
Debtors falling due within one year	14(a)	29,971	21,781
Debtors falling due after more than one year	14(b)	963	406
Cash at bank and in hand		582	769
		<u>33,050</u>	<u>24,221</u>
CREDITORS: amounts falling due within one year	15	<u>(53,043)</u>	<u>(42,759)</u>
NET CURRENT LIABILITIES		<u>(19,993)</u>	<u>(18,538)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,897</u>	<u>33,093</u>
CREDITORS: amounts falling due after more than one year	16	<u>(45,866)</u>	<u>(35,368)</u>
EQUITY MINORITY INTEREST		<u>(745)</u>	<u>(585)</u>
		<u>5,286</u>	<u>(2,860)</u>
CAPITAL AND RESERVES			
Called up share capital	18	335	335
Capital redemption reserve	19	177	177
Revaluation reserve	20	11,515	6,394
Merger reserve	21	6,236	6,236
Profit and loss account	22	(12,977)	(16,002)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	23	<u>5,286</u>	<u>(2,860)</u>

These financial statements were approved by the Board of Directors on 10 May 2000.

Signed on behalf of the Board of Directors

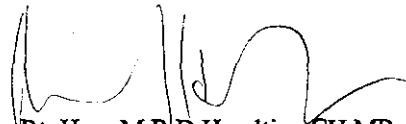

The Rt. Hon. M R D Heseltine CH MP
Chairman

BALANCE SHEET
31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Investments	12	359	359
CURRENT ASSETS			
Debtors falling due within one year	14(a)	23,774	39,653
Debtors falling due after more than one year	14(b)	-	31
		23,774	39,684
CREDITORS: amounts falling due within one year	15	(7,775)	(12,928)
NET CURRENT ASSETS		15,999	26,756
TOTAL ASSETS LESS CURRENT LIABILITIES		16,358	27,115
CREDITORS: amounts falling due after more than one year	16	-	(7,723)
		16,358	19,392
CAPITAL AND RESERVES			
Called up share capital	18	335	335
Capital redemption reserve	19	177	177
Profit and loss account	22	15,846	18,880
EQUITY SHAREHOLDERS' FUNDS	23	16,358	19,392

These financial statements were approved by the Board of Directors on 10 May 2000.

Signed on behalf of the Board of Directors


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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1999

	Note	£'000	1999 £'000	1998 £'000
Net cash inflow from operating activities	24		17,216	20,491
Dividends received from associated undertakings			62	47
Returns on investments and servicing of finance				
Interest received		103		30
Dividends received		45		47
Interest paid		(3,186)		(2,533)
Net cash outflow from returns on investments and servicing of finance			(3,038)	(2,456)
Taxation				
UK corporation tax paid		(3,739)		(2,224)
Total tax paid			(3,739)	(2,224)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(4,791)		(4,332)
Purchase of intangible fixed assets		(4,765)		(684)
Proceeds from sale of intangible asset		352		40
Proceeds from sale of tangible fixed assets		2,268		178
Proceeds from sale of investment		-		385
Net cash outflow from capital expenditure and financial investment			(6,936)	(4,413)
Acquisitions and disposals				
Purchase of subsidiary undertaking	30	(7,088)		-
Purchase of interest in associated undertakings		(4,598)		(2,934)
Net cash outflow from acquisitions and disposals			(11,686)	(2,934)
Equity dividends paid			(2,500)	(2,628)
Net cash (outflow)/inflow before financing			(10,621)	5,883
Financing				
Bank loan drawdown	25	16,308		10,300
Redemption of loan stock	25	(12,710)		(15,285)
Net cash inflow/(outflow) from financing			3,598	(4,985)
(Decrease)/increase in cash	26, 27		(7,023)	898

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

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 1999.

The group's share in associates is 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.

The group's share of its joint ventures' assets and liabilities have been accounted for using the gross equity method.

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. Purchased goodwill is capitalised and amortised at 5% per annum.

Publishing and exhibition rights

Publishing and exhibition rights are held at cost less any provision for impairment in value and are amortised on a straight line basis at 5% per annum.

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 office properties	2%
Other freehold properties	2%
Vehicles, furniture and equipment	20% - 25%

Investments

Investments are stated at cost less any provision for impairment.

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 1999

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.

	1999 £'000	1998 £'000
Geographical analysis		
United Kingdom	123,706	108,433
Other Countries	5,364	3,908
	<u>129,070</u>	<u>112,341</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors' emoluments		
Emoluments	<u>1,048</u>	<u>1,016</u>
Remuneration of highest paid director	<u>253</u>	<u>252</u>
	No.	No.
Average number of persons employed (including directors)	<u>1,007</u>	<u>844</u>

There is a defined contributions pension plan for the benefit of three directors. The contributions by the group in the year were £nil (1998 - £nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1999	1998
	£'000	£'000
Staff costs during the year		
Wages and salaries	28,159	22,912
Social security costs	2,629	2,202
Pension costs	1,149	970
	<u>31,937</u>	<u>26,084</u>

4. OPERATING PROFIT

	1999	1998
	£'000	£'000
Operating profit is after charging:		
Depreciation	2,274	1,805
Rentals under operating leases - other	593	544
Auditors' remuneration - audit	55	96
- other services	230	168
Amortisation of publishing and exhibition rights	<u>1,616</u>	<u>1,324</u>

5. PROFIT ON DISPOSAL OF FIXED ASSETS

	1999	1998
	£'000	£'000
Profit on disposal of intangible assets	34	12
Profit on disposal of freehold property	402	55
Profit on disposal of investments	-	213
	<u>436</u>	<u>280</u>

6. INVESTMENT INCOME

	1999	1998
	£'000	£'000
Income from other fixed asset investments	45	47
Interest receivable and similar income	103	30
Income from associate	94	-
	<u>242</u>	<u>77</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Bank loan and overdraft interest	3,166	1,890
Other interest payable	577	616
Premium on loan stock	31	105
Foreign exchange	40	45
	<u>3,814</u>	<u>2,656</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998 – 31%)	3,981	5,884
Group share of tax on profits of:		
Joint ventures	-	42
Associates	32	24
	<u>4,013</u>	<u>5,950</u>
Adjustment in respect of prior years	(97)	-
	<u>3,916</u>	<u>5,950</u>

The tax charge is high predominantly due to disallowed expenditure, amortisation and an absence of UK tax relief for overseas losses on associated undertakings.

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 £534,000 (1998 – loss £644,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

10. INTANGIBLE FIXED ASSETS

Group	Publishing and exhibition rights £'000
Cost or valuation	
At 1 January 1999	27,761
Additions during the year	4,765
Arising on acquisition of subsidiary	7,456
Disposals	(335)
At 31 December 1999	39,647
Accumulated amortisation	
At 1 January 1999	3,950
Charged in the year	1,616
Disposals	(17)
At 31 December 1999	5,549
Net book value	
At 31 December 1999	34,098
At 31 December 1998	23,811

11. TANGIBLE FIXED ASSETS

Group	Freehold properties £'000	Short leasehold properties £'000	Vehicles, furniture, equipment £'000	Total £'000
Cost or valuation				
At 1 January 1999	21,037	305	9,833	31,175
Additions	1,849	357	2,585	4,791
On acquisition of subsidiary	-	-	1,190	1,190
Adjustment on revaluation	4,701	-	-	4,701
Disposals	(1,750)	-	(619)	(2,369)
Foreign exchange translation differences	-	-	10	10
At 31 December 1999	25,837	662	12,999	39,498
Accumulated depreciation				
At 1 January 1999	333	237	5,648	6,218
Charge for the year	371	55	1,848	2,274
On acquisition of subsidiary	-	-	1,009	1,009
Adjustment on revaluation	(469)	-	-	(469)
Disposals	(8)	-	(569)	(577)
Foreign exchange translation differences	-	-	3	3
At 31 December 1999	227	292	7,939	8,458
Net book value				
At 31 December 1999	25,610	370	5,060	31,040
At 31 December 1998	20,704	68	4,185	24,957

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

11. TANGIBLE FIXED ASSETS (continued)

Freehold properties at 31 December 1999 comprise freehold office properties at open market value as determined by the directors of £22,450,000 (1998 - £17,700,000) and other freehold properties at cost of £3,160,000 (1998 - £3,004,000).

The net book value of freehold properties comprises land of £1,865,000 (1998 - £1,831,000) and properties for which no split can be obtained of £23,745,000 (1998 - £18,873,000).

	Freehold properties £'000
The comparable amounts for properties at valuation determined according to the historical cost convention:	
Cost	15,573
Accumulated depreciation	1,139
Net book value at 31 December 1999	14,434
Net book value at 31 December 1998	14,806

12. INVESTMENTS HELD AS FIXED ASSETS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Shares in subsidiary undertakings (a)	-	-	359	359
Other investments (b)	70	70	-	-
Investments in associated undertakings (c)	6,682	2,793	-	-
	6,752	2,863	359	359

(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
Ansdeil Street Properties Limited	100%	Property investment
Teddington Properties Limited	100%	Property investment

* Shares held by Haymarket Publishing Group Services Limited

** Shares held by Haymarket Publishing Services Limited.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

12. INVESTMENTS HELD AS FIXED ASSETS (continued)

(b) Other investments

		Listed Total £'000
Cost		
At 1 January 1999 and 31 December 1999		70
	1999 £'000	1998 £'000
Market value of investments listed on a recognised stock exchange (cost £54,069 (1998 - £54,069))	9,384	4,822

(c) Associated undertakings

	Joint Ventures £'000	Associates £'000	Total £'000
Group			
Share of net assets			
At 1 January 1999	2,568	(73)	2,495
Additions	46	1,779	1,825
Amortisation of publishing rights	(132)	(89)	(221)
Share of retained profits/(losses)	(503)	50	(453)
At 31 December 1999	1,979	1,667	3,646
Goodwill cost			
At 1 January 1999	117	188	305
Additions	2,753	18	2,771
At 31 December 1999	2,870	206	3,076
Goodwill amortisation			
At 1 January 1999	7	-	7
Charged in the year	32	1	33
At 31 December 1999	39	1	40
Net book value			
At 31 December 1999	4,810	1,872	6,682
At 31 December 1998	2,678	115	2,793

The amortisation of publishing rights above brings the accounting policies of the joint ventures and associates into line with that of the group.

For certain associated undertakings, Haymarket Group Limited's partner can require the company to purchase their remaining shares at a price to be determined based on average profits for certain years and a range of multiples dependent on the profit levels.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

12. INVESTMENTS HELD AS FIXED ASSETS (continued)

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

	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
Media & Marketing Limited (1)	Hong Kong	49%	Magazine publisher
Joint ventures			
SCMP Haymarket	Hong Kong	49%	Magazine publisher
BBC Haymarket Exhibitions Limited	England and Wales	50%	Organisation of exhibitions
West Coast Publishing Limited (2)	England and Wales	50%	Magazine publisher
Haymarket PR Report GmbH (3)	Germany	50%	Magazine publisher
Haymarket Miller Freeman Events Limited (4)	England and Wales	50%	Organiser of exhibitions
Gateway Motor Consulting Services Private Limited (5)	India	49%	Consultancy

All shares are held by subsidiary undertakings.

The group's share of the new joint ventures and acquisitions (1-5) were acquired on 14 May 1999, 1 September 1999, 8 September 1999, 30 September 1999 and 18 May 1999 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 £2,817,000 (1998 - £2,584,000) were provided to the group by Frontline Limited.

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

	1999 £'000	1998 £'000
Administrative services	869	935
Editorial and advertising services	2	26

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 1999

13. STOCKS

	1999 £'000	1998 £'000
Group		
Raw materials and consumables	<u>1,534</u>	<u>1,265</u>

Raw materials and consumables include £158,000 (1998 - £130,000) 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	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
(a) Falling due within one year				
Trade debtors	20,606	14,073	-	-
Amounts owed by subsidiary undertakings	-	-	23,774	39,622
Amounts owed by associated undertakings	2,904	2,534	-	-
Other debtors	708	684	-	31
Prepayments and accrued income	5,753	4,490	-	-
	<u>29,971</u>	<u>21,781</u>	<u>23,774</u>	<u>39,653</u>

Other debtors includes £nil (1998 - £30,000) of taxation recoverable for the group and £nil (1998 -£nil) for the company. Amounts owed by associated undertakings include £2,210,000 (1998 - £2,100,000) owed by Frontline Limited.

	1999 £'000	1998 £'000	1999 £'000	1998 £'000
(b) Falling due after more than one year				
Advance corporation tax recoverable	-	31	-	31
Other debtors	963	375	-	-
	<u>963</u>	<u>406</u>	<u>-</u>	<u>31</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank overdraft	6,858	22	-	-
1.667% unsecured loan stock	-	4,593	-	4,593
1.6087% unsecured loan stock (see note 16)	7,723	8,117	7,723	8,117
Trade creditors	9,525	8,218	-	-
Other creditors including taxation and social security	6,514	6,212	52	218
Accruals and deferred income	22,423	15,597	-	-
	<u>53,043</u>	<u>42,759</u>	<u>7,775</u>	<u>12,928</u>
Other creditors including taxation and social security:				
Amounts owed to associated undertakings	324	214	-	-
Corporation tax	2,893	2,778	52	218
Taxation and social security	3,021	2,485	-	-
Other creditors	276	735	-	-
	<u>6,514</u>	<u>6,212</u>	<u>52</u>	<u>218</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 Heseltine £	J L Masters £	S P Tindall £
1999			
Personal costs paid for by the group and fully reimbursed	121,000	59,000	115,000
Other costs paid for by the group and fully reimbursed	51,000	84,000	126,000
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

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

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

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans	41,608	25,300	-	-
1.6087% unsecured loan stock	-	7,723	-	7,723
Unsecured loan stock 2004	1,208	1,152	-	-
Amounts owed to associated undertakings	481	-	-	-
Accruals	2,569	1,193	-	-
	<u>45,866</u>	<u>35,368</u>	<u>-</u>	<u>7,723</u>

Of the bank loans £15.0m bear fixed interest at 8.7% for five years after drawdown and 1 3/8% above LIBOR thereafter. The remaining £26.6m 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	-
After more than five years	41,608
	<u>41,608</u>

In 1997 the company issued £39,797,274 1.6087% unsecured loan stock. £15,445,617 was issued to Mr 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 was redeemed 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.

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

Under the policy stated in note 1 no deferred tax is provided.

	1999 £'000	1998 £'000
Capital allowances in excess of depreciation	(266)	(120)
Other timing differences	1,222	1,086
Surplus on revaluation	(1,425)	-
Gain deferred by roll over relief	(714)	(576)
Capital losses	1,546	576
	<u>363</u>	<u>966</u>

	1998 and 1999	
		£'000
Authorised:		
52,000,000 ordinary shares of 1p each		520
	No.	£'000
Allotted, called up and fully paid:	33,522,805	335

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

	£'000
Group and company	
As at 1 January 1999 and 31 December 1999	177

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

20. REVALUATION RESERVE

	1999	1998
	£'000	£'000
Group		
At 1 January	6,394	4,771
Revaluation of freehold properties	5,170	1,623
Realisation on sale of freehold properties	(49)	-
At 31 December	<u>11,515</u>	<u>6,394</u>

21. MERGER RESERVE

	£'000
Group	
At 1 January 1999 and 31 December 1999	<u>6,236</u>

22. PROFIT AND LOSS ACCOUNT

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
At 1 January	(16,002)	(23,930)	18,880	22,152
Profit/(loss) for the financial year	5,491	10,556	(534)	(644)
Dividends	(2,500)	(2,628)	(2,500)	(2,628)
Currency translation differences on foreign currency net investments	(15)	-	-	-
Realisation of revaluations on sale of freehold properties	49	-	-	-
At 31 December	<u>(12,977)</u>	<u>(16,002)</u>	<u>15,846</u>	<u>18,880</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Profit/(loss) for the financial year	5,491	10,556	(534)	(644)
Foreign exchange differences	(15)	-	-	-
Dividends	(2,500)	(2,628)	(2,500)	(2,628)
	<u>2,976</u>	<u>7,928</u>	<u>(3,034)</u>	<u>(3,272)</u>
Adjustment on revaluation of freehold properties	5,170	1,623	-	-
Net increase/(reduction) to shareholders' funds	8,146	9,551	(3,034)	(3,272)
Opening shareholders' (deficit)/funds	(2,860)	(12,411)	19,392	22,664
Closing shareholders' funds/(deficit)	<u>5,286</u>	<u>(2,860)</u>	<u>16,358</u>	<u>19,392</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£'000	£'000
Operating profit	13,410	19,068
Depreciation (net of profits on disposal)	2,208	1,783
Amortisation of publishing and exhibition rights	1,616	1,324
Increase in debtors	(7,878)	(687)
(Increase)/decrease in stocks	(232)	73
Increase/(decrease) in creditors	8,092	(1,070)
	<u>17,216</u>	<u>20,491</u>
Net cash inflow from operating activities		

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans 1999 £'000	Loan stock 1999 £'000
Balance at 1 January	25,300	21,585
Cash inflow/(outflow) from financing	16,308	(12,710)
Premium payable on and interest accrued on loan stock	-	56
	<u>41,608</u>	<u>8,931</u>
Balance at 31 December		

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

	1999	1998
	£'000	£'000
(Decrease)/increase in cash in the period	(7,023)	898
Cash (inflow)/outflow from debt financing	(3,598)	4,985
	<u>(10,621)</u>	<u>5,883</u>
Change in net debt resulting from cash flows	(56)	(71)
Interest accumulated on loan notes		
	<u>(10,677)</u>	<u>5,812</u>
Movement in net debt in the period	(46,138)	(51,950)
Net debt at 1 January		
	<u>(56,815)</u>	<u>(46,138)</u>
Net debt at 31 December		

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

27. ANALYSIS OF NET DEBT

	At 1 January 1999 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 1999 £'000
Cash at bank and in hand	769	(187)	-	582
Overdrafts	(22)	(6,836)	-	(6,858)
	<u>747</u>	<u>(7,023)</u>	-	<u>(6,276)</u>
Debt due after one year	(34,175)	(8,585)	(56)	(42,816)
Debt due within one year	(12,710)	4,987	-	(7,723)
	<u>(46,138)</u>	<u>(10,621)</u>	<u>(56)</u>	<u>(56,815)</u>

28. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 7 July 1999 the group acquired the whole of the issued share capital of Gramophone Publications Limited for £7,376,000 including costs.

The acquisition was accounted for under the acquisition method of accounting.

	Consideration and costs £'000		
Gramophone Publications Limited			<u>7,376</u>
	Net assets acquired £'000	Fair Value adjustment £'000	Fair Value to the Group £'000
Intangible fixed assets	-	7,456	7,456
Tangible fixed assets	181	-	181
Stocks	37	-	37
Debtors	899	-	899
Cash	288	-	288
Creditors	(1,485)	-	(1,485)
	<u>(80)</u>	<u>7,456</u>	<u>7,376</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

28. ACQUISITION OF SUBSIDIARY UNDERTAKING cont'd.

The results of Gramophone Publications Limited have been as follows:

	7 July 1999 to 31 December 1999 £'000	1 April 1999 to 6 July 1999 £'000	1 April 1998 to 31 March 1999 £'000
Turnover	2,447	992	4,856
Operating profit/(loss)	112	(261)	65
Profit/(loss) before taxation	112	(257)	82

There were no other recognised gains or losses in the above periods. A dividend of £475,000 was paid in the period 1 April 1999 to 6 July 1999.

29. ACQUISITION OF JOINT VENTURES AND ASSOCIATES

	£'000
Net assets acquired:	
Tangible fixed assets	68
Intangible fixed assets	2,028
Debtors	196
Creditors	(465)
Bank overdraft	(2)
Goodwill on acquisition	2,771
	<u>4,596</u>
Satisfied by:	
Cash	<u>4,596</u>

30. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF SUBSIDIARY UNDERTAKING

	£'000
Cash consideration	7,376
Cash balance acquired	(288)
	<u>7,088</u>
Net outflow of cash and cash equivalent in respect of the acquisition	

31. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1999 (1998 - £nil) relating to the group and £nil (1998 - £nil) relating to the company.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

32. OPERATING LEASE COMMITMENTS

As at 31 December 1999 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	-	9	9
Within two to five years	9	297	306
After five years	-	432	432
	<hr/>	<hr/>	<hr/>
	9	738	747
	<hr/>	<hr/>	<hr/>

33. 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 1999 was £1,945,000 (1998 - £2,068,000).

34. 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.

35. POST BALANCE SHEET EVENT

A freehold property has been sold for an amount in excess of its balance sheet value since the year end.