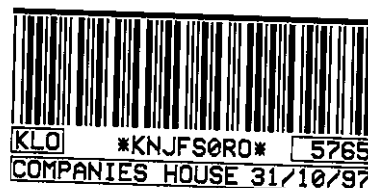


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CHIC MAGAZINES LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1996



CHIC MAGAZINES LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 1996

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CHIC MAGAZINES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr. R.C. Desmond
Mr. M.S. Ellice
Mr. R. Barber
Mrs. J.M. Foley

Secretary

Mr. S. Smith

Company Number

03009449 (England)

Auditors

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers

National Westminster Bank Plc
19 Shaftesbury Avenue
London W1A 4QQ

Registered Office

The Northern & Shell Tower
City Harbour
London E14 9GL

CHIC MAGAZINES LIMITED

Directors' Report

The directors submit their report and financial statements for the 18 month period ended 31 December 1996.

Activities

The company's principal activity during the period was that of magazine publishing. On 1 January 1997 the company transferred its trade, assets and liabilities to Northern & Shell Plc. It is the company's intention not to resume trading.

Change of Accounting Reference Date

On 15 January 1997 the company changed its accounting reference date from 30 June to 31 December.

Transfer of Trade and Assets

At the close of business on 31 December 1996 the company transferred its trade and assets to Northern & Shell PLC, its holding company. It is the company's intention not to resume trading.

Results and Dividends

The trading loss for the period amounted to £434,746 (1995 - loss £76,468)
The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period and their interest in the share capital of the company were as follows :

	<u>No. of shares</u>
Mr. R.C. Desmond	Nil
Mr. M.S. Ellice	Nil
Ms. J.M. Foley	20,000
Mr. R. Barber	20,000

At 31 December 1996 Mr. R.C. Desmond was beneficially interested in 355,000 shares held by the parent company, Northern & Shell Plc.

Close Company

In the opinion of the directors the company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

Directors' Responsibilities

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

CHIC MAGAZINES LIMITED

Directors' Report (continued)

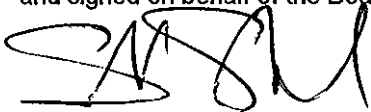
- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed , subject to any material departures disclosed and explained in the financial statements ;
- prepare 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 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.

Auditors

Price Waterhouse, Chartered Accountants and Registered Auditors have expressed their willingness to continue in office and offer themselves for re-election in accordance with section 385 of the Companies Act 1985.

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



Mr. S. Smith
Secretary

Dated : 28 July 1997

Price Waterhouse



REPORT OF THE AUDITORS

TO THE MEMBERS OF

CHIC MAGAZINES LIMITED

We have audited the financial statements of pages 6 to 10 which have been prepared under the historical cost convention and the accounting policies on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of 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 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 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 as at 31 December 1996 and of its loss for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors

July 1997

CHIC MAGAZINES LIMITED

PROFIT & LOSS ACCOUNT

18 month period ended 31 December 1996

	<u>Note</u>	<u>18 Months to</u> <u>31-Dec-96</u> <u>£</u>	<u>6 Months to</u> <u>30-Jun-95</u> <u>£</u>
TURNOVER	2	747,085	48,181
Cost of Sales		(871,668)	(73,762)
GROSS LOSS		(124,583)	(25,581)
Distribution costs		(84,482)	(16,770)
Administration expenses		(225,681)	(34,117)
		(310,163)	(50,887)
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(434,746)	(76,468)
Tax on loss on ordinary activities	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(434,746)	(76,468)
Retained loss brought forward		(76,468)	-
Retained loss carried forward		(511,214)	(76,468)

The whole of the turnover and the operating loss is attributable to continuing operations .

The company has no recognised gains and losses for the period other than its retained loss of £434,746 (6 months to 30 June 1995 - loss £76,468).

There is no material difference between the reported loss and the historical cost loss on ordinary activities before taxation for either period.

The notes on pages 8 to 10 form part of these accounts.

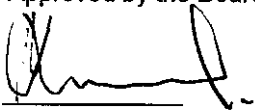
CHIC MAGAZINES LIMITED

BALANCE SHEET

As at 31 December 1996

	<u>Note</u>	<u>31-Dec-96</u> £	<u>30-Jun-95</u> £
FIXED ASSETS			
Intangible assets	6	765	385
CURRENT ASSETS			
Debtors	7	16,329	90,730
Cash at bank and in hand		<u>1,236</u>	<u>392,763</u>
		17,565	483,493
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(129,544)</u>	<u>(160,346)</u>
NET CURRENT (LIABILITIES) / ASSETS		(111,979)	323,147
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(111,214)</u>	<u>323,532</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	9	400,000	400,000
Profit & loss account		<u>(511,214)</u>	<u>(76,468)</u>
		<u>(111,214)</u>	<u>323,532</u>

Approved by the Board of Directors :



Mr. R.C. Desmond

28 July 1997

Dated

The notes on pages 8 to 10 form part of these accounts.

CHIC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS

18 month period ended 31 December 1996

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Intangible fixed assets

No amortisation has been provided on intangible fixed assets, which are wholly composed of the cost of registering trademarks, as it is considered that their useful economic lives are not limited.

(c) Deferred taxation

Deferred tax is provided where in the opinion of the directors it is probable that an asset or liability will crystallise in the future.

(d) Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of Value Added Tax).

2. TURNOVER

The company's turnover and loss before taxation arises solely from its publishing activities and relates to continuing operations.

3 . LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors fees are borne by the immediate holding company , Northern & Shell PLC .

CHIC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS (continued)

18 month period ended 31 December 1996

4. INFORMATION REGARDING DIRECTORS & EMPLOYEES

	<u>18 Months to</u> <u>31-Dec-96</u> £	<u>6 Months to</u> <u>30-Jun-95</u> £
(a) DIRECTORS :		
Directors' emoluments	-	-
Directors emoluments are borne by the holding company.		
(b) STAFF COSTS :		
Wages and salaries	180,181	28,038
Social security costs	19,678	2,883
	<u>199,859</u>	<u>30,921</u>
Average number of people employed :	<u>No.</u>	<u>No.</u>
Office and management (including directors)	<u>9</u>	<u>5</u>

5. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	<u>18 Months to</u> <u>31-Dec-96</u> £	<u>6 Months to</u> <u>30-Jun-95</u> £
UK corporation tax at 33% based on the profit / (loss) for the period	-	-

6. INTANGIBLE FIXED ASSETS

	<u>Trademarks</u> £
COST AND BOOK VALUE	
At 1 July 1995	385
Additions during period	<u>380</u>
At 31 December 1996	<u>765</u>

7. DEBTORS

	<u>31-Dec-96</u> £	<u>30-Jun-95</u> £
Trade debtors	7,820	15,555
Amounts owed by group company	8,300	39,156
Other debtors	<u>209</u>	<u>36,019</u>
	<u>16,329</u>	<u>90,730</u>

CHIC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS (continued)

18 month period ended 31 December 1996

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31-Dec-96 £	30-Jun-95 £
Trade creditors	1,010	35,750
Amounts owed to group company	102,842	103,299
Other creditors	5,339	490
Accruals	20,353	20,807
	<u>129,544</u>	<u>160,346</u>
9. SHARE CAPITAL	31-Dec-96 £	30-Jun-95 £
Ordinary Share capital	<u>400,000</u>	<u>400,000</u>
Allotted, called up and fully paid	<u>400,000</u>	<u>400,000</u>
10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	31-Dec-96 £	30-Jun-95 £
Opening shareholders' funds	323,532	-
Allotment of share capital	-	400,000
Loss for the financial period	<u>(434,746)</u>	<u>(76,468)</u>
Closing shareholders' funds	<u>(111,214)</u>	<u>323,532</u>

11. IMMEDIATE HOLDING COMPANY

Three hundred and fifty five thousand (88.75%) of the company's shares are owned by Northern & Shell Plc, a company incorporated in England. Copies of the Northern & Shell Plc financial statements can be obtained from : The Northern & Shell Tower, City Harbour, London E14 9GL

12. ULTIMATE HOLDING COMPANY

The company regards Northern & Shell Group Limited, a company incorporated in England, as its ultimate holding company. Copies of the group financial statements can be obtained from : The Northern & Shell Tower, City Harbour, London E14 9GL.

The company has received assurance from its ultimate holding company that it will be provided with the funds necessary to meet its liabilities as they fall due.

13. CASH FLOW STATEMENT

Northern & Shell Group Limited prepares and files a consolidated cash flow statement which includes the cash flows of the company. The company has therefore relied on the exemption provided by FRS1 from preparing its own cash flow statement.