

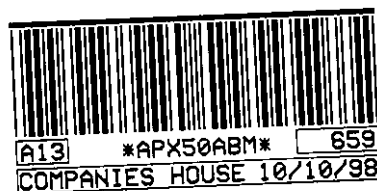


**HAYMARKET GROUP LIMITED**

**Report and Financial Statements**

**31 December 1997**

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





**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J L Masters (Chairman)  
D B Fraser FCA  
The Rt Hon M R D Heseltine CH MP  
A S Kemp  
Lord Levene of Portsoken KBE  
S P Tindall

**SECRETARY**

D B Fraser FCA

**REGISTERED OFFICE**

12-14 Ansdell Street  
London  
W8 5TR

**BANKERS**

National Westminster Bank PLC

**AUDITORS**

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

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### ACTIVITY

The principal activity of the group continues to be the publishing and development of magazines. The directors do not anticipate any major changes in the foreseeable future.

### REVIEW OF DEVELOPMENTS

The group's results for the year and state of affairs at 31 December 1997 are shown in the attached financial statements. A dividend of £1,314,000 (1996 - £1,828,000) has been paid and the retained profit for the financial year was £8,353,000 (1996 - £6,216,000). On 1 and 2 April 1997, the company purchased 13,100,845 ordinary shares of 1p each in the company for an aggregate price including associated costs of £40,126,000. Since the year end, the Group's trading has been satisfactory.

### DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year with the exception of M R D Heseltine, A S Kemp and Lord Levene, who were all appointed on 2 June 1997. The interests of the directors in the shares of the company were as follows:

	Ordinary shares of 1p each At 31 December 1997	Ordinary shares of 1p each At 1 January 1997 or date of appointment
J L Masters (Chairman)	1,158,220	9,174,530
D B Fraser	1,483,640	1,483,640
S P Tindall	3,433,435	6,971,150
M R D Heseltine	16,611,650	16,611,650

The directors of the company do not have any interests in the shares of subsidiary undertakings.

### EMPLOYMENT OF DISABLED PERSONS

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities.

### DONATIONS

During the year the group made charitable donations of £13,000 (1996 - £33,000) and made a donation of £50,000 to the Conservative Party (1996 - £50,000).

### AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
 and signed on behalf of the Board



D B Fraser  
 Secretary

22 April 1998



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

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

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 8517  
LDE: DX 599

## AUDITORS' REPORT TO THE MEMBERS OF HAYMARKET GROUP LIMITED

We have audited the financial statements on pages 5 to 23 which have been prepared under the accounting policies set out on pages 9 and 10.

### Respective responsibilities of directors and auditors

As described on page 3 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 and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

22 April 1998

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £'000	1996 £'000
<b>TURNOVER</b>	2	102,258	89,075
Cost of sales		(85,724)	(76,947)
Gross profit		16,534	12,128
Administrative expenses		(1,249)	(1,716)
Other operating income		59	38
<b>OPERATING PROFIT</b>	4	15,344	10,450
Profit on disposal of associated undertakings		94	125
Profit on disposal of fixed assets	5	26	171
Investment income	6	914	1,302
Interest payable and similar charges	7	(1,926)	(468)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		14,452	11,580
Tax on profit on ordinary activities	8	(4,529)	(3,360)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		9,923	8,220
Equity minority interests		(256)	(176)
<b>PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF HAYMARKET GROUP LIMITED</b>		9,667	8,044
Equity dividends paid		(1,314)	(1,828)
<b>Retained profit for the financial year</b>		8,353	6,216

All activities derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	1997 £'000	1996 £'000
Profit for the year	9,667	8,044
Currency translation differences on foreign currency net investments	(27)	20
Adjustment on revaluation of fixed assets	847	551
<b>Total recognised gains and losses relating to the year</b>	10,487	8,615

**CONSOLIDATED BALANCE SHEET**  
**31 December 1997**

	Note	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	10	24,480	22,205
Tangible assets	11	20,908	15,857
Investments	12	244	244
		<u>45,632</u>	<u>38,306</u>
<b>CURRENT ASSETS</b>			
Stocks	13	1,338	1,459
Debtors falling due within one year	14(a)	21,266	21,462
Debtors falling due after more than one year	14(b)	2,693	-
Cash at bank and in hand		318	201
		<u>25,615</u>	<u>23,122</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(45,910)</u>	<u>(31,287)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(20,295)</u>	<u>(8,165)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		25,337	30,141
<b>CREDITORS: amounts falling due after more than one year</b>	16	(37,467)	(11,574)
<b>EQUITY MINORITY INTEREST</b>		<u>(281)</u>	<u>(25)</u>
		<u>(12,411)</u>	<u>18,542</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	335	466
Capital redemption reserve	19	177	46
Revaluation reserve	20	4,771	3,924
Merger reserve	21	6,236	6,236
Profit and loss account	22	(23,930)	7,870
<b>EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS</b>		<u>(12,411)</u>	<u>18,542</u>

These financial statements were approved by the Board of Directors on 22 April 1998.

Signed on behalf of the Board of Directors

*J L Masters*

J L Masters  
Director



**BALANCE SHEET**  
**31 December 1997**

	Note	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Investments	12	359	359
<b>CURRENT ASSETS</b>			
Debtors falling due within one year	14(a)	40,068	62,474
Debtors falling due after more than one year	14(b)	18,178	15,792
		58,246	78,266
<b>CREDITORS: amounts falling due within one year</b>	15	(15,507)	(4,620)
<b>NET CURRENT ASSETS</b>		42,739	73,646
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		43,098	74,005
<b>CREDITORS: Amounts falling due after more than one year</b>	16	(20,434)	(9,187)
		22,664	64,818
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	335	466
Capital redemption reserve	19	177	46
Profit and loss account	22	22,152	64,306
<b>EQUITY SHAREHOLDERS' FUNDS</b>		22,664	64,818

These financial statements were approved by the Board of Directors on 22 April 1998.

Signed on behalf of the Board of Directors



J L Masters  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 1997**

	Note	1997 £'000	1996 £'000
<b>Net cash inflow from operating activities</b>	25	21,766	13,467
<b>Returns on investments and servicing of finance</b>			
Dividends received from associated undertakings		575	622
Interest received		7	257
Dividends received		52	19
Interest paid		(1,741)	(468)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		(1,107)	430
<b>Taxation</b>			
UK corporation tax paid (including advance corporation tax)		(8,067)	(2,514)
Tax repaid		-	41
<b>Total tax paid</b>		(8,067)	(2,473)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(5,698)	(3,083)
Purchase of intangible fixed assets		(2,275)	(437)
Proceeds from sale of intangible asset		120	106
Purchase of part of minority shareholding		-	(1,013)
Proceeds from sale of tangible fixed assets		249	3,566
<b>Net cash outflow from capital expenditure and financial investment</b>		(7,604)	(861)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking		-	(8,965)
<b>Net cash outflow for acquisitions and disposals</b>	29	-	(8,965)
<b>Equity dividends paid</b>		(1,314)	(1,828)
<b>Net cash inflow/(outflow) before financing</b>		3,674	(230)
<b>Financing</b>			
Bank loan drawdown		15,000	-
Redemption of loan stock	25	(17,859)	-
Redemption of share capital	25	(40,126)	(13,411)
Issue of loan stock	25	39,797	13,300
<b>Net cash outflow from financing</b>		(3,188)	(111)
<b>Increase/(decrease) in cash</b>	27	486	(341)

## **NOTES TO THE ACCOUNTS**

### **Year ended 31 December 1997**

#### **1. ACCOUNTING POLICIES**

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

##### **Accounting convention**

The financial statements are prepared under the historical cost convention as amended by the revaluation of certain fixed assets.

##### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 1997.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits or losses and attributable taxation of the associated undertakings.

In the consolidated balance sheet the shares in the associated undertakings are shown at the group's share of the net assets of the associated undertakings.

##### **Acquisitions**

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves.

##### **Publishing and exhibition rights**

Publishing and exhibition rights are valued at cost.

The directors have reviewed the values of the various publishing and exhibition rights owned by the group and have concluded that as it is the group's practice to promote and maintain the value of its titles and exhibitions, the lives of these assets are indefinite and residual values are so high that no depreciation is required. Provision for permanent diminution in value is made where necessary.

##### **Tangible fixed assets**

Short leasehold properties are amortised over the period of the lease. No depreciation is usually charged on freehold land. When it has proved impossible to obtain a split between land and buildings for a property then the full cost has been depreciated. Other assets are depreciated by equal annual instalments over the anticipated lives of the assets, principally at the following rates:

Freehold buildings	2%
Vehicles, furniture and equipment	20% - 25%

##### **Investments**

Investments are stated at cost less provision for permanent diminution in value.

##### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Stocks of magazine back issues are not valued.

Agricultural stock is included at independent professional valuation.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**1. ACCOUNTING POLICIES (continued)**

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Loan stock**

Provision is made for the accrued premium payable on the redemption of redeemable loan stock.

**Foreign currency**

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account. The financial statements of foreign subsidiary undertakings are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiary undertakings at the closing rates is taken directly to reserves.

**Pension costs**

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the period in which they become payable.

**Operating leases**

Rentals are charged to profit and loss in equal annual amounts over the lease term.

**2. TURNOVER**

Turnover represents revenue receivable and the value of goods (excluding VAT) sold to third parties. All turnover and profit before tax relates to the group's principal activity.

	1997 £'000	1996 £'000
<b>Geographical analysis</b>		
United Kingdom	99,242	86,358
Other Countries	3,016	2,717
	<u>102,258</u>	<u>89,075</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1997 £'000	1996 £'000
<b>Directors' emoluments</b>		
Emoluments	<u>831</u>	<u>597</u>
Remuneration of highest paid director	<u>252</u>	<u>240</u>
Average number of persons employed (including directors)	<u>No.</u> <u>821</u>	<u>No.</u> <u>739</u>

There is a defined contributions pension plan for the benefit of three directors. The contributions by the group were £nil (1996 - £nil).

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year</b>		
Wages and salaries	20,272	17,608
Social security costs	2,012	1,759
Pension costs	934	828
	<u>23,218</u>	<u>20,195</u>

**4. OPERATING PROFIT**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit is after charging:</b>		
Depreciation	1,270	962
Rentals under other operating leases	447	342
Auditors' remuneration - audit	116	85
- other services	206	150
Reorganisation costs	-	452
	<u>-</u>	<u>452</u>

**5. PROFIT ON DISPOSAL OF FIXED ASSETS**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Profit on disposal of intangible assets	26	106
Profit on disposal of freehold property	-	65
	<u>26</u>	<u>171</u>

**6. INVESTMENT INCOME**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Income from interests in associated undertakings	855	943
Income from other fixed asset investments	52	19
Interest receivable and similar income	7	340
	<u>914</u>	<u>1,302</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Bank loan and overdraft interest	1,140	70
Other interest payable	607	232
Premium on loan stock	179	166
	<u>1,926</u>	<u>468</u>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 31% (1996 - 33%)	4,159	3,097
Associated undertakings	280	319
	<u>4,439</u>	<u>3,416</u>
Adjustment in respect of prior years	90	(56)
	<u>4,529</u>	<u>3,360</u>

**9. PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year amounted to £714,000. In 1996 the parent company made a profit of £11,024,000 arising from intra-group transactions.

**10. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Publishing and exhibition rights £'000</b>
<b>Cost or valuation</b>	
At 1 January 1997	26,039
Additions during the year	2,275
	<u>28,314</u>
At 31 December 1997	
<b>Accumulated amortisation</b>	
At 1 January 1997 and 31 December 1997	3,834
	<u>24,480</u>
<b>Net book value</b>	
At 31 December 1997	24,480
At 31 December 1996	<u>22,205</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**11. TANGIBLE FIXED ASSETS**

Group	Freehold properties £'000	Short leasehold properties £'000	Vehicles, furniture and equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 1997	13,323	359	8,524	22,206
Foreign exchange translation differences	-	5	6	11
Additions	3,329	73	2,296	5,698
Disposals	-	-	(2,228)	(2,228)
Adjustment on revaluation	637	-	-	637
At 31 December 1997	17,289	437	8,598	26,324
<b>Accumulated depreciation</b>				
At 1 January 1997	302	331	5,716	6,349
Foreign exchange translation differences	-	5	4	9
Charge for the year	225	11	1,034	1,270
Adjustment on revaluation	(210)	-	-	(210)
Disposals	-	-	(2,002)	(2,002)
At 31 December 1997	317	347	4,752	5,416
<b>Net book value</b>				
At 31 December 1997	16,972	90	3,846	20,908
At 31 December 1996	13,021	28	2,808	15,857

Freehold properties comprise properties at open market value as determined by the directors of £11,150,000 (1996 - £10,500,000) and properties at cost of £5,822,000 (1996 - £2,521,000).

The net book value of freehold properties comprises land of £1,817,000 (1996 - £1,560,000) and properties for which no split can be obtained of £15,155,000 (1996 - £11,461,000).

	Freehold properties £'000
The comparable amounts for properties at valuation determined according to the historical cost convention:	
Cost	11,327
Accumulated depreciation	(1,024)
Net book value at 31 December 1997	10,303
Net book value at 31 December 1996	10,074



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**12. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares in subsidiary undertakings (a)	-	-	359	359
Other investments (b)	244	244	-	-
	<u>244</u>	<u>244</u>	<u>359</u>	<u>359</u>

**(a) Shares in subsidiary undertakings**

The principal subsidiary undertakings, all of which are registered in England and Wales and operating principally in the United Kingdom, are as follows:

	<b>Percentage of equity held</b>	<b>Principal activity</b>
<b>Subsidiary undertakings</b>		
Haymarket Publishing Group Services Limited	100%	Magazine publishing
Haymarket Business Publications Limited	100%	Magazine publishing
Haymarket Medical Limited	100%	Magazine publishing
Haymarket Magazines Limited *	95%	Magazine publishing
Teesdale Publications Limited**	100%	Magazine publishing
Ansdell Street Properties Limited	100%	Property investment
Teddington Properties Limited	100%	Property investment
* Shares held by Haymarket Publishing Group Services Limited		
** Shares held by Haymarket Magazines Limited		

**(b) Other investments**

	<b>Associated undertakings</b>	<b>Other Listed</b>	<b>Other Unlisted</b>	<b>Total</b>
	<b>Unlisted</b>	<b>Listed</b>	<b>Unlisted</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 January 1997 and 31 December 1997	<u>1</u>	<u>70</u>	<u>172</u>	<u>243</u>
<b>Group share of undistributed post acquisition profits</b>				
At 1 January 1997 and 31 December 1997	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
<b>Net book value</b>				
31 December 1997	<u>2</u>	<u>70</u>	<u>172</u>	<u>244</u>
31 December 1996	<u>2</u>	<u>70</u>	<u>172</u>	<u>244</u>
			<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
Market value of investments listed on a recognised investment exchange			<u>3,201</u>	<u>2,540</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**12. INVESTMENTS HELD AS FIXED ASSETS (continued)**

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

	Country of incorporation/ registration and principal place of operation	Percentage of equity held	Principal activity
<b>Associated undertakings:</b>			
Frontline Limited*	England and Wales	Ordinary 'A' shares 5% Ordinary 'C' shares 100% Ordinary 'E' shares 25% Ordinary 'F' shares 17%	Distribution of magazines
BBC Haymarket Exhibitions Limited*	England and Wales	50%	Organisation of exhibitions

\* Shares held by a subsidiary undertaking

Frontline Limited is treated as an associated company in view of the group's representation on that company's Board and the voting rights that the group holds.

**(c) Transactions with associated undertakings**

Frontline Limited is the Group's agent in relation to the sale of publications to third parties.

Distribution services totalling £2,213,000 (1996 - £1,478,000) were provided to the Group by Frontline Limited.

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

	1997 £	1996 £
Administrative services	828,000	682,000
Editorial and advertising services	25,000	43,000

Amounts owed to and from associated undertakings are shown in notes 14 and 15 to the accounts.

**13. STOCKS**

	1997 £'000	1996 £'000
Group		
Raw materials and consumables	1,338	1,459

Raw materials and consumables include £149,000 (1996 - £132,000) of agricultural stocks which are included at independent professional valuation.

The balance represents stocks of paper for which, in the directors' opinion, the replacement cost does not differ significantly from the value included in the financial statements.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**14. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>(a) Falling due within one year</b>				
Trade debtors	13,156	11,835	-	-
Amounts owed by associated undertakings	2,890	4,180	-	-
Amounts owed by subsidiary undertakings	-	-	39,931	62,160
Other debtors	1,326	2,770	137	314
Prepayments and accrued income	3,894	2,677	-	-
	<u>21,266</u>	<u>21,462</u>	<u>40,068</u>	<u>62,474</u>

Other debtors includes £134,000 (1996 - £1,389,000) of taxation recoverable for the group and £nil (1996 - £nil) for the company.

	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>(b) Falling due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	15,792	15,792
Advance corporation tax recoverable	2,386	-	2,386	-
Other debtors	307	-	-	-
	<u>2,693</u>	<u>-</u>	<u>18,178</u>	<u>15,792</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank overdraft	469	838	-	-
1.667% unsecured loan stock (see note 16)	4,593	4,593	4,593	4,593
1.6087% unsecured loan stock (see note 16)	10,691	-	10,691	-
Trade creditors	9,899	7,757	-	-
Other creditors including taxation and social security	5,709	8,123	223	27
Accruals and deferred income	14,549	9,976	-	-
	<u>45,910</u>	<u>31,287</u>	<u>15,507</u>	<u>4,620</u>
Other creditors including taxation and social security:				
Corporation tax	1,577	4,494	223	27
Taxation and social security	2,058	1,644	-	-
Amounts owed to associated undertakings	581	895	-	-
Other creditors	1,493	1,090	-	-
	<u>5,709</u>	<u>8,123</u>	<u>223</u>	<u>27</u>

The bank overdraft is secured by fixed and floating charges on the assets of the group.

At the end of the year no balances were owed to any director. At 31 December 1996 the group owed £25,640 and £16,811 to J L Masters and S P Tindall respectively.


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1997**
**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

During the year the group entered into the following transactions with its directors:

	<b>M R D Heseltine £</b>	<b>J L Masters £</b>	<b>S P Tindall £</b>
<b>1997</b>			
Purchase of fixed and other assets from a subsidiary undertaking	-	100,400	3,500
Personal costs paid for by the group and fully reimbursed	79,000	123,000	157,000
Other costs paid for by the group and fully reimbursed	-	183,000	297,000
Income collected and repaid	-	219,000	135,000
	<b>M R D Heseltine £</b>	<b>J L Masters £</b>	<b>S P Tindall £</b>
<b>1996</b>			
Purchase of fixed and other assets from a subsidiary undertaking at professional valuation	-	318,550	-
Personal costs paid for by the group and fully reimbursed	74,000	58,000	107,000
Other costs paid for by the group and fully reimbursed	-	131,000	393,000
Income collected and repaid	-	161,000	310,000

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

	<b>Group</b>		<b>Company</b>	
	<b>1997 £'000</b>	<b>1996 £'000</b>	<b>1997 £'000</b>	<b>1996 £'000</b>
Bank loans	15,000	-	-	-
Accruals	952	1,368	-	-
Unsecured loan stock 2004	1,081	1,019	-	-
1.667% unsecured loan stock	4,594	9,187	4,594	9,187
1.6087% unsecured loan stock	15,840	-	15,840	-
	<u>37,467</u>	<u>11,574</u>	<u>20,434</u>	<u>9,187</u>

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

In 1997 the company issued £39,797,274 1.6087% unsecured loan stock. £15,445,617 was issued to S P Tindall, a director of the company, and Island Trustees (Jersey) as a trustee of a trust for the benefit of, or nominee for, certain members of his family. £24,351,657 of the stock was issued to Mr J L Masters which is redeemable in three equal annual instalments which commenced on 1 June 1997. The remaining stock relating to Mr S P Tindall is redeemable in three instalments payable on 1 June 1997, 1 June 1998 and 31 December 2000 at 33.3%, 16.7% and 50%, respectively.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

In 1996, the company issued £13,300,000 1.667% Unsecured Loan Stock to Walbrook Trustees (Jersey) Limited and R&H Trust Co (Jersey) Limited as trustees of trusts for the benefit of, or nominee for, certain members of the family of Mr J L Masters. The Stock is redeemable by three equal annual instalments commencing on 1 June 1997, at a premium of £480,360.

The bank loans bear fixed interest at 8.7% for five years and 1 3/8% above LIBOR thereafter. These are secured by fixed and floating charges on the assets of the group and are repayable by instalments as follows:

	£'000
Between two and five years	1,250
After more than five years	13,750
	<hr/>
	15,000
	<hr/>

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

Under the policy stated in note 1 no deferred tax is provided on capital allowances in excess of depreciation or surpluses on revaluation.

The unprovided deferred tax assets are:

	1997 £'000	1996 £'000
Capital allowances in (excess)/below depreciation	(134)	41
Other timing differences	885	934
Gain deferred by roll over relief	(382)	(406)
Capital losses	382	406
	<hr/>	<hr/>
	751	975
	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**18. CALLED UP SHARE CAPITAL**

	1996 and 1997 £'000	
Authorised:		
52,000,000 ordinary shares of 1p each		520
	<b>No.</b>	<b>£'000</b>
Allotted, called up and fully paid:		
As at 1 January 1997	46,623,650	466
Redeemed during the year	(13,100,845)	(131)
As at 31 December 1997	33,522,805	335

In 1996 the company purchased from Walbrook Trustees (Jersey) Limited and R&H Trust Co (Jersey) Limited as trustees of trusts for the benefit of certain members of the family of Mr J L Masters 4,536,350 ordinary shares of 1p each for an aggregate price, including associated costs of £13,411,000.

In 1997 the company entered into an agreement with J L Masters whereby it can be required to purchase 1,158,220 ordinary shares of 1p each, the cost to be determined on the basis of the net asset value of the Group at the immediately preceding accounting date. If the company is required to purchase these shares on or before 31 December 1998 the cost will be approximately £4,900,000.

In 1997 the company purchased 8,016,310 ordinary shares of 1p each from Walbrook Trustees (Jersey) Ltd as trustees of trusts for the family of J L Masters, for an aggregate price, including associated costs of £24,552,800.

In 1997 the company purchased 5,084,535 ordinary shares of 1p each from Walbrook Trustees (Jersey) Ltd as trustees of trusts for the family of S P Tindall, for an aggregate price, including associated costs of £15,573,200.

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

**19. CAPITAL REDEMPTION RESERVE**

	£'000
As at 1 January 1997	46
Nominal value of shares redeemed during the year	131
As at 31 December 1997	177

**20. REVALUATION RESERVE**

	1997 £'000	1996 £'000
<b>Group</b>		
At 1 January	3,924	3,361
Revaluation of freehold properties	847	551
Transfer from profit and loss account	-	12
At 31 December	4,771	3,924

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**21. MERGER RESERVE**

	<b>£'000</b>
<b>Group</b>	
At 1 January 1997 and 31 December 1997	<u>6,236</u>

**22. PROFIT AND LOSS ACCOUNT**

	<b>Group 1997 £'000</b>	<b>1996 £'000</b>	<b>Company 1997 £'000</b>	<b>1996 £'000</b>
At 1 January	7,870	14,350	64,306	68,521
Profit/(loss) for the financial year	9,667	8,044	(714)	11,024
Dividends	(1,314)	(1,828)	(1,314)	(1,828)
Currency translation differences on foreign currency net investments	(27)	20	-	-
Adjustment on purchase of minority interest	-	707	-	-
Redemption of share capital, with associated costs	(40,126)	(13,411)	(40,126)	(13,411)
Transfer to revaluation reserve	-	(12)	-	-
At 31 December	<u>(23,930)</u>	<u>7,870</u>	<u>22,152</u>	<u>64,306</u>

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

	<b>1997 £'000</b>	<b>1996 £'000</b>
<b>Group</b>		
Profit for the financial year	9,667	8,044
Foreign exchange differences	(27)	20
Dividends	(1,314)	(1,828)
	<u>8,326</u>	<u>6,236</u>
Redemption of share capital	(40,126)	(13,411)
Adjustment on revaluation of freehold properties	847	551
Adjustment on purchase of minority interest	-	707
Net reduction to shareholders' funds	<u>(30,953)</u>	<u>(5,917)</u>
Opening shareholders' funds	18,542	24,459
Closing shareholders' funds	<u>(12,411)</u>	<u>18,542</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

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

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	15,344	10,450
Depreciation (net of profits on disposal)	1,247	992
Foreign exchange adjustment	(27)	20
Increase in debtors	(1,367)	(2,225)
Decrease in stocks	121	795
Increase in creditors	6,448	3,435
Net cash inflow from operating activities	<u>21,766</u>	<u>13,467</u>

**25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Share capital</b>	<b>Bank loans</b>	<b>Loan stock</b>
	<b>1997</b>	<b>1997</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 January	466	-	14,799
Cash (outflow)/inflow from financing	(40,126)	15,000	21,938
Premium payable on and interest accrued on loan stock	-	-	62
Redemption of share capital, with associated costs	40,126	-	-
Transfer to capital redemption reserve	(131)	-	-
	<u>335</u>	<u>15,000</u>	<u>36,799</u>

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

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash in the period	486	(341)
Cash outflow from debt financing	(36,938)	(13,780)
Change in net debt resulting from cash flows	(36,452)	(14,121)
Interest accumulated on loan notes	(62)	(56)
Movement in net debt in the period	(36,514)	(14,177)
Net debt at 1 January	(15,436)	(1,259)
Net debt at 31 December	<u>(51,950)</u>	<u>(15,436)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**27. ANALYSIS OF NET DEBT**

	At 1 January 1997 £'000	Cash Flow £'000	Other non-cash changes £'000	At 31 December 1997 £'000
Cash at bank and in hand	201	117	-	318
Bank loans and overdraft	(838)	369	-	(469)
	<u>(637)</u>	<u>486</u>	<u>-</u>	<u>(151)</u>
Debt due after one year	(10,206)	(26,247)	(62)	(36,515)
Debt due within one year	(4,593)	(10,691)	-	(15,284)
	<u>(15,436)</u>	<u>(36,452)</u>	<u>(62)</u>	<u>(51,950)</u>

**28. ACQUISITION OF SUBSIDIARY UNDERTAKING IN 1996**

	1996 £'000
<b>Net assets acquired:</b>	
Tangible fixed assets	59
Intangible fixed assets	9,118
Stocks	33
Debtors	471
Creditors	(716)
Bank overdrafts	(163)
	<u>8,802</u>
<b>Satisfied by:</b>	
Cash	<u>8,802</u>

During the year to 31 December 1996, the Teesdale Group contributed £278,000 to the Group's net operating cash flows and utilised £64,000 for investing activities.

**29. ANALYSIS OF THE NET OUTFLOW IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKING IN 1996**

	1996 £'000
Cash consideration	8,802
Bank overdrafts acquired	163
	<u>8,965</u>
Net outflow of cash and cash equivalents in respect of the purchase	



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**30. CAPITAL COMMITMENTS**

There were capital commitments of £575,000 at 31 December 1997 (1996 - £205,000) relating to the group and £nil (1996 - £nil) relating to the company.

**31. OPERATING LEASE COMMITMENTS**

As at 31 December 1997 the group was committed to making the following payments during the next year in respect of operating leases:

	<b>Motor vehicles £'000</b>	<b>Group Land and buildings £'000</b>	<b>Total £'000</b>
Leases which expire:			
Within one year	15	2	17
Within two to five years	18	55	73
After five years	-	276	276
	<u>33</u>	<u>333</u>	<u>366</u>

**32. CONTINGENT LIABILITIES**

A subsidiary undertaking has granted a put option to a shareholder in another subsidiary undertaking under which it may be required to purchase all or part of the shareholding. The maximum liability under this put option as at 31 December 1997 was £1,428,000.

**33. PENSION SCHEME**

The principal scheme operated by the group is a defined contribution scheme in which eligible employees participate in personal pension plans to which the company contributes 8% and the employees contribute a minimum of 5% of relevant earnings. The assets of the individual plans are held separately from those of the company in independently administered funds.