

Orient Publishing PLC

Report and Accounts

31 December 1999



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Orient Publishing PLC

Registered No. 3550181

DIRECTORS

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

SECRETARY

C H Lawrence

AUDITORS

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

SOLICITORS

Eversheds
Holland Court
The Close
Norwich
NR1 4DX

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

 **ERNST & YOUNG**

Orient Publishing PLC

DIRECTORS' REPORT

The directors present their report and accounts for the year to 31 December 1999.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,392,857 (1998 : £3,216,446). The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

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

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are listed on page 2.

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

P M Strong, G H C Copeman, R W Jewson and C H Lawrence are all directors of the holding company and have declared their interests in the shares of the holding company in that company's accounts.

YEAR 2000

The Board are pleased to announce that the "Year 2000 problem" passed without any interruption to the company's operations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year 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 accounts, 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 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.

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



C H Lawrence
Secretary

27.6.2000

 ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Orient Publishing Plc

We have audited the accounts on pages 6 to 11 , which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 by our profession's ethical guidance.

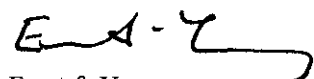
Basis of opinion

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 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 affairs of the company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Cambridge

6 July 2000

Orient Publishing PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

		<i>Year ended 31 December 1999</i>	<i>Period 16 April 1998 to 31 December 1998</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Dividends received	2	4,000,000	5,000,000
Interest received		—	37,528
Financing costs	3	(3,731,393)	(2,611,438)
Operating costs		(6,263)	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		262,344	2,426,065
Taxation (credit)	4	1,130,513	790,381
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR/PERIOD		1,392,857	3,216,446

RECOGNISED GAINS AND LOSSES

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

Orient Publishing PLC

BALANCE SHEET

at 31 December 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Investments in subsidiary undertakings	5	64,685,167	58,645,875
CURRENT ASSETS			
Debtors	6	1,661,472	3,281,231
Cash at bank and in hand		41,586	116,402
		1,703,058	3,397,633
CREDITORS: amounts falling due within one year			
Other creditors	7	6,307,504	216,335
Unsecured loan notes 2008	8	18,081,109	24,197,894
		24,388,613	24,414,229
NET CURRENT LIABILITIES		(22,685,555)	(21,016,596)
TOTAL ASSETS LESS CURRENT LIABILITIES		41,999,612	37,629,279
CREDITORS: amounts falling due after more than one year	9	(36,390,309)	(33,412,833)
		5,609,303	4,216,446
CAPITAL AND RESERVES			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account	11	4,609,303	3,216,446
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		5,609,303	4,216,446

P Strong
Director



27 June 2000

NOTES TO THE ACCOUNTS

at 31 December 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Deferred taxation

Deferred taxation is provided 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.

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.

2. DIVIDENDS RECEIVED

	1999 £	1998 £
Dividend received from subsidiary undertaking	4,000,000	5,000,000

3. FINANCING COSTS

	1999 £	1998 £
Unsecured loan notes 2008	1,080,383	1,012,265
Convertible unsecured loan stock 2000	2,581,921	1,574,854
Amortisation of loan issue costs	69,089	24,319
	3,731,393	2,611,438

4. TAXATION

	1999 £	1998 £
Based on profit for the year/period:		
Group relief credit	1,130,513	790,381

The charge for taxation is lower than expected due to dividends received under a Group Income Election.

Orient Publishing PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

5. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	1999 £	1998 £
At 1 January	58,645,875	—
Additions at cost	6,055,292	58,645,874
Inter group transfer	—	1
Adjustment to purchase consideration	(16,000)	—
At 31 December	64,685,167	58,645,875

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

Company	Activity	Holding
Home Counties Newspapers Holdings PLC	Holding company	Ordinary shares
Home Counties Newspapers Limited*	Newspaper publishing	Ordinary shares
The South Essex Recorders Limited*	Newspaper publishing	Ordinary shares
The Hampstead and Highgate Express Printing and Publishing Company Limited*	Newspaper publishing	Ordinary shares
ECNG Investment Co Limited	Investment holding company	Ordinary shares
Market Link Publishing Plc	Magazine Publishing	Ordinary shares

*Investment indirectly owned

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

6. DEBTORS

	1999 £	1998 £
Amounts owed by subsidiary undertaking	530,959	—
Amounts owed by parent company	—	2,490,850
Corporation tax recoverable	1,130,513	790,381
	1,661,472	3,281,231

7. OTHER CREDITORS

	1999 £	1998 £
Amounts owed to parent undertaking	6,210,418	—
Income tax payable	96,086	202,453
Other creditors	1,000	13,882
	6,307,504	216,335

Orient Publishing PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

8. 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.

	1999 £	1998 £
Total loan notes outstanding	18,226,259	24,392,148
Less issue costs	(145,150)	(194,254)
	<u>18,081,109</u>	<u>24,197,894</u>

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

	1999 £	1998 £
Convertible unsecured loan stock 2000 intra group	36,014,739	33,412,833
Deferred acquisition consideration	375,570	-
	<u>36,390,309</u>	<u>33,412,833</u>
Convertible unsecured loan stock 2000 - intra group comprises:		
Loan stock issued - nominal value £39,500,000	33,101,000	33,101,000
Loan stock redeemed - nominal value £900,000	(754,200)	(754,200)
	<u>32,346,800</u>	<u>32,346,800</u>
Financing cost	3,685,427	1,103,506
	<u>36,032,227</u>	<u>33,450,306</u>
Loan stock issue costs	(17,488)	(37,473)
	<u>36,014,739</u>	<u>33,412,833</u>

The discounted convertible loan stock remaining at 31 December 1999 can be converted into 5,813,160 ordinary shares of £1 each on 29 December 2000 at the option of the investor.

10. SHARE CAPITAL

	Authorised 1999 No.	Allotted, called up and fully paid 1999 £	Authorised 1998 No.	Allotted, called up and fully paid 1998 £
Ordinary shares of £1 each	<u>6,950,000</u>	<u>1,000,000</u>	<u>6,950,000</u>	<u>1,000,000</u>

Orient Publishing PLC

NOTES TO THE ACCOUNTS

at 31 December 1999

11. RECONCILIATION OF SHAREHOLDERS' FUNDS

Attributable to equity interests:

	1999 £	1998 £
At 1 January/16 April	4,216,446	—
Shares issued	—	1,000,000
Profit for the period	1,392,857	3,216,446
At 31 December	<u>5,609,303</u>	<u>4,216,446</u>

12. HOLDING COMPANY

The parent undertaking, for which group accounts are drawn up and of which the company is a member, is Eastern Counties Newspapers Group Limited, registered in England and Wales. Copies of that company's accounts can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff.

The company has taken advantage of exemptions in respect of FRS8 on the grounds that it is a wholly owned subsidiary.

13. STATEMENT OF CASH FLOWS

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

14. CONTINGENT LIABILITY

Under the terms of the offer for Market Link Publishing Plc, the consideration for certain of the shares acquired was payable in part at acquisition with the balance being deferred and dependent on trading performance up to 31 December 2004. The company has provided for additional consideration up to a price of 32.5p per share being the directors' best estimate of the additional consideration payable. There is, however, an additional unprovided potential liability of up to a maximum of £750,000 if Market Link Plc achieved target profits, detailed in the offer document, which would constitute outstanding performance.