

ORIENT PUBLISHING PLC

Registered Number: 3550181

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 2000



ORIENT PUBLISHING PLC

Registered Number: 3550181

DIRECTORS

P M Strong
G H C Copeman
R W Jewson
C H Lawrence

SECRETARY

C H Lawrence

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

SOLICITORS

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Holland Court
The Close
Norwich
NR1 4DX

REGISTERED OFFICE

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Norwich
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ORIENT PUBLISHING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2000

The directors present their report together with the accounts of the company for the year ended 31st December 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,732,703 (1999 : £1,392,857). An interim dividend of £4,000,000 was paid on 29 December 2000. The directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an investment holding company for Eastern Counties Newspapers Group Limited.

On 30 January 2001, the company acquired the entire issued share capital of Oyston Publications Plc, who publish five lifestyle magazines across Cheshire, Lancashire and Yorkshire. The turnover of these titles for the year ended 31 December 2000 was £4,541,000.

On 3 May 2001, the company acquired the entire issued share capital of Loyalty and Conquest Communications Limited, who publish Cotswold Life magazine. The consideration for this acquisition was £1,279,000.

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year are listed on page 1.

None of the directors had any interest in the share capital of the company at any time during the year.

All of the directors are also directors of the holding company and have declared their interests in the shares of the holding company in that company's accounts.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period 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 accounts the directors are required to :

select suitable accounting policies and then apply them consistently ;

make judgements and estimates that are reasonable and prudent ; and

prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board,



C H Lawrence
Secretary
24 July 2001

REPORT OF THE AUDITORS
to the members of Orient Publishing Plc

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 3, the directors are responsible for preparing the annual report including the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practice Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 2000 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name.

Ernst & Young LLP

Registered Auditor
Cambridge
24 July 2001

ORIENT PUBLISHING PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 £	1999 £
Dividends received	2	4,200,000	4,000,000
Financing costs	3	(3,513,366)	(3,731,393)
Operating costs		(11,087)	(6,263)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>675,547</u>	<u>262,344</u>
Tax credit on profit on ordinary activities	4	1,057,156	1,130,513
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,732,703</u>	<u>1,392,857</u>
DIVIDENDS	5	(4,000,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	<u>(2,267,297)</u>	<u>1,392,857</u>

Recognised gains and losses

There are no recognised gains or losses for the period other than those included in the profit and loss account above.

The notes on pages 7 to 10 form part of these financial statements.

ORIENT PUBLISHING PLC

BALANCE SHEET - 31ST DECEMBER 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Investment in subsidiary undertakings	6	65,935,167	64,685,167
CURRENT ASSETS			
Debtors	7	5,268,962	1,661,472
Cash at bank and in hand		458,355	41,586
		<u>5,727,317</u>	<u>1,703,058</u>
CREDITORS: amounts falling due within one year			
Creditors	8	(13,961,483)	(6,307,504)
Unsecured loan notes 2008	9	(15,383,426)	(18,081,109)
		<u>(29,344,909)</u>	<u>(24,388,613)</u>
NET CURRENT LIABILITIES		<u>(23,617,592)</u>	<u>(22,685,555)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		42,317,575	41,999,612
CREDITORS: amounts falling due after more than one year			
	10	(38,975,570)	(36,390,309)
		<u>3,342,005</u>	<u>5,609,303</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000,000	1,000,000
Profit and loss account	12	2,342,006	4,609,303
EQUITY SHAREHOLDERS' FUNDS	12	<u>3,342,006</u>	<u>5,609,303</u>

Approved by the Board on 24 July 2001.


Chairman

The notes on pages 7 to 10 form part of these financial statements.

ORIENT PUBLISHING PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and are drawn up in accordance with applicable Accounting Standards.

(b) Basis of consolidation

The company has taken advantage of exemptions conferred by section 228 of the Companies Act 1985 from preparing consolidated accounts. Therefore these accounts represent the state of affairs of the company only.

(c) Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

2. DIVIDENDS RECEIVED

	2000 £	1999 £
Dividend received from subsidiary undertaking	4,200,000	4,000,000

3. FINANCING COSTS

	2000 £	1999 £
Unsecured loan notes 2008	906,449	1,080,383
Convertible unsecured loan stock 2000	2,567,773	2,581,921
Amortisation of loan issue costs	39,144	69,089
	<u>3,513,366</u>	<u>3,731,393</u>

4. TAX ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK corporation tax		
current year credit	<u>1,057,156</u>	<u>1,130,513</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000

5. DIVIDENDS	2000 £	1999 £
Interim dividend paid	4,000,000	-

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2000 £	1999 £
Cost		
1st January	64,685,167	58,645,875
Additions	1,250,000	6,055,292
Adjustment to purchase consideration	-	(16,000)
31st December	65,935,167	64,685,167

The company's principal subsidiary undertakings, all of which are wholly owned and incorporated in England are:

<i>Company</i>	<i>Activity</i>	<i>Holding</i>
Home Counties Newspapers Holdings Plc	Holding company	100% ord. shares
Home Counties Newspapers Limited *	Newspaper publishing	100% ord. shares
The South Essex Recorders Limited *	Newspaper publishing	100% ord. shares
The Hampstead and Highgate Express Printing and Publishing Company Limited *	Newspaper publishing	100% ord. shares
ECNG Investment Co Limited	Investment holding company	100% ord. shares
Market Link Publishing Plc	Magazine publishing	100% ord. shares
Pilot Publishing Company Limited *	Magazine publishing	100% ord. shares

* denotes investment indirectly owned

In the opinion of the directors the value of the investments is not less than their book value.

7. DEBTORS	2000 £	1999 £
Amounts owed by subsidiary undertaking	4,210,959	530,959
Corporation tax recoverable	1,057,669	1,130,513
Other debtors	334	-
	5,268,962	1,661,472

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000

8. CREDITORS: Amounts falling due within one year

	2000 £	1999 £
Amounts owed to parent undertaking	13,874,557	6,210,418
Income tax payable	85,259	96,086
Other creditors	1,667	1,000
	<u>13,961,483</u>	<u>6,307,504</u>

9. UNSECURED LOAN NOTES 2008

The loan notes are floating rate, guaranteed, unsecured loan notes 2008. The financing cost is payable half yearly on 30 June and 31 December at a rate of 1% below the base rate of Barclays Bank Plc on the first business day in the period. The loan notes can be redeemed by the holders at 30 June and 31 December in any year up to 2007, subject to giving the required 30 days notice. The loan notes are guaranteed by Barclays Bank PLC.

	2000 £	1999 £
Total loan notes outstanding	15,506,920	18,226,259
Less issue costs	(123,494)	(145,150)
	<u>15,383,426</u>	<u>18,081,109</u>

10. CREDITORS: amounts falling due after more than one year

	2000 £	1999 £
Convertible unsecured loan stock 2000 (intra group)	-	36,014,739
Unsecured loan notes 2005 (intra group)	38,600,000	-
Deferred acquisition consideration	375,570	375,570
	<u>38,975,570</u>	<u>36,390,309</u>
The convertible unsecured loan stock 2000 comprised :		
Unsecured loan stock 2000 at 1 January	36,014,739	33,412,833
Financing costs	2,567,773	2,581,921
Loan issue costs	17,488	19,985
Unsecured loan notes 2005 issued in settlement	(38,600,000)	-
	<u>-</u>	<u>36,014,739</u>

The unsecured loan notes 2005 were issued to the parent company in settlement of the liability arising on the redemption of the convertible unsecured loan stock 2000. The loan notes bear interest at the rate of LIBOR payable annually in arrears.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000

11. CALLED UP SHARE CAPITAL	2000	1999
	£	£
Authorised		
6,950,000 ordinary shares of £1 each	6,950,000	6,950,000
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Share capital	Profit & loss account	Shareholders' funds
	£	£	£
At 31st December 1998	1,000,000	3,216,446	4,216,446
Profit for the year	-	1,392,857	1,392,857
At 31st December 1999	1,000,000	4,609,303	5,609,303
Loss for the year	-	(2,267,297)	(2,267,297)
At 31st December 2000	1,000,000	2,342,006	3,342,006

13. POST BALANCE SHEET EVENTS

On 30 January 2001, the company acquired the entire issued share capital of Oyston Publications Plc, who publish five lifestyle magazines across Cheshire, Lancashire and Yorkshire. The turnover of these titles for the year ended 31 December 2000 was £4,541,000.

On 3 May 2001, the company acquired the entire issued share capital of Loyalty and Conquest Communications Limited, who publish Cotswold Life magazine. The consideration for this acquisition was £1,279,000.

14. CONTINGENT LIABILITY

All companies in the Group have provided a cross guarantee, by way of a debenture, in relation to the overdraft facility with Barclays Bank Plc. Details of the overdraft facility are contained in the ECNG Group accounts.

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with related parties that are part of the Eastern Counties Newspapers Group Limited, or investees of the group.

16. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking for which Group accounts are prepared is Eastern Counties Newspapers Group Limited, a Company registered in England. Copies of the Group accounts can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff.

17. STATEMENT OF CASH FLOWS

The statement of cash flows has been incorporated within the consolidated accounts of Eastern Counties Newspapers Group Limited.