REGISTERED NUMBER 939885

PENSORD PRESS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

PENSORD PRESS LIMITED

DIRECTORS:

N G Bernays
W D Littleford (USA)
I Vinall
W F A Poole
S Lloyd

SECRETARY:

M A Rogers

REGISTERED OFFICE:

Tram Road
Pontllanfraith
Blackwood
Gwent
NP2 2YA

AUDITORS:

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6NN

BANKERS:

National Westminster Bank plc
21 Lombard Street
London
EC3P 3AR

PENSORD PRESS LIMITED
DIRECTORS' REPORT 1997

The directors present their Annual Report, together with the audited financial statements for the year ended 31 December 1997.

1. PRINCIPAL ACTIVITY

The principal activity of the company is the printing of magazines and periodicals.

2. BUSINESS REVIEW

The results for the year are shown in the profit and loss account on page 6.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the level of activity will be sustained for the foreseeable future.

3. DIVIDEND

The Directors do not recommend payment of a final dividend (1996: £2,000,000).

4. DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

H P J Meakin (resigned 30.4.97)
N G Bernays
W D Littleford (USA)
I Vinall
W F A Poole
S Lloyd (appointed 1.5.97)

The interests of Mr I Vinall, who is also a director of Aspen Group plc, are shown in the Directors' Report of that Company.

None of the directors take an interest in the shares of the company or in those of Aspen Group plc other than options to subscribe for ordinary shares in Aspen Group plc under the terms of its share option schemes as set out in note 7.

5. 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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

* Select suitable accounting policies and then apply them consistently;

PENSORD PRESS LIMITED
DIRECTORS' REPORT 1997 (cont'd)

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES (cont'd)

* Make judgements and estimates that are reasonable and prudent;

* State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

* Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

6. FIXED ASSETS

Details of the movements in tangible fixed assets during the year are given in Note 10 to the financial statements. The value of the company's freehold property is currently less than the cost included in the financial statements. In the opinion of the directors, there is no permanent diminution in value.

7. CREDITOR PAYMENT POLICY

The company agrees terms and conditions under which business transactions with suppliers are conducted. It is the company's policy that payments to suppliers should be made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers. The company's 'creditor days' at 31 December 1997 were 97 days.

8. AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors will be proposed at the annual general meeting.

By Order of the Board
Date 7 May 1998

M A Rogers
Secretary

REPORT OF THE AUDITORS
TO THE MEMBERS OF PENSORD PRESS LIMITED

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on pages 3 and 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's 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 the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6NN

7th May 1998
Date

PENSORD PRESS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	NOTE	1997 £	1996 £
TURNOVER	2.	**7,851,026**	7,159,247
Cost of sales		**(5,334,937)**	(4,873,345)
GROSS PROFIT		**2,516,089**	2,285,902
Distribution costs		**(530,629)**	(464,348)
Administrative expenses		**(1,472,026)**	(1,417,970)
Exceptional items	4.	**110,445**	160,000
Total administrative expenses		**(1,361,581)**	(1,257,970)
OPERATING PROFIT		**623,879**	563,584
Exceptional profit on disposal of fixed assets	4.	**-**	1,250,000
Interest payable less receivable	5.	**(234,861)**	(54,423)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6.	**389,018**	1,759,161
Taxation	8.	**(286,146)**	(38,340)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**102,872**	1,720,821
Dividend	9.	**-**	(2,000,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**102,872**	(279,179)
Balance brought forward		**1,882,585**	2,161,764
RETAINED PROFIT CARRIED FORWARD		**1,985,457**	1,882,585

The company had no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results as reported above and on an unmodified historical cost basis. Accordingly, no note of historical cost profits and losses has been included.

The above amounts all relate to continuing operations of the company.

PENSORD PRESS LIMITED
BALANCE SHEET AT 31 DECEMBER 1997

	NOTE	1997 £	1996 £
FIXED ASSETS			
Tangible assets	10.	4,473,546	4,821,504
CURRENT ASSETS			
Stocks	11.	267,639	315,503
Debtors:			
- amounts falling due after one year	12.	9,201	4,019
- amounts falling due within one year	12.	1,695,614	1,516,034
Cash at bank and in hand		205,342	92,114
		2,177,796	1,927,670
CREDITORS:			
Amounts falling due within one year	13.	(4,107,512)	(4,048,224)
NET CURRENT (LIABILITIES)/ASSETS		(1,929,716)	(2,120,554)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,543,830	2,700,950
CREDITORS:			
Amounts falling due after more than one year	14.	(356,120)	(563,900)
		2,187,710	2,137,050
DEFERRED INCOME :			
Government grants	15.	(22,253)	(34,465)
		2,165,457	2,102,585
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16.	(150,000)	(190,000)
NET ASSETS		2,015,457	1,912,585
CAPITAL AND RESERVES			
Called up share capital	17.	30,000	30,000
Profit and loss account		1,985,457	1,882,585
EQUITY SHAREHOLDERS' FUNDS	18.	2,015,457	1,912,585

The financial statements on pages ~~7~~ 6 to ~~18~~ 17 were approved by the board of directors on 7 May 1998 and were signed on its behalf by:

N Bernays Director

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Changes in presentation of financial information

New disclosure requirements under Schedule 6 of the Companies Act have been introduced by way of SI 1997/570. The principal changes relate to the disclosure of directors' emoluments and other benefits. The new requirements are dealt with in note 7.

Cash flow

The company is exempt from the requirement of Financial Reporting Standard 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Aspen Group plc and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover represents the value of sales invoiced during the year, less returns, allowances and Value Added Tax.

Tangible fixed assets

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided to write off the cost of fixed assets to their estimated residual value on a straight line basis in equal annual instalments over their estimated useful lives as follows:

Plant and equipment	-	3-15 years
Motor vehicles	-	4 years

Freehold properties are not depreciated as they are considered to have an estimated useful life in excess of 50 years. It is company policy to maintain all buildings in good condition. Accordingly the directors consider that the lives of these assets and residual values are such that their depreciation is insignificant. Cost of repairs and maintenance which prolong the useful life of the properties are charged to the profit and loss account in the year in which they are incurred.

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

Finance leases and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Assets acquired under finance leases and hire purchase agreements are capitalised and depreciated in accordance with group policy. The corresponding finance liability is included within outstanding finance liabilities with the relevant interest proportion being charged to the profit and loss account.

Stocks

Raw materials and consumables are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including a proportion of overheads, and net realisable value.

Government grants

Regional Development Grants received are credited to the profit and loss account in equal instalments over the estimated useful lives of the assets to which they relate.

Revenue Grants are credited to profit and loss account in the year in which the grant is receivable.

Taxation

Taxation charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Amounts payable or receivable for group relief are included in the corporation tax debtor or creditor in the balance sheet.

Pension costs

The company is a contributing member of the Aspen Group plc pension schemes which now operates a defined contribution scheme. During the year the defined benefit scheme was closed. Active members were offered the opportunity to transfer deferred benefits to the new arrangements. Details of the schemes including actuarial valuation are contained in the accounts of Aspen Group plc. Amounts charged against profit for the defined contribution scheme represent the contributions payable to the scheme in respect of the accounting period.

2. **TURNOVER**

All turnover and results before taxation are derived from the printing of magazines and periodicals and are by source and by destination derived from operations in the United Kingdom.

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

3. STAFF NUMBERS AND COSTS

The average monthly number of persons, including executive Directors, employed by the company during the year was as follows:

	1997 No.	1996 No.
Management and administration	**30**	28
Production	**149**	155
	179	183

The aggregate payroll costs of these persons were:

	1997 £	1996 £
Wages and salaries	**3,304,959**	3,212,727
Social security costs	**285,236**	261,282
Other pension costs (see note 19)	**169,367**	143,379
	3,759,562	3,617,388

4. EXCEPTIONAL ITEMS

	1997 £	1996 £
Exceptional profit on disposal of fixed assets	-	1,250,000
Other insurance proceeds	**157,000**	160,000
Redundancies	**(46,555)**	-
	110,445	1,410,000

On 17 February 1996 the premises and plant of the company were substantially damaged by fire. The company was fully covered by insurance for material damage and for business interruption for a period of twelve months.

The taxation effect included in note 8 relating to the insurance proceeds amounts to £34,779 (1996: £159,800).

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

5. INTEREST PAYABLE LESS RECEIVABLE

	1997	1996
	£	£
Payable:		
Lease and hire purchase interest	**50,503**	62,627
Group and other interest	**184,893**	83
	235,396	62,710
Receivable:		
Group and other interest	**(535)**	(8,287)
	234,861	54,423

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

		1997	1996
		£	£
Depreciation		**487,476**	417,326
Auditors' remuneration	- audit	**5,000**	4,500
	- non audit	**2,500**	2,000
(Profit)/Loss on sale of assets		**(13,534)**	26,031
Regional Development Grant released		**(12,212)**	(22,411)
Hire of plant and machinery		**252**	10,305

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

7. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

	1997 £	1996 £
Aggregate emoluments	**135,030**	105,291
Company pension contributions to money purchase schemes	**7,437**	-

The company operated a final salary scheme until April 1997.

Share options in Aspen Group plc

	1st January 1997	31st December 1997	Exercise price	Date from which exercisable	Expiry date
N G Bernays	13,000	13,000	168p	16/11/93	15/11/00
	4,000	4,000	114p	05/05/95	04/05/02
W F A Poole	5,000	5,000	139p	01/11/99	31/10/09
I Vinall	40,000	40,000	185p	01/03/94	28/02/01

No share options were granted or exercised during the year.

The market price of Aspen Group plc's shares at the end of the financial year was 91.5p and the range of market prices during the year was between 91.5p and 201.0p.

8. TAXATION

The provision for taxation charge at 31.5% (1996: 33%), based on profits for the year comprises:

		1997 £	1996 £
Current year	- group relief	**62,974**	208,340
Prior year	- corporation tax	**263,172**	-
		326,146	208,340
Deferred taxation		**(40,000)**	(170,000)
		286,146	38,340

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

9. DIVIDENDS

Dividends on equity shares	1997	1996
	£	£
Ordinary -Final proposed of £nil (1996: 333p)	-	2,000,000

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 1997	1,199,670	5,625,705	74,570	6,899,945
Additions	4,375	135,327		139,702
Disposals	-	(546,503)	(44,181)	(590,684)
At 31 December 1997	1,204,045	5,214,529	30,389	6,448,963
Depreciation				
At 1 January 1997	-	2,023,134	55,307	2,078,441
Charge for the year	-	478,052	9,424	487,476
Released on disposal	-	(546,320)	(44,180)	(590,500)
At 31 December 1997	-	1,954,866	20,551	1,975,417
Net book value				
At 31 December 1997	1,204,045	3,259,663	9,838	4,473,546
At 31 December 1996	1,199,670	3,602,571	19,263	4,821,504

The net book value of plant and equipment at 31 December 1997 includes £802,483 (1996: £917,665) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year amounted to £101,249 (1996: £115,275).

11. STOCKS

	1997	1996
	£	£
Raw materials	246,643	233,598
Work in progress	20,996	81,905
	267,639	315,503

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

12. DEBTORS

Amounts falling due after more than one year	1997	1996
	£	£
Other debtors	**9,201**	4,019
	9,201	4,019

Amounts falling due within one year	1997	1996
	£	£
Trade debtors	**1,519,675**	1,314,851
Amounts owed by group undertakings	**66,017**	76,787
Other debtors	**48,963**	54,721
Prepayments and accrued income	**60,959**	69,675
	1,695,614	1,516,034

13. CREDITORS: Amounts falling due within one year

	1997	1996
	£	£
Obligations under finance leases/hire purchases	**207,780**	207,780
Trade creditors	**907,537**	851,047
Amounts owed to group undertakings	**1,975,591**	235,151
Corporation tax	**606,322**	282,676
Taxation and social security	**172,432**	176,484
Accruals	**237,850**	295,086
Dividends proposed	-	2,000,000
	4,107,512	4,048,224

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

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

	1997 £	1996 £
Obligations under finance leases/hire purchases	**356,120**	563,900

Obligations under finance leases/hire purchases

The net obligations under finance leases/hire purchases to which the company is committed are:

	1997 £	1996 £
In one year or less	**207,780**	207,780
Between one and two years	**207,780**	207,780
Between two and five years	**148,340**	356,120
	563,900	771,680

15. GOVERNMENT GRANTS

	1997 £	1996 £
At 1 January 1997	**34,465**	56,876
Released to profit and loss account	**(12,212)**	(22,411)
At 31 December 1997	**22,253**	34,465

16. DEFERRED TAXATION

	1997 £	1996 £
a) Movement in year		
At 1 January 1997	**(190,000)**	(360,000)
Release for year	**40,000**	170,000
At 31 December 1997	**(150,000)**	(190,000)

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

16. DEFERRED TAXATION (cont'd)

b) Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability are as follows.

	1997 £	1996 £
Amount provided:		
Allowances exceeding depreciation	**150,000**	190,000
Amount unprovided:		
Allowances exceeding depreciation	**382,988**	580,000

17. CALLED UP SHARE CAPITAL

The authorised, allotted, called up and fully paid share capital of £30,000 comprises 600,000 ordinary shares of 5p each.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Equity shareholders' funds at 1 January 1997	**1,912,585**	2,191,764
Profit for the financial year	**102,872**	1,720,821
Dividends	-	(2,000,000)
Equity shareholders' funds at 31 December 1997	**2,015,457**	1,912,585

19. PENSION OBLIGATIONS

As explained in the accounting policies set out in note 1 the company is a contributing member of the Aspen Group plc pension schemes.
Contributions to the schemes by the company in the accounting period amounted to £169,367 (1996: £143,379).

An amount of £25,261 (1996: £25,554) is included in accruals.

PENSORD PRESS LIMITED
NOTES TO THE 1997 FINANCIAL STATEMENTS (cont'd)

20. CONTINGENT LIABILITIES

The company is jointly and severally liable, under a Group registration, for Value Added Tax due by certain other Group companies. At 31 December 1997 this contingent liability amounted to £61,997 (1996: £30,822).

The company together with other group companies has guaranteed letters of credit, loan facilities and other borrowings of the ultimate holding company and fellow subsidiaries. The amount outstanding at 31 December 1997 was £9,079,555 (1996: £7,566,556).

21. PARENT UNDERTAKING

The company is a subsidiary undertaking of Aspen Group plc, a company registered in England. This is the ultimate controlling party. The results of the company are incorporated in the accounts of that company and the consolidated accounts of the Group are available to the public at Christ Church, Cosway Street ,London NW1 5NJ.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8 from disclosing transactions with other group companies that are also wholly owned by Aspen Group plc.