Company Registration No: SC 75133

OSPREY COMMUNICATIONS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998

contents

osprey

osprey
communications plc

directors:

Jack Rubins*	– Chairman
Chris Still	– Group Chief Executive
Dennis P Murphy*	– Deputy Chairman
Lester W D Corney	
Richard M Hughes FCMA	– Finance Director
Clive R Smith	
R Alex Hammond-Chambers*	

(*Non-executive)

secretary:

J R P Davies LL.B., FCIS

registrars:

Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford, Essex IG1 1NQ

registered office:

100 Union Street, Aberdeen AB10 1QR
Registered in Scotland
No. SC 75133

directors and advisers

auditors:

Deloitte & Touche

Chartered Accountants

Hill House

1 Little New Street, London EC4A 3TR

bankers:

National Westminster Bank plc

Tavistock House

Tavistock Square, London WC1H 9XA

stockbrokers:

Rowan Dartington & Co. Limited

Colston Tower

Colston Street, Bristol BS1 4RD

solicitors:

Field Fisher Waterhouse

41 Vine Street, London EC3N 2AA

results

The results from continuing business have improved, with operating losses reducing to £236,000 for 1998 compared to £349,000 in 1997. This is after non-recurring costs of £145,000 associated with the consolidation of the four London companies into one headquarter building, and the loss of £94,000 from Osprey Scotland which was acquired at the beginning of the financial year.

The operating profit from continuing activities was £3,000 before exceptional charges and the acquired business of Osprey Scotland.

Net interest payable was £113,000 compared to £224,000 in 1997, resulting in a loss before taxation of £349,000 compared to a profit of £519,000 in 1997. The 1997 results included an exceptional profit on the disposal of a subsidiary of £905,000 and operating profit in that subsidiary of £187,000.

A more detailed review of the years results is set out in the Financial Review on page 8.

business review

Turnover and administrative costs were both down in comparison to 1997, and the latter should be further reduced in the current financial year as a result of the move and the restructuring of the companies.

Trading in the second six months however was lower than anticipated. Nevertheless our ability to perform well with existing clients was amply demonstrated with the retention of two of our largest clients. First, a Government statutory review was carried out in respect of The Commission for New Towns, at which we were successful in retaining that contract. We then had to re-present as a result of a review by GM for our Vauxhall business. We were successful after a six-month 'pitch' in increasing our business with Vauxhall and gaining new business from Opel in Europe.

The costs of the move were considerably higher than anticipated in the Interim Statement – particularly with regard to dilapidations. The benefits of such a move however are clearly longer term with lower rents and greater synergy between the companies.

Within the Group the performance of our subsidiaries varied. The three most successful were:

- Osprey RMA, which was once again our best performer. This is a well-managed company with good controls, stability and teamwork and should do well in 1999.
- Osprey Design equally performed well with the capacity to do even better next year. This has particularly high design skills and studio capability.
- Osprey Park, our London advertising agency and largest company, showed improvement over last year and turned in a healthy gross profit.

chairman's statement

The other four operating companies all continued to underperform against expectations.

- Osprey CSP suffered from a management breakaway early in the year, which led to the previous Chief Executive having to refocus his time and energies on rebuilding the client base. By the end of the year income had begun slowly to return.
- Osprey Direct was our major concern particularly after the loss of its biggest client, and we took immediate steps to address this.
- Osprey Scotland – the acquisition in October 1997 – has been slower to take off than anticipated, but we are confident it can provide a beneficial contribution to the Group.
- Future Image, the PR Company in Belfast, was faced with stiff competition from English companies coming into the area. However a move to new premises in January 1999 should help resell their proposition.

outlook

In September 1998 the Board appointed Chris Still as Osprey's new Group Chief Executive. As a consequence, on 1st October 1998 I became non-executive Chairman and Clive Smith moved back into an operational position.

Chris Still has had a long and successful track record running large and small companies in our field and will bring fresh impetus to our management. My colleagues and I on the Board are giving him every support and believe the new team will deliver improved shareholder value and a return to profitability in 1999.

Finally we appointed Richard Hughes as our new Financial Director in June 1998, replacing Paul Ranford who resigned from the board to pursue other interests.

Jack Rubins F.I.P.A
Chairman, Osprey Communications plc

the market

1998 was a transitional year for the marketing and communications industry. By the beginning of the second half, UK corporates were becoming increasingly nervous at the prospect of the downturn forecast for 1999. Accordingly Osprey found discretionary income particularly from our CSP and Direct clients being cut or frozen – whilst mainstream advertising which was already committed, was relatively untouched.

In 1999 we are beginning to see the expected downturn in marketing budgets and have correspondingly reduced our costs.

'new' osprey

Given the above conditions this was a good opportunity to review Osprey. We needed prospective clients to re-evaluate what we can offer, and therefore we needed to re-engineer our offering and project a new clearer positioning. This was achieved in the following ways.

osprey london

In January 1999 we restructured CSP, Direct and Park by merging them together into one fully integrated, composite unit trading as Osprey London, thus offering clients multi-skilled teams capable of offering a fully integrated service.

Osprey London is now of sufficient critical mass to manage any variations of clients' marketing requirements. It is the flagship of the Group accounting for over half the Gross Profit and represents Osprey to the key London market of clients and opinion formers.

Finally we have installed a new management team in London, headed up by a new manager with fresh ideas and working practices – all based around securing potential income from our large client base which up to now has only used one or two of our services.

a new proposition of 'completing the circle'

'Driven by Results' has been our proposition for several years but research has shown that it is no longer unique. Today it is clear that clients are primarily looking for two things from agencies – help and business understanding. Our new positioning will be that of helping clients complete their circle of marketing needs, offering genuine multi-skills and an attitude of 'business people in a people business'.

Osprey helps clients 'complete their circle' – from business objectives to communication with key customers, to deliver stronger brands and bottom-line contribution.

group chief executive's statement

the new corporate identity

The new proposition has led to a new identity for Osprey.

It is simple, easy to relate to and modern. It has been developed in-house and will signal a fresh look at Osprey, the new team and the new offering.

This identity will encompass all companies in the Group and provide a single Osprey look but allow for company individuality.

rationalisation programme

In anticipation of a difficult year, we have instigated a new rationalisation programme, reducing our overheads to deliver an acceptable profit without endangering client service.

new business wins

As we go to press, Osprey London has just won a major account in contention against Saatchi & Saatchi and Young & Rubicam. This is a significant vote of confidence in the new team and won on a truly integrated platform.

the future

One of the key factors in any future success will be our wholehearted embrace of strategic planning, new media and information technology. Significant investment in this area is planned.

We believe we have laid the initial foundations for a long-term, successful and profitable Group. It may take a little time but we are confident we can deliver shareholder value from 1999 onwards.

C Still
Group Chief Executive

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financial review

operating profit

The operating loss of £236,000, included operating losses of £94,000 from Osprey Scotland, and one-off property costs of £145,000, incurred as a result of the consolidation of the London companies into Hamilton House. After adjusting for these, the continuing operations generated a profit of £3,000, an improvement of £352,000 over 1997.

The continuing trend by clients to purchase media space directly with specialist media buying houses has contributed to a reduction in turnover from continuing activities of 13.2% in the year. This trend is expected to continue over the coming year. Including the acquisition of Osprey Advertising Scotland Limited (formerly Covey Advertising) activities have reduced this deficit to 8.6%.

Gross profit fell by 12.9% on continuing activities, but only by 4.2% after including Osprey Scotland. The disappointing performances of Osprey Direct and Osprey CSP in the second and third quarters were the main contributors to this deficit, although improved performance in the last quarter has returned these businesses to a sounder footing. Gross margins over the year improved by 1.5% to 32.8%, with the last half of the year reporting margins of 34.2%.

Administrative expenses continue to be reduced, falling £467,000 over the year on continuing activities. The average employee cost has reduced by 7.4%, although total staff numbers have remained fairly static. This cost reduction programme has continued, with further reductions being instigated in the first quarter of the year to 30 September 1999.

cash flows

The reduction in the Group's net debt of £231,000 was after repayment of directors' loans of £216,000, dilapidations paid in respect of the old premises of £110,000, and capital investment in Hamilton House and computer equipment of £252,000.
Continued improvement in billing and debt collection has reduced debtor days over 1997 to 52 days.
In May the Group moved its banking arrangements to National Westminster Bank Plc.

taxation

Provision has been made for taxation of £67,000 relating to under provisions in respect of previous years. Subject to Inland Revenue approval, there is no tax charge for this year, due to available losses.

financial and operational controls

As part of the work in respect of Corporate Governance, the Group is currently undertaking to improve efficiency of all internal financial and operational controls and reporting procedures. This will result in more timely and accurate information to management on Group performance in order to improve cost and resource allocation, to reduce wastage and to facilitate more informed and better business decisions.

R M Hughes FCMA
Group Finance Director

report of the directors

The directors present their annual report, together with the audited accounts, for the year ended 30 September 1998.

principal activity

The principal activity of the Company is that of a holding company, the investments of which are interests in unlisted wholly owned companies providing advertising and marketing services.

results and future prospects

The results for the year ended 30 September 1998 are set out on page 19.

A detailed review of the Group's activities in the year is given in the Chairman's Statement, Group Chief Executive's Statement and Financial Review on pages 4 to 8.

The Group made a loss on ordinary activities before interest in the year of £236,000, (1997 – profit £743,000) and a net loss for the year of £416,000 (1997 – profit £577,000) has been transferred from reserves.

dividends

The directors do not recommend the payment of a dividend for the year. (1997 - £Nil).

acquisitions

Details of acquisitions and associated consideration are set out in note 12 to the accounts.

As part of the Board's continuing strategy to create a fully integrated communications Group in London with a strong regional network, the Edinburgh based agency, Covey Advertising Limited, was acquired on 8 October 1997. The initial cash consideration was £1,000 with deferred consideration, mainly to be satisfied by the issue of shares, to bring the maximum aggregate consideration to £1.2million. The agency was renamed Osprey Advertising Scotland Limited and now trades as Osprey Scotland.

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directors and their interests

The directors who served during the year were as follows:

J Rubins*	– Chairman
C A R Still	– Group Chief Executive (appointed 14 September 1998)
D P Murphy*	– Deputy Chairman
R M Hughes	– Finance Director (appointed 1 June 1998)
L W D Corney	
C R Smith	
R A Hammond-Chambers*	– (appointed 1 November 1997)
P F Ranford	– (resigned 29 May 1998)

*Non-executives

Mr R A Hammond-Chambers was appointed as a non-executive director on 1 November 1997 and was re-elected at the Annual General Meeting held on 16 April 1998. He is a former Chairman of Ivory & Sime plc.

Mr D P Murphy was Chairman of the Company from 1981 to 1986 and has been a non-executive Deputy Chairman since then. He was formerly senior partner of Dennis Murphy, Campbell & Co, stockbrokers.

Mr R M Hughes was appointed Finance Director on 1 June 1998 following the resignation of Mr P F Ranford on 29 May 1998.

Mr C A R Still was appointed a director and Chief Executive of the Group on 14 September 1998. Mr C R Smith, who remains a director, relinquished his position as Chief Executive on that date.

Mr J Rubins relinquished his full time appointment as Executive Chairman and became non-executive Chairman on 1 October 1998.

Mr Hughes and Mr Still following their appointment during the year, retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr Still has a service agreement with the Company which is terminable by six months' notice by either party; such notice not to be given before 1 April 2001 provided however that notice may be given earlier by the Company if defined profit objectives are not achieved.

Mr Hughes has a service contract with the Company which is terminable by six months' notice by either party.

Mr Corney retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

Mr Corney has a service agreement with the Company dated 1 October 1998 which is terminable by six months' notice by either party.

Mr Rubins, Mr Hammond-Chambers and Mr Murphy do not have service contracts with the Company. Other than as stated above, none of the other directors has a service contract which is terminable by more than six months' notice.

report of the directors

According to the register of directors' interests maintained under the Companies Act, the following interests in the shares of Group companies were held by the directors in office at the year end:

25p Ordinary Shares in Osprey Communications plc

	Nature of Interest	1 October 1997	30 September 1998
J Rubins	Beneficial	5,395,000	5,395,000
D P Murphy	Beneficial	1,013,285	1,013,285
	Trustee	33,972	33,972
L W D Corney	Beneficial	861,360	861,360
C R Smith	Beneficial	1,531,330	1,531,330
	Trustee	495,237	495,237
R A Hammond-Chambers	–	–*	–
R M Hughes	Beneficial	–*	33,000
C A R Still	–	–*	–

*At date of appointment

No rights to subscribe for shares in the Company or any Group company were granted to any of the directors or their immediate families, or exercised by them, during the year, or subsequently.

The following options over the ordinary shares of Osprey Communications plc were held by Mr L W D Corney:

At 1 October 1997	At 30 September 1998	Exercise price	Dates normally exercisable
20,000	20,000	25p	1999 to 2006

During the year the mid-market price of the shares ranged from 21½p to 12p.
At 30 September 1998, the mid-market price of the shares was 12p.
Options may only be exercised if, in any three financial periods of the Company, commencing with the financial period in which the options are granted or any subsequent financial period, the percentage growth in earnings per share exceeds the percentage increase in the Retail Prices Index.

Other than the purchase of 500,000 shares by Mr J Rubins on 6 October 1998 there have been no changes in these interests at the date of this Report.

material contracts

At no time during the year did any director have a material contract with the Group, other than those matters disclosed in note 24 to the accounts.

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report of the directors

substantial shareholdings

The Company has been informed of the following shareholdings in the Company at 28 January 1999, being the latest practicable date prior to this Report, each representing 3% or more of the current issued share capital:

	No of ordinary shares	%
Credit Suisse London Nominees Limited	7,079,390	23.50
RBSTB Nominees Limited	1,400,000	4.65
R N Maber	2,087,125	6.94
Avocet Investments Limited*	1,013,285	3.37

* Held to the order of Mr D P Murphy

Apart from these details, and the details listed under directors' interests, the Company is not aware of any holding representing 3% or more of the issued share capital at 28 January 1999.

suppliers' payment policy

The Group's policy is to agree the terms of payment with each supplier and to abide by those terms. Creditor settlement time for the year ended 30 September 1998 was 69 days, (1997 – 63 days).

year 2000 compliance

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences. Your Board has given consideration to the impact arising from the Year 2000 issue and are satisfied that the consequential costs will not be significant for the Group.

charitable and political donations

The Company made no charitable or political donations during the year under review.

auditors

A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.

J R P Davies, Secretary
29 January 1999

corporate governance

During the year, the Company complied with the recommendations of The Code of Best Practice contained in the Report on the Financial Aspects of Corporate Governance, prepared by the Cadbury Committee, with the exceptions of paragraphs 3.3, 4.3 and 4.5. The circumstances of non-compliance are described below.

The Board fully supports the recommendations of the Code and intends that as the financial performance of the Group recovers and resources are increased, all these areas of non-compliance will be remedied.

board

The Board, currently comprising four executive directors and three non-executive directors, meets regularly throughout the year. The roles of Chairman and Chief Executive are separate. The Chief Executive is responsible for the day-to-day running of the Group but the Board has a formal schedule of matters specifically reserved to it for decision, including approval of budgets, financial results and board appointments. The Board is responsible to the shareholders for the performance of the Group's assets, the Group's strategy for future development and consideration of significant financing matters.

audit committee

Prior to November 1997, the Audit Committee consisted of only one non-executive director and did not meet formally. With the appointment of a second non-executive director in November 1997, and the Chairman becoming a non-executive director on 1 October 1998, the Audit Committee has now resumed its full activities and responsibilities. The Audit Committee monitors the adequacy of the Group's internal controls, accounting policies and financial reporting.

remuneration policy

During the year under review the full Board considered matters of appointment, remuneration, incentives and the granting of share options where necessary.

Directors' remuneration and granting of share options are based upon performance and are decided by the Board. No director played any part in any discussion about his own remuneration. Details of directors' remuneration are given in note 7 to the accounts and details of their interests in the shares of the Company and share options are given in the Report of the Directors.

All directors were appointed by the Board as a whole and no service contracts are for periods of more than 6 months, with the exception of C A R Still, which is detailed in the Report of the Directors on page 10.

In framing its remuneration policy, the Board has given full consideration to Section B and has complied throughout the year with Section A of the Best Practice Provisions annexed to the Listing Rules.

Subsequent to the year end, the Company has established a Remuneration Committee comprising the three non-executive directors.

corporate governance

internal financial control

The directors acknowledge their responsibility for the Group's system of internal financial control. These controls can only provide reasonable but not absolute assurance that assets are safeguarded against material loss or unauthorised use, that proper accounting records are maintained and that the information used internally, or for publication, is accurate and reliable.

Procedures have been established in respect of financial and administrative systems and budgetary control. The Group budget is approved by the Board and is compiled from the individual operating companies' budgets. Management accounts are prepared for each operating company on a monthly basis. The management accounts report actual against budgeted results and variances are thoroughly investigated. The Board reviews the Group's actual and forecast results at each meeting.

A number of the Group's key functions including funding arrangements, taxation and insurance are centralised within the Group head office.

going concern

After making appropriate enquiries, including the preparation of detailed profit and loss and cash flow forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

R M Hughes
29 January 1999

review report to the directors on corporate governance matters

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statement on pages 13 and 14 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by The London Stock Exchange. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v). Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

basis of opinions

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures or on the ability of the Company to continue in operational existence.

opinions

With respect to the directors' statement on going concern and internal financial control on page 14, in our opinion the directors have provided the disclosures required by the Listing Rules, as referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 13 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by Listing rule 12.43(j).

Deloitte & Touche

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
12 March 1999

directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period 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 the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

report of the auditors to the members of osprey communications plc

We have audited the financial statements on pages 19 to 39 which have been prepared under the accounting policies set out on pages 23 and 24.

respective responsibilities of directors and auditors

As described on page 16 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 circumstances of the Company and the Group, 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.

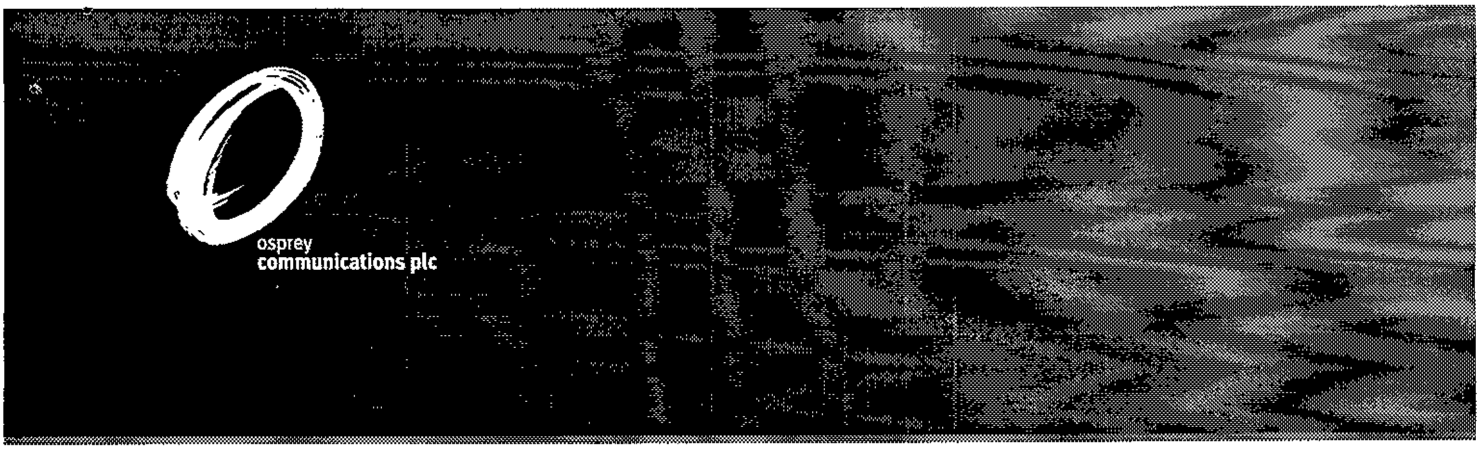
opinion

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 30 September 1998 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
12 March 1999



the accounts

consolidated profit and loss account

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Turnover					
Continuing operations		23,067		26,588	
Acquisitions		1,246		–	
		24,313		26,588	
Discontinued operations		–		5,326	
Total turnover	1,2,3		24,313		31,914
Cost of sales			(16,333)		(22,578)
Gross profit					
Continuing operations		7,255		8,334	
Acquisitions		725		–	
		7,980		8,334	
Discontinued operations		–		1,002	
Total gross profit			7,980		9,336
Administrative expenses			(8,216)		(9,498)
Operating loss on ordinary activities					
Continuing operations		(142)		(349)	
Acquisitions		(94)		–	
		(236)		(349)	
Discontinued operations		–		187	
Total operating loss			(236)		(162)
Exceptional item – disposal of subsidiary	20		–		905
(Loss)/profit on ordinary activities before interest			(236)		743
Net interest payable	4		(113)		(224)
(Loss)/profit on ordinary activities before taxation	5		(349)		519
Tax (charge)/credit on (loss)/profit on ordinary activities	8		(67)		117
(Loss)/profit on ordinary activities after taxation			(416)		636
Equity minority interests			–		(59)
(Loss)/profit for the year	16		(416)		577
(Loss)/profit per share	10		(1.39p)		1.98p

A reconciliation of movements in shareholders' funds is given in note 18 to the accounts.

A statement of total recognised gains and losses is not included as there are no recognised gains or losses other than those disclosed above.

osprey communications plc

consolidated balance sheet

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible fixed assets	11		876		760
Current assets					
Work in progress		414		363	
Debtors	13	4,085		5,754	
		4,499		6,117	
Creditors					
Amounts falling due within one year	14	(6,548)		(7,001)	
Net current liabilities			(2,049)		(884)
Total assets less current liabilities			(1,173)		(124)
Creditors					
Amounts falling due after more than one year	14		(2)		(85)
			(1,175)		(209)
Capital and reserves					
Called up share capital	15		7,516		7,336
Share premium account	16		438		438
Shares to be issued	12		250		180
Acquisition reserve	16		–		(6,797)
Profit and loss account	16		(9,379)		(1,366)
Equity shareholders' funds			(1,175)		(209)

These financial statements were approved by the Board of Directors on 29 January 1999.
Signed on behalf of the Board of Directors.

R M HUGHES, Finance Director

as at 30 September 1998

company balance sheet

		1998		1997	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11		306		154
Investments in subsidiaries	12		1,892		1,444
			2,198		1,598
Current assets					
Debtors	13	5,095		9,705	
		5,095		9,705	
Creditors					
Amounts falling due within one year	14	(1,607)		(2,360)	
Net current assets			3,488		7,345
Total assets less current liabilities			5,686		8,943
Capital and reserves					
Called up share capital	15		7,516		7,336
Share premium account	16		596		596
Shares to be issued	12		250		180
Capital reserve	16		111		111
Profit and loss account	16		(2,787)		720
Equity shareholders' funds			5,686		8,943

These financial statements were approved by the Board of Directors on 29 January 1999.
Signed on behalf of the Board of Directors.

R M HUGHES, Finance Director

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communications plc

consolidated cash flow statement

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	19		597		1,133
Return on investments and servicing of finance	19		(101)		(296)
Taxation	19		-		7
Capital expenditure and financial investments	19		(236)		(212)
Acquisitions and disposals	19		(2)		(134)
Net cash inflow before financing			258		498
Financing					
Capital element of finance lease rentals		(74)		(14)	
Loans (repaid)/received from directors		(216)		83	
Repayment of other loans		(71)		(8)	
Net cash (outflow)/inflow from financing			(361)		61
(Decrease)/increase in cash equivalents			(103)		559

	Note	£'000	£'000	£'000	£'000
Reconciliation of net cash flow movement to movement in net debt	22				
(Decrease)/increase in cash in the year		(103)		559	
Cash outflow from decrease/(increase) in debt and lease financing		361		(61)	
Change in net debt resulting from cashflows			258		498
New finance leases			-		(19)
Finance leases acquired with subsidiary			(42)		-
Decrease in bank loan from non-cash item			15		-
			231		479
Net debt at 1 October 1997			(1,891)		(2,370)
Net debt at 30 September 1998			(1,660)		(1,891)

as at 30 September 1998

notes to the accounts

1 Accounting policies

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

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated accounts reflect the accounts of Osprey Communications plc and all its subsidiaries, made up to 30 September 1998.

(c) Acquisitions and disposals

On the acquisition of a business, fair values are ascribed to the Group's share of net tangible assets. Where the costs of acquisition exceed the value attributable to such net assets, the difference is treated as purchased goodwill.

The Group has adopted Financial Reporting Standard 10 - Goodwill and Intangible Assets ('FRS 10'). In accordance with FRS 10 the balance on the acquisition reserve has been written off against the profit and loss account (note 16).

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

(d) Turnover

Turnover (which excludes VAT) represents the value of amounts invoiced to clients in respect of fees, advertising media charges, and advertising production costs.

(e) Depreciation

Depreciation is not provided on freehold land. On other assets it is provided so as to write off the cost of tangible fixed assets over their estimated useful lives.

The following are the main annual rates used:

Freehold Buildings	– 2% on cost.
Leasehold Property	– Written off on straight line basis over unexpired term with a minimum rate of 2%.
Motor Vehicles	– 25% on reducing balance basis.
Computer Equipment	– 15% on reducing balance basis to 20% on cost.
Office Equipment	– 15% on reducing balance basis.

(f) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing 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 foreseeable future.

(g) Pensions

Payments are made on behalf of various executives to defined contribution schemes. These payments are charged to the profit and loss account as they arise.

notes to the accounts

(h) Work in progress
Work in progress is valued at the lower of cost and estimated net realisable value. Cost comprises production and media costs not yet invoiced to clients.

(i) Lease and hire purchase contracts
Assets held under hire purchase contracts and the related hire purchase obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The amounts by which the contract payments exceed the recorded contract obligations are treated as finance charges which are amortised over each contract term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

(j) Investments
Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

2 Segmental analysis

All turnover and profits/losses were generated in the United Kingdom from the provision of advertising and marketing services.

Turnover can be analysed by destination as follows:

	Acquisitions	Continuing Activities	1998 Total	Discontinued Activities	Continuing Activities	1997 Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK	1,246	19,614	20,860	5,326	21,783	27,109
Rest of Europe	–	3,127	3,127	–	4,187	4,187
Rest of World	–	326	326	–	618	618
	1,246	23,067	24,313	5,326	26,588	31,914

3 Acquisitions

The figures for continuing operations in 1998 include the following amounts relating to acquisitions.

	£'000
Turnover	1,246
Cost of sales	(521)
Gross profit	725
Adminstrative expenses	(819)
Loss on ordinary activities before interest	(94)

4 Interest payable

	1998 £'000	1997 £'000
On bank loans and overdrafts and other borrowings repayable within five years	54	167
On finance leases and hire-purchase contracts	8	7
On Directors' loans	51	50
	113	224

5 Loss/profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Loss/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of owned assets	171	274
Depreciation of assets held under finance lease contracts	8	40
Loss/(profit) on sale of tangible fixed assets	37	(18)
Payments under operating leases		
– land and buildings	513	418
– other	190	236
Auditors' remuneration – audit services	60	60
Auditor's remuneration – non-audit services	39	41

6 Employee costs (including directors)

	1998 £'000	1997 £'000
Wages and salaries	4,250	4,625
Social security costs	394	469
Other pension costs	86	148
	4,730	5,242

	No.	No.
Average number of employees:		
Marketing	117	121
Administration	34	34
	151	155

notes to the accounts

7 Directors' emoluments

	1998	1997
	£'000	£'000
Management remuneration	320	378
Payments to third parties for services of directors	126	116
	446	494

	Fees	Basic salaries	Pension contributions	Benefits in kind	1998 Total	1997 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive directors						
J Rubins (Chairman and highest paid director)	–	100	–	20	120	119
C A R Still	–	6	–	–	6	–
L W D Corney	–	83	3	8	94	88
R M Hughes	–	22	–	–	22	–
C R Smith	97	–	–	9	106	109
P F Ranford (period 1.10.97 to 29.5.98)	–	56	3	8	67	99
M W Bindloss Gibb (period 1.10.96 to 9.6.97)	–	–	–	–	–	59
Non-executive directors						
D P Murphy	20	–	–	–	20	20
R A Hammond-Chambers	11	–	–	–	11	–
	128	267	6	45	446	494

*The payments in relation to Mr Smith's and Mr Murphy's services were paid to third parties in which they have an interest.

The benefits in kind relate principally to the provision of motor vehicles and private health care.

notes to the accounts

8 Tax (charge)/credit on ordinary activities

	1998	1997
	£'000	£'000
(Under)/over provision in previous years	(67)	106
Transfer from deferred taxation	–	11
	(67)	117

There is no tax charge for the year due to the availability of losses. This is subject to agreement with the Inland Revenue.

9 Parent company's loss

The parent company's loss for the year amounted to £3,507,000 (1997 – profit of £1,499,000). No profit and loss account is presented for Osprey Communications plc as is permitted by section 230 of the Companies Act 1985.

10 Loss/earnings per ordinary share

The calculation of loss/earnings per ordinary share is based on a loss of £416,000 (1997 – profit of £577,000) and on 29,841,994 shares (1997 – 29,187,091 shares) being the weighted average number of ordinary shares in issue during the year.

11 Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Motor vehicles £'000	Office and computer equipment £'000	Total £'000
Cost					
At 1 October 1997	68	177	317	1,614	2,176
Subsidiary acquired	–	–	–	96	96
Additions	–	157	5	182	344
Disposals	(68)	(177)	(262)	(40)	(547)
At 30 September 1998	–	157	60	1,852	2,069
Depreciation					
At 1 October 1997	26	122	216	1,052	1,416
Charge for the year	–	5	11	163	179
On disposals	(26)	(122)	(192)	(62)	(402)
At 30 September 1998	–	5	35	1,153	1,193
Net book value					
At 30 September 1998	–	152	25	699	876
At 30 September 1997	42	55	101	562	760
Company					
Cost					
At 1 October 1997	–	57	52	211	320
Additions	–	157	–	95	252
Disposals	–	(57)	(52)	–	(109)
At 30 September 1998	–	157	–	306	463
Depreciation					
At 1 October 1997	–	32	26	108	166
Charge for the year	–	5	–	44	49
Disposals	–	(32)	(26)	–	(58)
At 30 September 1998	–	5	–	152	157
Net book value					
At 30 September 1998	–	152	–	154	306
At 30 September 1997	–	25	26	103	154

Included in the above figures for the Group is equipment held under hire-purchase contracts with a net book value of £51,000 (1997 – motor vehicles £49,000). The equivalent figure for the Company is £nil (1997 – motor vehicles £16,000).

12 Fixed asset investments

	Shares in subsidiaries £'000
Cost	
At 1 October 1997	2,956
Additions	448
At 30 September 1998	3,404
Provisions	
At 1 October 1997	1,512
Charge for the year	–
At 30 September 1998	1,512
Net book value	
At 30 September 1998	1,892
At 30 September 1997	1,444

Osprey RMA Limited
Included in fixed asset investments at 1 October 1997 was £180,000 representing the final tranche of consideration to be paid in respect of the acquisition of Roger Maber & Associates Limited (now Osprey RMA Limited) which was paid on 22 January 1998. This was satisfied by the issue to the vendor of 720,000 ordinary shares of 25p each at the nominal value of 25p each.

Osprey Advertising Scotland Limited (formerly Covey Advertising Limited)
On 8 October 1997, Osprey Communications plc acquired 100% of the share capital of Covey Advertising Limited for an initial cash consideration of £1,000 with performance-related deferred consideration amounting to a maximum of £1.2 million. The additional consideration is payable to the vendors dependent on the performance of Osprey Scotland in the three financial periods ending 30 September 2000. Expenses associated with the acquisition amounted to £47,000. The agency was renamed Osprey Advertising Scotland Limited and now trades as Osprey Scotland.
The directors are of the opinion that £400,000 of deferred consideration will be payable in respect of the acquisition of Osprey Scotland. The first £150,000 of additional consideration is payable in cash with the balance of £250,000 to be satisfied by the allotment of new ordinary shares of 25p each.
The loss after taxation of Osprey Scotland was as follows:

Results prior to acquisition:	Loss after taxation £'000
1 July 1997 to the date of acquisition:	98
Preceding financial year ended 30 June 1997	135

notes to the accounts

The principal subsidiaries of the Group are:

	Country of incorporation, registration and operation	Class of capital	Percentage held	Description of activity
Osprey Park Limited	England and Wales	Ordinary	100% Indirect	Advertising
Creative Sales Propositions Limited	England and Wales	Ordinary	100% Indirect	Sales promotions
Osprey Direct Limited	England and Wales	Ordinary	100% Direct	Direct marketing
Osprey SMS Limited	England and Wales	Ordinary	100% Indirect	Advertising
Osprey Design & Marketing Limited	England and Wales	Ordinary	100% Indirect	Advertising and marketing services
Osprey RMA Limited	England and Wales	Ordinary	100% Direct	Advertising, marketing and public relations services
Osprey Advertising Scotland Limited	Scotland	Ordinary Preferred	100% 100% Direct	Advertising and marketing services
Future Image Limited	Northern Ireland	Ordinary Deferred	100% 100% Indirect	Public relations

13 Debtors

	1998		1997	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade debtors	3,437	16	3,992	10
Amounts owed by subsidiary undertakings	–	4,705	–	8,093
Other debtors	489	319	1,458	1,382
Prepayments and accrued income	159	55	304	220
	4,085	5,095	5,754	9,705

Included in other debtors is an amount of £nil (1997 - £1,100,000) representing the cash consideration in respect of the sale of GMBM Limited during 1997.

14 Creditors

	1998		1997	
	Group	Company	Group	Company
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Loans	–	–	11	–
Bank overdrafts	1,276	313	1,173	953
Obligations under hire-purchase contracts	15	–	39	17
Trade creditors	3,598	393	4,193	290
Corporation tax	67	49	–	–
Other taxes and social security	145	61	486	285
Other creditors	11	–	264	145
Directors' loans (note 24)	367	367	583	583
Deferred consideration (note 12)	150	150	–	–
Accruals and deferred income	919	274	252	87
	6,548	1,607	7,001	2,360
Amounts falling due after more than one year:				
Bank loans	–	–	75	–
Obligations under hire-purchase contracts	2	–	10	–
	2	–	85	–

Obligations under hire-purchase contracts are secured over the relevant assets. Bank loans and overdrafts are secured by fixed and floating charges over the Group's assets.

14 Creditors (continued)

Amounts falling due after more than one year are payable as follows:

Group	1998		1997	
	Bank loans	Hire purchase creditors	Bank loans	Hire purchase creditors
	£'000	£'000	£'000	£'000
Between one and two years	–	2	3	5
Between two and five years	–	–	11	5
Over five years	–	–	61	–
	–	2	75	10

The bank loan is a commercial mortgage with a term of 25 years. Capital and interest are repaid quarterly and interest is payable at a rate of 3% over base rate. The loan was repaid during the year.

15 Share capital

	1998 £'000	1997 £'000
Authorised:		
38,000,000 (1997 – 38,000,000)		
Ordinary shares of 25p each	9,500	9,500
Allotted and fully paid:		
30,064,898 (1997 – 29,344,898)		
Ordinary shares of 25p each	7,516	7,336

On 22 January 1998 720,000 ordinary shares of 25p each were issued, at par, as further consideration for the acquisition of Osprey RMA Limited (see note 12).

At 30 September 1998 the following options had been granted and were still outstanding under the Company's Share Option Schemes:

Number of shares	Exercise price	Dates normally exercisable
21,819	44.0p	1993 to 2000
20,000	34.5p	1996 to 2003
30,000	32.5p	1997 to 2004
105,000	25.0p	1999 to 2006
240,000	25.0p	2001 to 2008

During the year the mid-market price of the shares ranged from 21½p to 12p. At 30 September 1998, the mid-market price of the shares was 12p.

Options may only be exercised if, in any three financial periods of the Company, commencing with the financial period in which the options are granted or any subsequent financial period, the percentage growth in earnings per share exceeds the percentage increase in the Retail Prices Index.

16 Reserves

	Share premium account £'000	Acquisition reserve £'000	Capital reserve £'000	Profit and loss account £'000
Group				
Balance at 1 October 1997	438	(6,797)	–	(1,366)
Goodwill written off on acquisitions (note 17)	–	(800)	–	–
Goodwill transferred to profit and loss account (note 1(c))	–	7,597	–	(7,597)
Net loss for the year	–	–	–	(416)
Balance at 30 September 1998	438	–	–	(9,379)
Company				
Balance at 1 October 1997	596	–	111	720
Net loss for the year	–	–	–	(3,507)
Balance at 30 September 1998	596	–	111	(2,787)

17 Goodwill written off on acquisitions

Goodwill written off on acquisitions arises as follows:

	£'000
On acquisition of Osprey Advertising Scotland Limited (formerly Covey Advertising Limited) (note 21)	800

18 Reconciliation of movements in shareholders' funds

	1998 Group £'000	1998 Company £'000	1997 Group £'000	1997 Company £'000
Opening shareholders' (deficit)/funds	(209)	8,943	(551)	7,444
(Net loss)/retained profit for the year	(416)	(3,507)	577	1,499
Shares issued	180	180	128	128
Shares to be issued	70	70	(180)	(180)
Goodwill written off on acquisitions (note 17)	(800)	–	(199)	–
Premium arising on issues of shares	–	–	52	52
Capital reserve written back on disposal	–	–	(36)	–
Closing shareholders' (deficit)/funds	(1,175)	5,686	(209)	8,943

19 Analysis of cash flows for headings netted in cash flow statement	1998 £'000	1997 £'000
Reconciliation of operating loss to net cash inflow from operating activities		
Operating loss	(236)	(162)
Depreciation	179	314
Loss/(profit) on sale of fixed assets	37	(18)
(Increase)/decrease in work in progress	(72)	604
Decrease in debtors	1,952	573
Decrease in creditors	(1,248)	(178)
Other non-cash item	(15)	–
Net cash inflow from operating activities	597	1,133
Return on investments and servicing of finance		
Net interest paid	(93)	(217)
Interest element of finance lease payments	(8)	(7)
Ordinary dividends paid to minority interest	–	(72)
Net cash outflow from return on investments and servicing of finance	(101)	(296)
Taxation		
ACT recovered	–	25
ACT paid	–	(18)
Total taxation	–	7
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(344)	(295)
Disposal of tangible fixed assets	108	83
Net cash outflow from capital expenditure and financial investments	(236)	(212)
Acquisitions and disposals		
Purchase of subsidiary	(48)	–
Purchase of goodwill	–	(199)
Overdraft disposed of with subsidiary	–	65
Net cash acquired with subsidiary	46	–
Net cash outflow from acquisitions and disposals	(2)	(134)

notes to the accounts

20 Sale of subsidiary undertaking

	£'000
Tangible fixed assets	43
Work in progress	5
Debtors	1,156
Bank overdraft	(65)
Creditors	(1,024)
Finance leases	(14)
Net assets disposed of	101
Capital reserve	(36)
Minority interest	(20)
Profit on disposal	1,055
	1,100
Satisfied by	
Cash	1,100
Profit on disposal	1,055
Expenses of sale	(150)
Profit per profit and loss account	905

The information in this note relates to the sale of a subsidiary undertaking during the year ended 30 September 1997. No sale occurred in the current year.
The business sold during 1997 contributed £208,000 to the group's net operating cash flows, and contributed £9,000 in respect of net returns on investments and servicing of finance, paid £22,000 in respect of taxation and utilised £59,000 for capital expenditure.

21 Purchase of subsidiary undertaking

Net assets acquired	Net book value and fair value £'000
Tangible fixed assets	96
Work in progress	(22)
Debtors	282
Cash at bank and in hand	46
Creditors	(712)
Loans and finance leases	(42)
	(352)
Goodwill	800
	448
Satisfied by:	
Cash	48
Deferred consideration	400
	448

The subsidiary undertaking acquired during the year absorbed £152,000 of the group's net operating cash flows paid £14,000 in respect of net returns on investment and servicing of finance and utilised £25,000 for financing.
As there were no purchases in 1997, there are no comparative figures.

22 Analysis of net debt

	At 1.10.97	Cashflow	Acquisitions	Other non-cash changes	At 30.9.98
	£'000	£'000	£'000	£'000	£'000
Overdrafts	(1,173)	(149)	46	–	(1,276)
Debt due after one year	(75)	60	–	15	–
Debt due within one year	(594)	227	–	–	(367)
Finance leases	(49)	74	(42)	–	(17)
	(718)	361	(42)	15	(384)
Total	(1,891)	212	4	15	(1,660)

23 Financial commitments and contingent liabilities

(a) Obligations under operating leases

At 30 September 1998 the Group had commitments under operating leases to make payments in the next year as follows:

	1998		1997	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	31	18	190	2
Between one and two years	–	162	110	5
Between two and five years	50	–	30	25
After five years	307	–	–	–
	388	180	330	32

(b) Capital expenditure

There was no capital expenditure committed at 30 September 1998 or 30 September 1997.

(c) Guarantees

There exist between the Company and certain of its subsidiaries reciprocal guarantees covering their overdraft facilities.

24 Related party transactions

(a) Loans from the directors to the Group during the year were as follows:

	J Rubins	D P Murphy	C R Smith
Loan to Osprey Communications plc:	£	£	£
Balance at 1 October 1997	166,667	250,000	166,667
Loans			
Advanced	1,070,000	100,000	–
Repaid	(970,000)	(250,000)	(166,667)
Balance at 30 September 1998	266,667	100,000	–
Interest charged to the profit and loss account	25,523	24,608	798

The terms attaching to these loans were as follows:

(1) The loans advanced by Mr Rubins and Mr Smith attract interest at a rate of 2½% above the base rate of National Westminster Bank plc and are repayable on demand. Mr Rubins' loan has been subordinated in favour of the Group's bank.

(2) The loan advanced by Mr Murphy attracts interest at a rate of 5¾% above the base rate of Midland Bank plc and is repayable on demand but not later than 30 April 1999.

(b) Osprey Advertising Scotland Limited occupies premises owned by Mr Hammond-Chambers. The lease on the premises expires on 31st May 2002, with an annual rent of £50,400. The rent charged to the profit and loss account for the year was £37,800 (1997 not applicable).

osprey communications plc

5 year history

Five year performance history

	1994 £'000	1995 £'000	1996 £'000	1997 £'000	1998 £'000
Turnover	28,948	26,509	32,641	31,914	24,313
Cost of sales	(21,640)	(19,900)	(23,569)	(22,578)	(16,333)
Gross profit	7,308	6,609	9,072	9,336	7,980
Administrative expenses	(6,919)	(8,275)	(8,115)	(9,498)	(8,216)
Operating profit/(loss)	389	(1,666)	957	(162)	(236)
Net interest payable	(124)	(170)	(245)	(224)	(113)
Exceptional items	(73)	–	–	905	–
Profit/(loss) on ordinary activities before taxation	192	(1,836)	712	519	(349)
Taxation	140	–	(78)	117	(67)
Profit/(loss) on ordinary activities after taxation	332	(1,836)	634	636	(416)
Minority interests	(26)	(1)	(24)	(59)	–
Profit/(loss) for the period	306	(1,837)	610	577	(416)

notice of meeting

NOTICE IS HEREBY GIVEN that the eighteenth Annual General Meeting of Osprey Communications plc will be held at Hamilton House, Mabledon Place, London WC1H 9LA, on Thursday, 22 April 1999 at 9.30am, for the following purposes:

Ordinary Business

1. To receive the Report of the Directors and the audited financial statements for the year ended 30 September 1998.
2. To re-elect Mr R M Hughes as a director of the company.
3. To re-elect Mr C A R Still as a director of the company.
4. To re-elect Mr L W D Corney as a director of the company.
5. To re-appoint Deloitte & Touche as auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following Resolutions:

Ordinary Resolution

6. "That the directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all powers of the company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £1,983,775 to such persons as they think proper provided that such authority shall expire on the day preceding the fifth anniversary of the passing of this Resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and that on the passing of this Resolution the existing authorities conferred upon the directors under the said Section 80 shall cease (save insofar as the directors shall have exercised any such powers as may have been granted thereby) to have further effect".

Special Resolution

7. That subject to the passing of Resolution 6 the directors be and are hereby empowered for the period commencing on the date of the passing of this Resolution and expiring on the day preceding the fifth anniversary of the passing of this Resolution to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) of the company for cash pursuant to the authority conferred by Resolution 6 as if Section 89(1) of the Act did not apply to any such allotment. Provided that this power shall be limited to allotments of equity securities up to an aggregate nominal amount not exceeding £375,811 save that the company may before the expiry of the power hereby conferred make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

By Order of the Board
J R P Davies
Company Secretary
Hamilton House
Mabledon Place
London WC1H 9LA
12 March 1999

notice of meeting

Notes:

(1) At the Annual General Meeting in 1996 the directors were authorised to allot relevant securities for a period of five years from the date of that meeting. Resolution 6 renews that authority for a further five years from this year's Annual General Meeting which will be consistent with the period specified in Resolution 7.

(2) Resolution 7 authorises the directors to allot ordinary shares for cash up to an amount not exceeding 5% of the issued ordinary share capital without first being required to offer such shares to existing shareholders. The directors have no present intention of allotting shares for cash other than in relation to options under the company's share option scheme.

(3) A member entitled to attend and vote at the Meeting may appoint one or more proxies (who need not also be a member of the Company) to attend and, on a poll, vote in his/her place. A form of proxy is enclosed and proxies must be lodged with the Company Secretary at Hamilton House, Mabledon Place, London WC1H 9LA not later than 48 hours before the time appointed for the Meeting and, if it is adjourned, 48 hours before the time of the adjourned Meeting. The return of a proxy card will not preclude a member from attending and voting at the Meeting or at any adjourned Meeting, if desired.

(4) To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 6.00pm on Tuesday, 20 April 1999 ("the specified time"). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes that they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

(5) Subsequent to the date of the Report of the Directors, Mr R A Hammond-Chambers acquired 50,000 ordinary shares in the Company on 3 February 1999. Apart from this, there have been no changes in the interests of the directors prior to the date of the Notice of the Annual General Meeting.

(6) The register of directors' interests in the shares of the Company is available for inspection at Hamilton House, Mabledon Place, London WC1H 9LA during business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at that address for one hour before the Meeting commences on 22 April 1999 until the conclusion of the Meeting.

(7) Details of the directors seeking re-election following their appointment during the year are given on page 10 of the Report of the Directors.