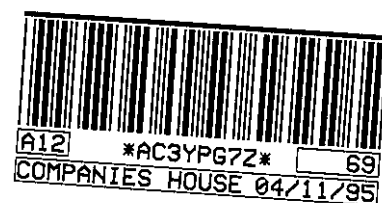


C. Long

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THE BLA GROUP LIMITED
FINANCIAL STATEMENTS

for the year ended
31 MARCH 1995



THE BLA GROUP LIMITED

CHAIRMAN'S STATEMENT

INTRODUCTION

Last year saw BLA continuing its profit growth against the background of an expanding UK customer magazine market. My chairman's statement comments on the findings of the latest market survey reports and on BLA's expansion and future prospects against this very positive background situation.

SUBSTANTIAL FUTURE DEMAND PREDICTED FOR CUSTOMER MAGAZINES

A study conducted in April 1995, by researchers RSGB, amongst senior managers of leading UK companies has shown that the customer magazine market should expand substantially over at least the next three years. The majority of senior managers interviewed stated that customer magazines would be a crucial part of their future marketing and communications programmes. This study reinforces the findings of the Mintel Research study of 1994 which showed that the contract publishing market was the fastest growing sector of the UK media industry with customer magazines accounting for over 90% of industry revenue.

Mintel forecast that the market growth being enjoyed in 1994 would continue. Many industry commentators and opinion formers have stated in the national and trade press that they endorse these forecasts and expect this growth to continue up to the Year 2000 and beyond.

This growth pattern, and future confidence, is based on the growing realisation that it is essential for UK management to hold their existing customers, and to secure their ongoing revenue and profit streams. The most effective way of achieving this objective is to build customer loyalty by using a customer magazine. As customer retention is high on senior managements' list of priorities, the customer magazine is now an essential part of more and more companies' longer term communication programmes.

When brought together, all these factors clearly point to a very buoyant future for this market sector with BLA being very well positioned to capitalise on this growing demand situation.

THE GROWING IMPORTANCE OF BLA AS A LEADING PUBLISHER OF CUSTOMER MAGAZINES

The BLA Group concentrates solely on its core business, ie. publishing quality customer magazines. We are the leading independent publisher of customer magazines in the UK and are probably the second largest publisher in the mainly fee based, as opposed to the advertising-led, sector where some publishers have encountered problems with the higher commercial risks and loss of the essential relationship building customer focus.

BLA's management and editorial teams have maintained high standards for their magazines in terms of their design, appearance and content, and in their power to influence readers. This has been reflected in industry awards gained by BLA magazines.

Our current magazine portfolio includes **Nationwide Magazine** produced for Nationwide Building Society, the UK's number one building society; **Top Rail** published for French Railways SNCF, the leading European travel company; **Connections** magazine (formerly Foresight) for Sun Alliance, the UK's largest composite insurer; **Upbeat** magazine for BUPA, the UK's largest healthcare provider; **LaserVision** which supports the leading UK television companies Granada, London Weekend and Yorkshire Tyne-Tees, and BLA's latest business partnership, **Ford Magazine** published for Europe's leading motor manufacturer.

BLA secured the Ford contract in 1994 after pitching against eleven companies. Since the successful launch in February 1995, Ford's management has appointed BLA to produce a second magazine, **Van World**, with a circulation of 250,000 which is planned to be launched in early 1996.

We have deliberately positioned ourselves at the quality end of the customer magazine market to fully capitalise on our unique publishing and commercial experience and strengths. This corporate positioning is reinforced by regular PR coverage and an ongoing advertising campaign in the trade press - thus keeping BLA's name in the minds of marketing decision makers and their advisers.

The success of BLA's magazines can be judged in part by our clients' decisions to increase circulation - for example, Ford have increased their initial circulation of 400,000 up to 750,000, Nationwide have increased numbers from an initial 800,000 to over one million, BUPA have lifted circulation on their Upbeat magazine from 400,000 to 800,000, and Sun Alliance have expanded circulation from 250,000 to over one million.

We remain a leading member of the Association of Publishing Agencies and of the Periodical Publishers Association.

BLA'S PROFIT GROWTH SINCE 1991

BLA's management team has worked determinedly to achieve clearly set annual policy and strategy objectives - to hold and build revenue from existing clients by providing quality magazines which deliver substantial measurable benefits to clients allied to providing a unique additional commercial contribution, to run an ongoing new business programme, and to constantly monitor and carefully control costs.

Increases in profits have therefore been achieved from new contracts, as phased in, together with clients' requests to increase magazine circulations and to produce special supplements. Profits before tax have been built steadily from £32,000 in 1991/92, to £180,000 in 1992/93, to £353,000 in 1993/94, and to £640,000 in 1994/95 and we expect more substantial growth in the current year.

BUSINESS DEVELOPMENT AND FUTURE PROSPECTS

I am delighted to report our move in October 1994 to a new substantial office base.

BLA's management team has been carefully built over the last few years to meet the demands of a growing business, to continuously keep ahead of client needs, to meet future growth requirements and to keep BLA ahead of competitors.

As mentioned in my last report, the team was further strengthened in 1994 with the appointment of Eddie Southcombe as commercial director. I am pleased to report that Eddie Southcombe was promoted to managing director in March 1995 to lead the management team in achieving the targets of BLA's new three year plan.

BLA's management team will continue to meet client briefs and to maintain the company's growth momentum, and I shall continue as chairman focusing on BLA's longer term corporate development.

THE TEAM

Our continuing achievements rely on our vision and purpose, on an unswerving determination to give clients maximum value for money from our magazine publishing efforts - but this all has to be implemented! Our team, from the managing director to our publishers, the 'back office', our editors and editorial assistants, is enormously hard working, professional and enthusiastic. They have my thanks and, I am sure, those of our clients.

A handwritten signature in black ink, appearing to read 'Brian Luby', with a stylized flourish at the end.

Brian Luby
Chairman

THE BLA GROUP LIMITED

DIRECTORS REPORT

The directors present their report and the audited financial statements for the year ended 31 March 1995.

PRINCIPAL ACTIVITY

The principal activity of the company is the production of quality customer magazines for trade association, manufacturing and service company clients across a wide range of business sectors.

RESULTS AND DIVIDEND

The results for the year are set out in the attached financial statements.

The directors have paid an interim dividend of 31p per share, and they do not recommend payment of a final dividend.

FIXED ASSETS

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 1995 and their interests in the company during the year were:-

		Number of Shares	
		<u>1995</u>	<u>1994</u>
B E Luby	Ordinary Shares	990,000	990,000
R C Baker	Ordinary Shares	-	-
E G Southcombe	Ordinary Shares	-	-
(appointed 13.3.95)			
M E Kimber	Ordinary Shares	-	-
I M Taylorson	Ordinary Shares	-	-

At the year end, R C Baker held options to buy 40,000 ordinary shares (1994: 40,000)

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS


The Auditors, Fisher Phillips, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Registered Office

Summit House
170 Finchley Road
LONDON NW3 6BP

Date: 31 July 1995

By Order of the Board


R C Baker
Secretary

THE BLA GROUP LIMITED

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 the 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;
- make judgements and estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE BLA GROUP LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BLA GROUP LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on the previous page 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 of error. In forming our opinions, 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 as at 31 March 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



FISHER PHILLIPS
Chartered Accountants
and Registered Auditors

Summit House
170 Finchley Road
London NW3 6BP

Date: 31 July 1995

THE BLA GROUP LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1995

		1995		1994
	Notes	£	£	£
TURNOVER				
Continuing Operations		4,031,624		2,133,528
Discontinued Operations		-		50,427
		<hr/>		<hr/>
			4,031,624	2,183,955
Cost of Sales	2		(2,550,414)	(1,093,491)
			<hr/>	<hr/>
GROSS PROFIT	2		1,481,210	1,090,464
Net operating expenses	2		(857,973)	(751,346)
			<hr/>	<hr/>
OPERATING PROFIT	3		623,237	339,118
Continuing Operations		623,237		393,697
Discontinued Operations		-		(54,579)
		<hr/>		<hr/>
			623,237	339,118
Profit on sale of fixed assets in discontinued operations			-	4,183
			<hr/>	<hr/>
Profit on ordinary activities before interest			623,237	343,301
Interest receivable	4		17,978	9,736
Interest payable	5		(798)	(8)
			<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			640,417	353,029
Tax on profit on ordinary activities	8		(193,186)	(97,977)
			<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR			447,231	255,052
Dividends	9		(310,000)	(144,000)
			<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	16		137,231	(111,052)
			<hr/>	<hr/>

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

THE BLA GROUP LIMITED

BALANCE SHEET AT 31 MARCH 1995

		1995		1994	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible Assets	10		173,077		77,988
Investments	11		-		102
			<u>173,077</u>		<u>78,090</u>
CURRENT ASSETS					
Stocks	12	205,882		135,916	
Debtors	13	1,200,241		520,561	
Cash at Bank		125,185		382,775	
		<u>1,531,308</u>		<u>1,039,252</u>	
• CREDITORS					
Amounts falling due within one year	14	<u>(1,265,977)</u>		<u>(816,165)</u>	
NET CURRENT ASSETS			265,331		223,087
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>438,408</u>		<u>301,177</u>
CAPITAL AND RESERVES					
Called up Share Capital	15		50,000		50,000
Profit & Loss Account	16		388,408		251,177
			<u>438,408</u>		<u>301,177</u>

The financial statements were approved by the Board on 31 July 1995 and signed on its behalf by

B E Luby

R C Baker



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}

Directors

The notes on pages 7 to 13 form part of these financial statements.

THE BLA GROUP LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1995

		1995		1994
	<i>Notes</i>	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		257,601	132,020
Return on investments and servicing of finance:				
Interest received		17,978		9,736
Interest paid		(798)		(8)
Dividends paid		(310,000)		(144,000)
		<hr/>		<hr/>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(292,820)	(134,272)
Taxation:				
Corporation tax paid		(98,602)		(47,529)
		<hr/>		<hr/>
TAX PAID			(98,602)	(47,529)
Investing activities:				
Purchase of tangible fixed assets		(143,871)		(35,298)
Receipts from sale of intangible assets		-		4,183
Receipts from sale of tangible assets		20,000		47,886
Receipts from sale of investments in subsidiary undertaking		102		100
		<hr/>		<hr/>
NET CASHFLOW FROM INVESTING ACTIVITIES			(123,769)	16,871
NET CASH OUTFLOW BEFORE FINANCING			<u>(257,590)</u>	<u>(32,910)</u>
NET CASH INFLOW FROM FINANCING			-	-
DECREASE IN CASH AND CASH EQUIVALENTS	19		<u>(257,590)</u>	(32,910)
			<u>(257,590)</u>	<u>(32,910)</u>

The notes on pages 7 to 13 form part of these financial statements.

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

1.2 TURNOVER

Turnover comprises sales and fees receivable for the year excluding VAT.

1.3 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value of the tangible assets over their estimated useful lives:-

Furniture and equipment	20%, 25% & 33% Straight Line
Motor vehicles	25% Straight Line

1.4 STOCKS

Short-term work in progress comprises partly completed issues of customer magazines. Where an issue is less than 50% complete, work in progress is valued at cost including attributable staff salaries. Issues 50% or more complete are valued at costs plus an appropriate proportion of anticipated profit less progress payments received.

1.5 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

1.6 LEASING AND HIRE PURCHASE

Rentals payable under operating leases are taken to the profit and loss account in the period to which they relate.

1.7 PENSIONS

Pensions contributions are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. These contributions are invested separately from the company's assets.

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

2. ANALYSIS OF OPERATIONS

	1995	Discontinued	Total
	Continuing	£	£
	£		
Gross Profit	<u>1,481,210</u>	-	<u>1,481,210</u>
Cost of Sales	<u>(2,550,414)</u>	-	<u>(2,550,414)</u>
Net Operating Expenses:			
Administrative Expenses	(902,974)	-	(902,974)
Other operating income	45,000	-	45,000
	<u>(857,974)</u>	-	<u>(857,974)</u>

	1994	Discontinued	Total
	Continuing	£	£
	£		
Gross Profit	<u>1,069,091</u>	<u>21,373</u>	<u>1,090,464</u>
Cost of Sales	<u>(1,064,437)</u>	<u>(29,054)</u>	<u>(1,093,491)</u>
Net operating income:			
Admin Expenses	(715,349)	(75,997)	(791,346)
Other Operating income	40,000	-	40,000
	<u>(675,349)</u>	<u>(75,997)</u>	<u>(751,346)</u>

3. OPERATING PROFIT

	1995	1994
	£	£
The Operating Profit is stated after charging:-		
Depreciation	48,653	37,856
Auditors' Remuneration	4,500	4,600
Hire of Equipment	1,170	6,496
Operating Lease Rentals		
- Land & Buildings	<u>20,000</u>	<u>20,000</u>

4. INTEREST RECEIVABLE

	1995	1994
	£	£
Bank and other interest receivable	17,978	9,736
	<u>17,978</u>	<u>9,736</u>

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

5. INTEREST PAYABLE

	1995 £	1994 £
On bank loans and overdrafts	-	8
On overdue tax	798	-
	<u>798</u>	<u>8</u>

6. DIRECTORS AND EMPLOYEES

	1995 £	1994 £
Staff Costs:-		
Wages and Salaries	569,561	474,619
Social Security Costs	53,611	47,875
Other Pension Costs	<u>2,125</u>	<u>3,225</u>

The average weekly number of employees during the year was made up as follows:-

	Number	Number
Management and Administration	5	5
Publishing	<u>14</u>	<u>12</u>
	<u>19</u>	<u>17</u>
	£	£

Directors' Emoluments:-

Remuneration for Management Services (including Pension Contributions)	<u>147,552</u>	<u>141,475</u>
---------------------------------------------------------------------------	----------------	----------------

The division of Directors' Emoluments, excluding Pension Contributions, is as follows:-

Chairman and highest paid director	<u>85,000</u>	<u>85,000</u>
------------------------------------	---------------	---------------

Other directors' remuneration fell within the following ranges:-

	Number	Number
£Nil - £5,000	3	2
£50,001 - £55,000	1	1

7. PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company amounted to £2,125 (1994: £3,225). All contributions were paid in the year.

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1995 £	1994 £
The taxation charge based on the profit before tax comprises:-		
UK Corporation Tax at 33% (1994 25%)	192,562	97,977
Adjustment in respect of prior years	624	-
	<u>193,186</u>	<u>97,977</u>

9. DIVIDENDS

	1995 £	1994 £
Equity interests: Ordinary		
Interim dividend paid 31 March 1995	<u>310,000</u>	<u>144,000</u>

10. TANGIBLE ASSETS

Cost

	Beginning of Year £	Additions £	Disposals £	End of Year £
Fixtures and fittings	118,674	111,655	(25,698)	204,631
Motor Vehicles	68,563	32,216	(34,876)	65,903
	<u>187,237</u>	<u>143,871</u>	<u>(60,574)</u>	<u>270,534</u>

Depreciation

	Beginning of Year £	Charge for Year £	On Disposals £	End of Year £
Fixtures and fittings	69,529	27,944	(25,569)	71,904
Motor Vehicles	39,720	20,709	(34,876)	25,553
	<u>109,249</u>	<u>48,653</u>	<u>(60,445)</u>	<u>97,457</u>

	Beginning of Year £	End of Year £
<u>Total Net Book Values</u>	<u>77,988</u>	<u>173,077</u>

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

11. INVESTMENTS - RELATED UNDERTAKINGS

	Beginning of Year £	Disposals £	End of Year £
<u>Cost</u>			
Shares:			
Group undertakings	102	(102)	Nil
	<u>102</u>	<u>(102)</u>	<u>Nil</u>
<u>Net Book Value</u>	<u>102</u>		<u>Nil</u>

12. STOCKS

	1995 £	1994 £
Short-term work in progress	205,882	135,916
	<u>205,882</u>	<u>135,916</u>

13. DEBTORS

	1995 £	1994 £
Trade debtors	997,019	414,378
Loans to directors	5,304	1,156
Other debtors	99,806	36,742
Advanced corporation tax	77,500	41,806
Prepayments and accrued income	20,612	26,479
	<u>1,200,241</u>	<u>520,561</u>

Mr B E Luby had an interest-free loan of £4,494 from the company at 31 March 1995. This loan has since been repaid.

Mr R C Baker had a season ticket loan of £1,080, repayable by twelve monthly instalments. The balance outstanding at 31 March 1995 was £810.

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

14. **CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1995 £	1994 £
Trade creditors	519,759	208,727
Amounts owed to subsidiary undertakings	-	101
Corporation tax	270,061	139,783
Other taxes and social security costs	-	19,539
Other creditors	163,024	87,587
Accruals and deferred income	313,133	360,428
	<u>1,265,977</u>	<u>816,165</u>

15. **SHARE CAPITAL**

	1995 £	1994 £
<u>Authorised</u>		
Equity interests:		
1,500,000 Ordinary Shares of 5p each	75,000	75,000
	<u>75,000</u>	<u>75,000</u>
<u>Allotted, called up and fully paid</u>		
Equity interests:		
1,000,000 Ordinary Shares of 5 p each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

16. **PROFIT AND LOSS ACCOUNT**

	1995 £	1994 £
Retained profits at 1 April 1994	251,177	140,125
Retained profit for the year	137,231	111,052
	<u>388,408</u>	<u>251,177</u>
Retained profits at 31 March 1995		

17. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1995 £	1994 £
Profit for the financial year	447,231	255,052
Dividends	(310,000)	(144,000)
	<u>137,231</u>	<u>111,052</u>
Shareholders' funds at 1 April 1994	301,177	190,125
Shareholders' funds at 31 March 1995	<u>438,408</u>	<u>301,177</u>
Represented by:		
Equity interests	<u>438,408</u>	<u>301,177</u>

THE BLA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

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

	1995 £	1994 £
Operating profit:		
Continuing operations	623,237	393,697
Discontinued operations	-	(50,396)
	<hr/> 623,237	<hr/> 343,301
Depreciation	48,653	37,856
Profit on disposal of fixed assets	(19,871)	(43,372)
Increase in stocks	(69,966)	(94,567)
Increase in debtors	(643,986)	(96,719)
Increase in creditors due within one year	319,534	(14,479)
	<hr/> <u>257,601</u>	<hr/> <u>132,020</u>

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1995 £	1994 £
Cash at bank and in hand at 1 April 1994	382,775	416,685
Cash at bank and in hand at 31 March 1995	125,185	382,775
	<hr/>	<hr/>
Net movement	(257,590)	(32,910)
	<hr/> <u></u>	<hr/> <u></u>

20. REVENUE COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	1995 £	1994 £
<u>Land and Buildings</u>		
Expiry date:		
Between one and five years	20,000	20,000
After five years	24,500	-
	<hr/> <u>44,500</u>	<hr/> <u>20,000</u>

21. TRANSACTIONS WITH DIRECTORS

M E Kimber is the proprietor of Kimbers, a business advisory service. Fees of £23,006 were paid to Kimbers in the year ended 31 March 1995.

The two non-trading subsidiaries, BLA Business Publications Ltd (now Kenwood Publishing Ltd) and New Business International Ltd (now Piccadilly Investments Ltd), were sold to Mr B E Luby on 1 April 1994 for their asset value of £102.