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, 1997.

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 are also investors and dealers in properties and securities. 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 14 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 12 and in Investments in Note 14.

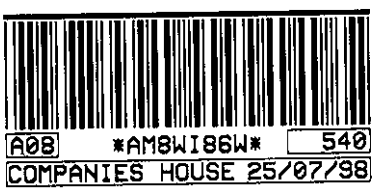
Freehold Properties

Details are shown in Note 13 to the Accounts.

Director and His Interests

The Director who served during the year was Mr. C. Sullivan and he 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.

Continued.....



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 enable them 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



Mrs. C. Sullivan
Secretary

1st July, 1998.

REPORT OF THE AUDITORS TO THE MEMBERS OF

CONEGATE LIMITED

We have audited the financial statements on pages 4 to 16 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, 1997 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.

1st July, 1998

F. WINTER & CO.
Registered Auditor
Chartered Accountants

CONEGATE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

1996		
4,374,889	TURNOVER (Note 2)	7,766,387
(697,481)	Cost of Sales	(931,219)
3,677,408	GROSS PROFIT	6,835,168
(1,898,195)	Administrative Expenses	(1,948,102)
1,779,213	OPERATING PROFIT (Note 3)	4,887,066
23,233	Profit on Disposal of Fixed Assets (Note 7)	1,202,584
1	Income from Other Fixed Asset Investments (Note 8)	77,192
560,276	Other Interest Receivable and Similar Income (Note 9)	508,362
-	Amounts Written Off Investments (Note 14c)	(286,504)
(203,588)	Interest Payable and Similar Charges (Note 10)	(73,987)
2,159,135	PROFIT on Ordinary Activities before Taxation	6,314,713
(686,762)	Tax on Profit on Ordinary Activities (Note 11)	(1,781,664)
1,472,373	PROFIT on Ordinary Activities after Taxation	4,533,049
18,628,955	RETAINED PROFITS, brought forward	20,101,328
£ 20,101,328	RETAINED PROFITS, carried forward	£ 24,634,377

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, 1997

1996			
	FIXED ASSETS		
	Tangible Assets :		
102,905	- Other Tangible Assets (Note 12)		75,585
22,060,878	- Investment Properties (Note 13)		28,468,168
	Investments:		
200	- Shares in Group Undertakings (Note 14a)		200
50	- Participating Interests (Note 14b)		-
8,513,462	- Other investments Other Than Loans (Note 14c)		3,426,835
30,677,495			31,970,788
	CURRENT ASSETS		
4,758,869	Stocks (Note 15)	4,760,644	
2,772,839	Debtors (Note 16)	4,823,406	
1,150,518	Cash at Bank and in Hand	3,754,621	
8,682,226		13,338,671	
(17,395,493)	CREDITORS: Amounts Falling Due Within One Year (Note 17)	(20,211,857)	
(8,713,267)	NET CURRENT LIABILITIES		(6,873,186)
21,964,228	TOTAL ASSETS LESS CURRENT LIABILITIES		25,097,602
(1,862,800)	CREDITORS: Amounts Falling Due After More Than One Year (Note 18)		(328,125)
-	PROVISION FOR LIABILITIES AND CHARGES (Note 20)		(135,000)
£ 20,101,428	TOTAL NET ASSETS		£ 24,634,477
	CAPITAL AND RESERVES		
100	Called Up Share Capital (Note 21)		100
20,101,328	Profit and Loss Account		24,634,377
£ 20,101,428	SHAREHOLDERS' FUNDS (ALL EQUITY) (Note 22)		£ 24,634,477

Approved by the sole Director on 1st July, 1998
Signed on behalf of the Board

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

CONEGATE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

1996			
4,033,399	NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 23)		5,937,057
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
560,276	Interest Received	508,362	
(203,588)	Interest Paid	(73,987)	
1	Dividends Received	61,754	
356,689	NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		496,129
	TAXATION		
(502,400)	U.K. Corporation Tax Paid	(698,000)	
35,733	U.K. Corporation Tax Received	11,238	
(466,667)	TAX PAID		(686,762)
	CAPITAL EXPENDITURE		
(3,711,254)	Payments to Acquire Tangible Fixed Assets	(10,717,341)	
(15,375,141)	Payments to Acquire Other Fixed Asset Investments	(16,898,958)	
1,430,546	Receipts from Sale of Tangible Fixed Assets	4,498,915	
8,660,096	Receipts from Sale of Other Fixed Asset Investments	22,712,801	
(876,000)	Loans Made	(937,285)	
-	Receipt from Sale of Investment in Subsidiary	50	
(9,871,753)	NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(1,341,818)
	FINANCING		
(566,660)	Repayment of Amounts Borrowed	(1,800,503)	
(566,660)	Net Cash (Outflow) from Financing		(1,800,503)
£ (6,514,992)	INCREASE IN CASH (Note 24)		£ 2,604,103

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

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 depreciaion. However, the amount of depreciaion 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) Investments are stated at cost less provision for any permanent diminution in value. The market value of listed investments 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.

g) Stocks are valued at the lower of cost and net realisable value.

h) The Company's pension plan for employees is a defined contributions scheme. Consequently, the annual instalments charged to the profit and loss account are fixed under the terms of the scheme and the company has no potential liability other than for the payment of those instalments.

i) Provision for deferred taxation is made using the liability method for all taxation deferred in respect of short term timing differences. Provision is also made in respect of all long term timing differences which, in the opinion of the directors, are likely to reverse in the foreseeable future.

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

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. OPERATING PROFIT

This is stated after charging:

	1997	1996
Depreciation	£ 27,320	£ 27,320
Auditors' Remuneration	£ 19,000	£ 18,000

4. DIRECTOR'S REMUNERATION

Director's Emoluments Consist of:

Remuneration for Management Services	129,000	132,630
Company Contribution to Director's Money Purchase Pension Scheme	2,000	1,500
	£ 131,000	£ 134,130

5. DIRECTORS NUMBERS

Number Accruing Pension Benefits Under Money Purchase Scheme	1	1

6. EMPLOYEES

Staff Costs (Including the Director) comprise:-

Wages and Salaries	246,537	241,830
Social Security Costs	24,991	25,439
Other Pension Costs	2,000	1,500
	£ 273,528	£ 268,769

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

Office and Management	4	4
Sales and Distribution	4	4
	8	8

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

7. PROFIT ON DISPOSAL OF FIXED ASSETS	1997	1996
Profit on Sale of Listed Investments	1,013,720	72,866
Profit/(Loss) on Sale of Investment Properties	188,864	(49,633)
	£ 1,202,584	£ 23,233

8. INCOME FROM OTHER FIXED ASSET INVESTMENTS		
Dividends Received from Quoted Companies	15,431	1
Dividends Received from Unquoted Companies	61,761	-
	£ 77,192	£ 1

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
Deposit Interest	307,456	527,744
Other Interest	140,934	32,532
Interest Received from Listed Investments	59,972	-
	£ 508,362	£ 560,276

10. INTEREST PAYABLE AND SIMILAR CHARGES		
On Bank Loans and Overdrafts	£ 73,987	£ 203,588

11. TAXATION		
U.K. Corporation Tax at 32% (1996 : 33%)		
Current Year	1,631,226	698,000
Prior years	-	(11,238)
Tax Credit on United Kingdom Dividends Received	6,174	-
Overseas Taxation	9,264	-
Deferred Taxation	135,000	-
	£ 1,781,664	£ 686,762

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

12. OTHER TANGIBLE ASSETS

COST	Short Leasehold Buildings	Motor Vehicles	Furniture, Fittings and Office Equipment	TOTAL
Balance at 1.10.1996 and 30.9.1997	£ 25,278	£ 128,539	£ 16,119	£ 169,936
DEPRECIATION				
Balance at 1.10.1996	25,278	38,880	2,873	67,031
Charge for Year	-	25,708	1,612	27,320
Balance at 30.9.1997	£ 25,278	£ 64,588	£ 4,485	£ 94,351
NET BOOK VALUE				
Balance at 30.9.1997	£ -	£ 63,951	£ 11,634	£ 75,585
Balance at 30.9.1996	£ -	£ 89,659	£ 13,246	£102,905

13. INVESTMENT PROPERTIES

	Freehold Land and Buildings	TOTAL
Balance at 1.10.1996	22,060,878	22,060,878
Additions	10,717,341	10,717,341
Disposals	(4,310,051)	(4,310,051)
Balance at 30.9.1997	£ 28,468,168	£ 28,468,168

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.

14. FIXED ASSET INVESTMENTS

a) Shares in Group Undertakings

COST	Subsidiary Undertaking
Balance at 1.10.1996 and 30.9.1997	£200

Name of Undertaking	Principal Activities	Capital and Reserves	Loss for the Year
Centrewall Limited	Dormant	£ (16,458)	£(175)
Shape-Up Shops Limited	Dormant	£ (25,912)	£(200)

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.

b) Participating Interests

COST	Associated Undertaking
Balance at 1.10.1996	50
Disposals	(50)
Balance at 30.9.1997	£ -

On the 23rd June, 1997, the Company sold 50 Ordinary Shares of £1 each in Rolldale Limited, previously an associated undertaking, for a consideration of £50. Rolldale Limited did not trade during the period to the date of disposal.

c) Other Investments Other Than Loans

COST	Unlisted Investments	Listed Investments	TOTAL
Balance at 1.10.1996	-	8,513,462	8,513,462
Additions	286,504	16,612,454	16,898,958
Disposals	-	(21,699,081)	(21,699,081)
	£ 286,504	£ 3,426,835	£ 3,713,339
PROVISIONS			
At 1.10.1996	-	-	-
Charge for the Year	(286,504)	-	(286,504)
Balance at 30.9.1997	(286,504)	-	(286,504)
NET BOOK VALUE			
Balance at 30.9.1997	£ -	£ 3,426,835	£ 3,426,835
Balance at 30.9.1996	£ -	£ 8,513,462	£ 8,513,462

The market value of listed investments is £2,760,710 (1996 : £8,390,601) which are held on a recognised stock exchange.

15. STOCKS

	1997	1996
Goods for Resale	90,368	88,593
Properties Held for Resale	4,670,276	4,670,276
	£ 4,760,644	£ 4,758,869

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

16. DEBTORS

	1997	1996
Trade Debtors	2,967,342	1,830,677
Amounts Owed by Subsidiary Undertaking	23,091	23,091
Amounts Owed by Participating Interest	-	10,490
Other Debtors	10,000	10,072
Prepayments and Accrued Income	9,688	11,271
Corporation Tax Repayable	-	11,238
Other Loans	1,813,285	876,000
	£ 4,823,406	£ 2,772,839
Included Above are the Following Amounts Recoverable After More Than One Year:		
Other Loans	£ -	£ 876,000

17. CREDITORS: Amounts Falling Due Within One Year

Bank Loans and Overdrafts	187,500 / 453,328
Trade Creditors	735,308 / 849,793
Amounts Owed to Ultimate Holding Company	17,607,617 / 15,350,244
Corporation Tax	1,631,226 / 698,000
Other Taxation and social Security	9,078 / -
Other Creditors	3,568 / 7,568
Accruals and Deferred Income	37,560 / 36,560
	£ 20,211,857 / £ 17,395,493

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

Bank Loans	£ 328,125 / £ 1,862,800

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, 1997

19. BORROWINGS

	1997	1996
Bank Loans	£ 515,625	£ 2,316,128
Due Within One Year	187,500	453,328
Due After More Than One Year	328,125	1,862,800
	£ 515,625	£ 2,316,128

Analysis of Loan Repayments:
Bank Loans and Overdrafts:

Within One Year	187,500	453,328
Between One and Two Years	187,500	453,328
Between Two and Five Years	140,625	1,109,172
After Five Years	-	300,300
	£ 515,625	£ 2,316,128

The above bank loans are repayable by instalments which will be fully repaid by 2000. Interest on bank loans will continue to be charged at the rate of 1.50% above the bank's base rate.

20. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

At 1.10.1996	-
Transfer from Profit and Loss Account	135,000
Balance at 30.9.1997	£ 135,000

	Amount Provided	Amount Unprovided	Amount Provided	Amount Unprovided
Accelerated Capital Allowances	£135,000	£ -	£ -	£ -

21. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid:

100 Ordinary Shares of £1 each	£ 100	£ 100

CONEGATE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30th SEPTEMBER, 1997

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
Profit for the Financial Year	4,533,049	1,472,373
Opening Shareholders' Funds	20,101,428	18,629,055
Closing Shareholders' Funds	£ 24,634,477	£ 20,101,428

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating Profit	4,887,066	1,779,213
Depreciation	27,320	27,320
Profit on Sale of Fixed Assets	-	(14,759)
(Increase)/Decrease in Stocks	(1,775)	25,803
(Increase) in Debtors	(1,124,520)	(44,857)
Increase in Creditors	2,148,966	2,260,679
Net Cash Inflow from Operating Activities	£ 5,937,057	£ 4,033,399

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Change in Net Debt	2,604,103	(6,514,992)
Net Debt at 1.10.1996	1,150,518	7,665,510
Net Debt at 30.9.1997	£ 3,754,621	£ 1,150,518

25. ANALYSIS OF CHANGES IN NET DEBT

	At.10.1996	Change In Year	At 30.9.1997
Cash at Bank and in Hand	£ 1,150,518	£ 2,604,103	£ 3,754,621

26 . ULTIMATE HOLDING COMPANY

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

27. CONTROLLING PARTY

The Company is under the control of Roldvale Limited and the ultimate control of Mr. D. Sullivan who owns the entire shareholding of Roldvale Limited.

28. RELATED PARTY TRANSACTIONS

The material related party transactions during the year ended 30th September, 1997 were:-

- Service Charges of £1,500,000 (1996 : £1,500,000) were charged by Roldvale Limited.
- VAT amounting to £665,226 (1996 : £90,053) was paid on behalf of the Company by Roldvale Limited.
- Management Fee of £3,708,333 (1996 : £291,667) was received from Sports Newspaper Limited, a company in which Mr. D. Sullivan has an interest.

The balance due to the group undertakings at 30th September, 1997 was £17,584,527 (1996 : £15,327,153).