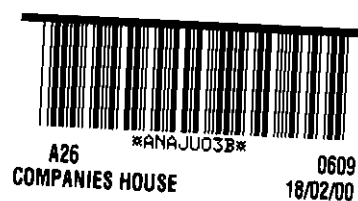


Blackhorse Distribution Limited

Annual report for the year ended 31 December 1998

	Pages
Report of the director	1 - 2
Report of the auditors	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 12



Blackhorse Distribution Limited

Report of the director for the year ended 31 December 1998

The director presents his report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company is that of magazine distribution.

Review of business

The profit and loss account for the year is set out on page 4.

Both the level of business and the year-end financial position were satisfactory given difficult trading conditions. Although conditions remain difficult the company maintained a similar performance in 1999.

Dividends

No dividend per ordinary share (1997: £1,000) was paid or proposed during the period. The loss after taxation for the year of £182,159 (1997: loss £258,335) has been transferred to reserves

Director

S A Fox was the sole director of the company for the year ended 31 December 1998.

Director's interests in shares of the company

The director or his family held no interests in the shares of the company during the year. His interest in the shares of the ultimate parent company, Europress Holdings Limited is disclosed in that company's financial statements.

Director's responsibilities

The director is required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

Blackhorse Distribution Limited

Report of the director (continued)

The director confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The director also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The director is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

Auditors

A resolution removing PricewaterhouseCoopers as auditors was passed at an extraordinary general meeting on 24 December 1999. It was decided, given their complacency towards Blackhorse Distribution Limited and the timing and adequacy of advice offered, that the interests of Blackhorse Distribution Limited and its employees were not best served by their continuing involvement.

The Director was dissatisfied with the conduct of PricewaterhouseCoopers throughout their aborted audit and the failure to meet the filing deadline under the Companies Act 1985 Section 242(1). PricewaterhouseCoopers had declined to complete their audit of the company as they considered it inappropriate because of the relationship between the company and other companies within the Europress Holdings Limited Group, which had established an Employee Benefit Trust in 1998 for the benefit of employees within the Group. With regard to the Employee Benefit Trust, the Directors of the other Group Companies sought independent professional advice from other sources. That advice supported the accounting treatment adopted by the Directors in their respective financial statements for the year ended 31 December 1998 and was at odds with that offered by PricewaterhouseCoopers London office. The effect of the foregoing led to a complete lack of confidence in PricewaterhouseCoopers, resulting in their removal from office.

HLB Kidsons were appointed in December 1999 and a resolution proposing their reappointment will be considered at the next annual general meeting.

By order of the board



W T Mullen
Company Secretary
17 February 2000

Auditors' report to the members of Blackhorse Distribution Limited

We have audited the financial statements on pages 4 to 12, which have been prepared on the basis of the accounting policies set out on pages 6 and 7.

Respective responsibilities of the director and auditors

The director is responsible for preparing the Annual Report, including as described on pages 1 and 2 the 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.

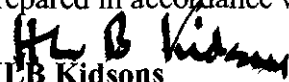
Basis of audit opinion

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 affairs of the company at 31 December 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


HLB Kidsons

Chartered Accountants and Registered Auditors
London

17 February 2000

Blackhorse Distribution Limited

Profit and loss account for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	2	678,392	711,349
Cost of sales		(269,990)	(261,373)
Gross profit		408,402	449,976
Net operating expenses	3	(523,144)	(563,548)
Operating loss		(114,742)	(113,572)
Interest received		33,086	34,183
Interest payable	4	(100,692)	(48,084)
Loss on ordinary activities before taxation	5	(182,348)	(127,473)
Taxation	8	189	(30,862)
Loss on ordinary activities after taxation		(182,159)	(158,335)
Dividends	9	-	(100,000)
Loss for the year		(182,159)	(258,335)
Statement of reserves			
Retained profit at 1 January 1998		5,499	263,834
Loss for the year		(182,159)	(258,335)
Accumulated (loss)/retained profit at 31 December 1998		(176,660)	5,499

The above figures relate entirely to continuing operations.

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

There is no difference between the profit on ordinary activities before taxation and the retained loss for the year as stated above, and their historical cost equivalents.

Blackhorse Distribution Limited

Balance sheet - 31 December 1998

	Notes	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	10		97,203		31,199
Current assets					
Debtors	11	1,412,550		1,067,664	
Creditors: amounts falling due within one year	12	(1,686,313)		(1,093,264)	
Net current liabilities			(273,763)		(25,600)
Net (liabilities)/assets			(176,560)		5,599
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account			(176,660)		5,499
Equity shareholders' (deficit)/funds	14		(176,560)		5,599

The director approved the financial statements on pages 4 to 12 on 17 February 2000.



S A Fox
Director

Blackhorse Distribution Limited

Notes to the financial statements for the year ended 31 December 1998

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 accounting 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.

Fixed assets

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

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures, fittings and computer equipment	15-20

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the commission earned on magazines distributed (net of provisions for returns).

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow statement

The company is a wholly owned subsidiary of Europress Holdings Limited and its cash flows are included within the consolidated group cash flow statement. Consequently the company is exempt from the requirement to publish a cash flow statement.

Blackhorse Distribution Limited

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Pension costs

The company, as part of a group, operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

2. Turnover

	1998 £	1997 £
Geographical analysis:		
United Kingdom	341,950	356,580
Overseas	336,442	354,769
	<hr/> 678,392	<hr/> 711,349

Turnover represents commission earned on gross sales of £6,227,487 (1997: £6,751,810).

3. Net operating expenses

Net operating expenses are made up as follows:

	1998 £	1997 £
Administrative expenses	368,067	257,189
Loss on exchange	155,077	306,359
	<hr/> 523,144	<hr/> 563,548

4. Interest Payable

	1998 £	1997 £
Bank interest payable	100,692	48,084
	<hr/>	<hr/>

Blackhorse Distribution Limited

5. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Rent payable	53,270	10,000
Depreciation of tangible fixed assets	11,452	4,938
Loss on disposal of fixed asset	1,616	502
Management charge from holding company	43,970	43,550
Auditors' remuneration	3,432	6,000
Loss on exchange	155,077	306,359

6. Director's emoluments

The director received no emoluments from the company (1997: £NIL).

7. Employee information

The average weekly number of persons employed by the company, including the executive director, during the year are analysed below:

	1998 Number	1997 Number
Processing	7	-
Administration	1	1
Sales	8	5
	—	—
	16	6
	—	—

Employment costs - all employees

	1998 £	1997 £
Wages and salaries	88,799	56,436
Social Security costs	7,945	3,901
Other pension costs	919	1,092
	—	—
Total direct costs of employment	97,663	61,429

Blackhorse Distribution Limited

8. Taxation

	1998 £	1997 £
United Kingdom corporation tax at 21% (1997 – 21.75%)		
Current	-	7,435
(Over)/Under provision in respect of earlier years	(189)	23,427
	<u>(189)</u>	<u>30,862</u>

9. Dividends

	1998 £	1997 £
Amount paid to holding company:		
£NIL per share (1997: £1,000 per share)	-	100,000
	<u>-</u>	<u>100,000</u>

10. Tangible fixed assets

	Motor Vehicles £	Fixtures, fittings And computer equipment £	Total £
Cost			
At 1 January 1998	18,180	66,658	84,838
Additions	53,500	25,572	79,072
Disposals	-	(2,875)	(2,875)
	<u>71,680</u>	<u>89,355</u>	<u>161,035</u>
At 31 December 1998	71,680	89,355	161,035
Depreciation			
At 1 January 1998	379	53,260	53,639
Charge for the year	5,565	5,887	11,452
Disposals	-	(1,259)	(1,259)
	<u>5,944</u>	<u>57,888</u>	<u>63,832</u>
At 31 December 1998	5,944	57,888	63,832
Net book value			
At 31 December 1998	65,736	31,467	97,203
Net book value			
At 31 December 1997	17,801	13,398	31,199

Blackhorse Distribution Limited

11. Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	67,227	182,954
Amounts due from ultimate holding company	307,050	355,821
Amounts due from fellow subsidiary undertakings	1,036,700	526,858
Other debtors	-	1,454
Prepayments and accrued income	1,388	577
Corporation tax	185	-
	<hr/>	<hr/>
	1,412,550	1,067,664
	<hr/>	<hr/>

Trade debtors are shown net of provisions for returns.

12. Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdraft (secured)	1,414,876	774,718
Trade creditors	55,387	85,510
Amounts owed to fellow subsidiary undertakings	183,649	175,346
Corporation tax	-	30,862
Accruals	32,401	26,828
	<hr/>	<hr/>
	1,686,313	1,093,264
	<hr/>	<hr/>

The company is party, with other group companies, to an unlimited multilateral guarantee in favour of the group's bankers.

13. Share capital

	Ordinary shares of £1 each	
	1998	1997
Authorised - value	£ 100	£ 100
	<hr/>	<hr/>
- number	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
- value	£ 100	£ 100
	<hr/>	<hr/>
- number	100	100
	<hr/>	<hr/>

Blackhorse Distribution Limited

14. Reconciliation of shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	5,599	263,934
Loss for the financial year	(182,159)	(258,335)
	<hr/>	<hr/>
Closing shareholders' funds	(176,560)	5,599
	<hr/>	<hr/>

15. Related party transactions

The company purchased services from Woodford Litho Limited, a related party. The value of purchases during the year was £24,321 (1997: £40,010) and the balance outstanding at the year-end was £9,577 (1997: £4,489). The directors consider the transactions to be at arms length.

The company also trades with other group companies. The company, being a 100% owned subsidiary, has taken advantage of the exemption within FRS8 from disclosure of transactions with group undertakings.

16. Contingent liabilities

The company is party, with other group companies, to an unlimited multilateral guarantee in favour of the group's bankers. The group had no net borrowings at 31 December 1998.

The company is a member of a Group VAT Registration with its parent company and certain fellow subsidiaries. At 31 December 1998 the maximum potential liability of the company under the terms of this registration was £50,374. The director does not anticipate any loss arising from this contingent liability.

17. Pension Arrangements

The company operates a defined contribution scheme managed by Norwich Union. The pension costs for the year borne by the company amounted to £1,622 (1997: £26,029) representing contributions payable to the scheme for the year.

Blackhorse Distribution Limited

18. Ultimate parent company and ultimate controlling party

The director regards Europress Holdings Limited, a company registered in England and Wales, as the ultimate parent company. Europress Holdings Limited had a 100% interest in the equity of the company at 31 December 1998. Its registered address is Freebournes Road, Witham, Essex CM8 3UH.

In the opinion of the director, the ultimate controlling party is Mr S A Fox by virtue of his holding in the parent company.