

COMPANY NO. 01387774

CONEGATE LIMITED

REPORT OF THE DIRECTOR

The Director has pleasure in submitting his annual Report together with the audited Accounts of the Company for the year ended 30th September, 1996.

Principal Activities and Business Review

The principal activities of the Company are that of dealers and publishers of magazines, promoters of ancillary products and management consultants. The Company is also an investor and dealer in property. The profit for the year is considered to be satisfactory and the Director expects the Company to continue trading profitably in the future.

Subsidiary Undertakings and Participating Interests

The Company's subsidiary undertakings and participating interests are listed in Note 13 to the Accounts. None of these companies traded during the year.

Results and Dividends

The results for the year are set out in the attached Profit and Loss Account.

The Director does not recommend payment of a dividend.

The Director proposes that the retained profit for the year be transferred to reserves.

Fixed Assets

Movements in Tangible Assets are shown in Note 11 and in Investments in Note 13.

Freehold Properties

Details are shown in Note 12 to the Accounts.

Director and His Interests

The Director who served during the year was Mr. C. Sullivan who did not have any interest in the shares of the Company. The interest of the Director in the shares of the Company's ultimate holding company, Roldvale Limited, is shown in the Accounts of that Company.

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CONEGATE LIMITED

REPORT OF THE DIRECTOR

Director's Responsibilities

Company law requires the Director 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 Director is required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

follow applicable accounting standards, subject to any material departures disclosed and explained in the Accounts;

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

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the Accounts comply with the Companies Act 1985. He is 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.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Mrs. C. Sullivan', with a stylized flourish at the end.

Mrs. C. Sullivan
Secretary

14th July, 1997.

REPORT OF THE AUDITORS TO THE MEMBERS OF

CONEGATE LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of investment properties and the accounting policies set out on page 7.

Respective Responsibilities of the Director and Auditors

As described on page 2 the Company's Director is 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 Director 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.

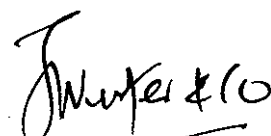
We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 the Company's affairs at 30th September, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ramillies House,
Ramillies Street,
London, W1V 1DF.

14th July, 1997


F. WINTER & CO.
Registered Auditor
Chartered Accountants

CONEGATE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

<u>1995</u>		
3,947,908	<u>TURNOVER</u> (Note 2)	4,374,889
(614,616)	Cost of Sales	(697,481)
3,333,292	<u>GROSS PROFIT</u>	3,677,408
(1,867,019)	Administrative Expenses	(1,898,195)
898	Other Operating Income (Note 3)	-
1,467,171	<u>OPERATING PROFIT</u> (Note 4)	1,779,213
55,503	Profit on Disposal of Fixed Assets (Note 7)	23,233
55,328	Income from Other Fixed Asset Investments (Note 8)	1
261,859	Other Interest Receivable and Similar Income	560,276
(242,628)	Interest Payable and Similar Charges (Note 9)	(203,588)
1,597,233	<u>PROFIT</u> on Ordinary Activities before Taxation	2,159,135
(477,662)	Tax on Profit on Ordinary Activities (Note 10)	(686,762)
1,119,571	<u>PROFIT</u> on Ordinary Activities after Taxation	1,472,373
17,509,384	<u>RETAINED PROFITS</u> , brought forward	18,628,955
£ 18,628,955	<u>RETAINED PROFITS</u> , carried forward	£ 20,101,328

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profits for the above two financial years.

CONEGATE LIMITED

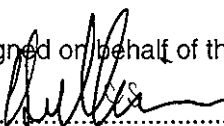
BALANCE SHEET

AS AT 30th SEPTEMBER, 1996

<u>1995</u>	<u>FIXED ASSETS</u>	
	Tangible Assets :	
60,371	- Other Tangible Assets (Note 11)	102,905
19,884,899	- Investment Properties (Note 12)	22,060,878
1,725,800	Investments (Note 13)	8,513,712
21,671,070		30,677,495
	<u>CURRENT ASSETS</u>	
4,784,672	Stocks (Note 14)	4,758,869
1,876,477	Debtors (Note 15)	2,772,839
7,665,510	Cash at Bank and in Hand	1,150,518
14,326,659		8,682,226
	<u>CREDITORS: Amounts Falling Due Within One</u>	
(14,939,214)	Year (Note 16)	(17,395,493)
(612,555)	<u>NET CURRENT LIABILITIES</u>	(8,713,267)
21,058,515	<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>	21,964,228
	<u>CREDITORS: Amounts Falling Due After More</u>	
(2,429,460)	Than One Year (Note 17)	(1,862,800)
£ 18,629,055		£ 20,101,428
	<u>CAPITAL AND RESERVES</u>	
100	Called Up Share Capital (Note 19)	100
18,628,955	Profit and Loss Account	20,101,328
£ 18,629,055	<u>SHAREHOLDERS' FUNDS (ALL EQUITY) (Note 20)</u>	£ 20,101,428

Approved by the Board on 14th July, 1997

Signed on behalf of the Board

..........Mr. C. Sullivan (Director)

CONEGATE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

<u>1995</u>		
2,056,857	<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u> (Note 21)	4,033,399
	<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>	
261,859	Interest Received	560,276
(242,628)	Interest Paid	(203,588)
44,331	Dividends Received	1
63,562	<u>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>	356,689
	<u>TAXATION</u>	
(167,000)	U.K. Corporation Tax Paid	(502,400)
194,959	U.K. Corporation Tax Received	35,733
27,959	<u>TAX PAID</u>	(466,667)
	<u>INVESTING ACTIVITIES</u>	
(29,620)	Payments to Acquire Tangible Fixed Assets	(3,711,254)
(2,151,077)	Payments to Acquire Other Fixed Asset Investments	(15,375,141)
19,194	Receipts from Sale of Tangible Fixed Assets	1,430,546
5,488,913	Receipts from Sale of Other Fixed Asset Investments	8,660,096
-	Loans Made	(876,000)
3,327,410	<u>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</u>	(9,871,753)
	<u>FINANCING</u>	
(339,996)	Repayment of Amounts Borrowed	(566,660)
(339,996)	Net Cash (Outflow) from Financing	(566,660)
£ 5,135,792	<u>DECREASE IN CASH AND CASH EQUIVALENTS</u> (Note 22)	£ (6,514,992)

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

1. ACCOUNTING POLICIES

- a) The Accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards, except as stated below.
- b) Turnover represents income from property investments and amounts receivable for goods sold and services provided net of value added tax.
- c) Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:-

Short Leasehold Buildings	Over the Life of the Lease
Motor Vehicles	20% per annum
Furniture, Fittings and Office Equipment	10% per annum

- d) In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit where material, is transferred to a Revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The director considers that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

- e) Listed Investments are stated at cost less provision for any permanent diminution in value. The Market Value is based on the closing middle market price on a recognised stock exchange.
- f) The Accounts of the Company's subsidiary undertakings have not been consolidated because the Company is itself a wholly owned subsidiary.

Investments in subsidiaries and associated undertakings are stated at cost less provision for any permanent diminution in value. Dividends are included in the Profit and Loss Account.

- g) Stocks are valued at the lower of cost and net realisable value.
- h) The Company operates a defined contribution pension scheme. Contributions payable for the year are charged in the Profit and Loss Account.

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

2. **TURNOVER**

The total turnover of the Company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

In the opinion of the Director given the integrated nature of the Company's services, it would be both prejudicial and misleading to provide an analysis of turnover and profit by classes of business.

3. **OTHER OPERATING INCOME**

	<u>1996</u>	<u>1995</u>
Hire of Aircraft	£ <u>-</u>	£ <u>898</u>

4. **OPERATING PROFIT**

This is stated after charging:

Depreciation	£ <u>27,320</u>	£ <u>28,065</u>
Auditors' Remuneration	£ <u>18,000</u>	£ <u>16,000</u>

5. **DIRECTOR'S REMUNERATION**

Director's Emoluments (Including Pension Contributions) consist of:-

Remuneration for Management Services	£ <u>134,130</u>	£ <u>132,201</u>
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Emoluments (Excluding Pension Contributions) of the Chairman, who was also the Highest Paid Director

£ <u>132,630</u>	£ <u>131,201</u>
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6. **EMPLOYEES**

Staff Costs (Including the Director) comprise:-

Wages and Salaries	241,830	274,132
Social Security Costs	25,439	27,620
Other Pension Costs	1,500	1,000
	<u> </u>	<u> </u>
	£ <u>268,769</u>	£ <u>302,752</u>

The average weekly number of employees, including the Director, was made up as follows:-

Office and Management	4	9
Sales and Distribution	4	4
	<u> </u>	<u> </u>
	8	13

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

7. <u>PROFIT ON DISPOSAL OF FIXED ASSETS</u>	<u>1996</u>	<u>1995</u>
Profit on Sale of Listed Investments	72,866	55,503
Loss on Sale of Investment Properties	(49,633)	-
	£ 23,233	£ 55,503
8. <u>INCOME FROM OTHER FIXED ASSET INVESTMENTS</u>		
Dividends Received from Quoted Companies	£ <u>1</u>	£ <u>55,328</u>
9. <u>INTEREST PAYABLE AND SIMILAR CHARGES</u>		
On Bank Loans and Overdrafts	£ <u>203,588</u>	£ <u>242,628</u>
10. <u>TAXATION</u>		
U.K. Corporation Tax at 33% (1995 : 33%)		
Current Year	698,000	502,400
Prior years	(11,238)	(35,733)
Tax Credit on United Kingdom Dividends Received	-	8,508
Overseas Taxation	-	2,487
	£ 686,762	£ 477,662

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

11. OTHER TANGIBLE ASSETS

<u>COST</u>	Short Leasehold <u>Buildings</u>	Motor <u>Vehicles</u>	Furniture, Fittings and Office <u>Equipment</u>	<u>TOTAL</u>
Balance at 1.10.1995	25,278	138,909	2,824	167,011
Additions	-	80,800	13,295	94,095
Disposals	-	(91,170)	-	(91,170)
Balance at 30.9.1996	£ 25,278	£ 128,539	£ 16,119	£ 169,936
<u>DEPRECIATION</u>				
Balance at 1.10.1995	25,278	80,101	1,261	106,640
On Disposals	-	(66,929)	-	(66,929)
Charge for Year	-	25,708	1,612	27,320
Balance at 30.9.1996	£ 25,278	£ 38,880	£ 2,873	£ 67,031
<u>NET BOOK VALUE</u>				
Balance at 30.9.1996	£ <u>-</u>	£ <u>89,659</u>	£ <u>13,246</u>	£ <u>102,905</u>
Balance at 30.9.1995	£ <u>-</u>	£ <u>58,808</u>	£ <u>1,563</u>	£ <u>60,371</u>

12. INVESTMENT PROPERTIES

	Freehold Land and <u>Buildings</u>	<u>TOTAL</u>
Balance at 1.10.1995	19,884,899	19,884,899
Additions	3,617,159	3,617,159
Disposals	(1,441,180)	(1,441,180)
Balance at 30.9.1996	£ 22,060,878	£ 22,060,878

In the opinion of the Director, the market value of freehold land and buildings held for investment is not materially in excess of their book value.

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

13. INVESTMENTS

	<u>Shares in Group Undertakings</u>	<u>Participating Interests</u>	<u>Listed Investments</u>	<u>TOTAL</u>
Balance at 1.10.1995	200	50	1,725,550	1,725,800
Additions	-	-	15,375,141	15,375,141
Disposals	-	-	(8,587,229)	(8,587,229)
Balance at 30.9.1996	£ 200	£ 50	£ 8,513,462	£ 8,513,712

The market value of listed investments is £8,590,601 : (1995 - £1,567,200) which are held on a recognised stock exchange.

Subsidiary Undertakings

<u>Name of Undertaking</u>	<u>Principal Activities</u>	<u>Capital and Reserves</u>	<u>Loss for the Year</u>
Centrewall Limited	Dormant	£ (16,283)	£(150)
Shape-Up Shops Limited	Dormant	£ (25,712)	£(175)

The Company holds 100% of the issued ordinary £1 shares of each of the subsidiary undertakings, all of which are registered in England and Wales. Each subsidiary has an accounting year end of 30th September.

Associated Undertakings

<u>Name of Undertaking</u>	<u>Principal Activities</u>	<u>Capital and Reserves</u>	<u>Loss for the Year</u>
Rolldale Limited	Dormant	£ (17,599)	£(150)

The Company holds 50% of the issued ordinary £1 shares in Rolldale Limited. Rolldale Limited is a company registered in England and Wales and has an accounting year end of 30th September.

14. STOCKS

	<u>1996</u>	<u>1995</u>
Goods for Resale	88,593	114,396
Properties Held for Resale	4,670,276	4,670,276
	£ 4,758,869	£ 4,784,672

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

15. <u>DEBTORS</u>	<u>1996</u>	<u>1995</u>
Trade Debtors	1,830,677	1,748,196
Amounts Owed by Subsidiary Undertaking	23,091	23,091
Amounts Owed by Participating Interest	10,490	10,490
Other Debtors	10,072	10,969
Prepayments and Accrued Income	11,271	47,998
Corporation Tax Repayable	11,238	35,733
Other Loans	876,000	-
	£ 2,772,839	£ 1,876,477

Amounts Falling Due After More Than One Year
Included above are:

Other Loans	£ <u>876,000</u>	£ <u>-</u>
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16. CREDITORS: Amounts Falling Due Within One Year

Bank Loans and Overdraft	453,328	453,328
Trade Creditors	849,793	94,729
Amounts Owed to Ultimate Holding Company	15,350,244	13,796,499
Corporation Tax	698,000	502,400
Other Creditors	7,568	7,568
Accruals and Deferred Income	36,560	84,690
	£ 17,395,493	£ 14,939,214

17. CREDITORS: Amounts Falling Due After More
Than One Year

Bank Loans	£ <u>1,862,800</u>	£ <u>2,429,460</u>
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The bank loans and overdraft are secured on the Company's freehold properties.

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

18. <u>BORROWINGS</u>	<u>1996</u>	<u>1995</u>
Bank Loans	£ <u>2,316,128</u>	£ <u>2,882,788</u>
Due Within One Year	453,328	453,328
Due After More Than One Year	1,862,800	2,429,460
	£ <u>2,316,128</u>	£ <u>2,882,788</u>

Analysis of Loan Repayments:
Bank Loans and Overdrafts:

Within One Year	453,328	453,328
Between One and Two Years	453,328	453,328
Between Two and Five Years	1,109,172	1,359,984
After Five Years	300,300	616,148
	£ <u>2,316,128</u>	£ <u>2,882,788</u>

The above bank loans are repayable by instalments which will be fully repaid by 2003.
Interest on bank loans will continue to be charged at the rate of 1.50% above the bank's base rate.

19. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid:

100 Ordinary Shares of £1 each	£ <u>100</u>	£ <u>100</u>
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20. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS

Profit for the Financial Year	1,472,373	1,119,571
Opening Shareholders' Funds	18,629,055	17,509,484
Closing Shareholders' Funds	£ <u>20,101,428</u>	£ <u>18,629,055</u>

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1996

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

	<u>1996</u>	<u>1995</u>
Operating Profit	1,779,213	1,467,171
Depreciation	27,320	28,065
Profit on Sale of Fixed Assets	(14,759)	(7,675)
Decrease/(Increase) in Stocks	25,803	(4,893)
(Increase) in Debtors	(44,857)	(478,798)
Increase in Creditors	2,260,679	1,052,987
Net Cash Inflow from Operating Activities	£ 4,033,399	£ 2,056,857

**22. ANALYSIS OF CHANGES IN CASH AND CASH
EQUIVALENTS DURING THE YEAR**

Balance at 1.10.1995	7,665,510	2,529,718
Net Cash (Outflow)/Inflow	(6,514,992)	5,135,792
Balance at 30.9.1996	£ 1,150,518	£ 7,665,510

**23. ANALYSIS OF BALANCES OF CASH AND CASH
EQUIVALENTS AS SHOWN IN THE BALANCE SHEET**

	<u>1996</u>	<u>1995</u>	<u>Change In Year</u>
Cash at Bank and in Hand	£ <u>1,150,518</u>	£ <u>7,665,510</u>	£ <u>(6,514,992)</u>

24. ULTIMATE HOLDING COMPANY

The Company's Ultimate holding company is Roldvale Limited, a Company registered in England and Wales.