

REPORT OF THE DIRECTORS

Directors: A R Goode (Chairman)
 K R J Hayward (Managing Director)
 Mrs J E Faithful
 M J Heal
 Mrs J M Ireland
 K J Sadler
 Ms J Y Stevenson
 Mrs H S Wozniak

Secretary: A P Vickery, FCA
 Registered Office: Temple Way, Bristol BS99 7HD

The directors present their report and the audited financial statements of the company for the year ended 28 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the publishing of The Western Gazette and local free newspapers.

The company's profit for the year after taxation amounted to £531,318. The directors recommend that a dividend of £410,368 be paid.

The directors expect to maintain the profitability of the company in the coming year.

DIRECTORS

The directors of the company at 28 March 1998 are set out above. Mr S G G Clarke resigned on 5 August 1997. The interests of the directors in the shares of the ultimate parent company, Bristol United Press plc, at the beginning and end of the year were as follows:

	28 March 1998			29 March 1997		
	Shares held	Share options		Shares held	Share options	
		Executive	SAYE		Executive	SAYE
A R Goode	400	7,142	4,687	400	-	-
K R J Hayward	100	4,000	529	-	-	-
Mrs J E Faithful	-	3,600	317	-	-	-
M J Heal	-	3,600	-	-	-	-
Mrs J M Ireland	-	3,600	-	-	-	-
K J Sadler	400	6,500	4,687	400	-	-
Ms J Y Stevenson	-	3,600	937	-	-	-
Mrs H S Wozniak	-	4,000	3,750	-	-	-

Share options granted under an Executive Share Option Scheme on 1 December 1997 are exercisable at 420p per share between three and ten years thereafter. Share options granted under the Inland Revenue approved SAYE Share Option scheme on 11 August 1997 are exercisable after three or five years at 368p per share. No options lapsed during the year.

Otherwise, the directors had no interest in the shares of any Group company during the year or at 28 March 1998.

MILLENNIUM

The company is a member of the Bristol United Press plc group which has carried out a review of its information technology systems with regard to the year 2000. Further information can be found in the report of the directors of that company.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to remain in office



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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.

BY ORDER OF THE BOARD
A.P. VICKERY
Secretary
28 May 1998



REPORT OF THE AUDITORS
TO THE MEMBERS OF THE WESTERN GAZETTE CO. LIMITED

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described above the company's directors are 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.

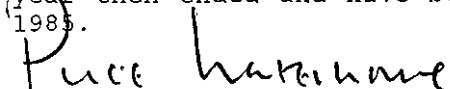
Basis of opinion

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 directors 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 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 28 March 1998 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

Bristol
28 May 1998

THE WESTERN GAZETTE CO. LIMITED

PROFIT & LOSS ACCOUNT FOR
THE YEAR ENDED 28 MARCH 1998

		<u>1997/98</u>	<u>1996/97</u>
		£	£
Turnover	3	4,799,168	4,330,064
Other operating income		<u>26,867</u>	<u>8,800</u>
		<u>4,826,035</u>	<u>4,338,864</u>
Raw materials		(6,812)	(21,899)
Other external charges		(1,536,155)	(1,434,559)
Staff costs	5	(1,479,329)	(1,359,399)
Depreciation	4	(210,869)	(168,452)
Other operating charges		<u>(752,556)</u>	<u>(518,580)</u>
		<u>(3,985,721)</u>	<u>(3,502,889)</u>
Operating profit		840,314	835,975
Exceptional items	6	<u>0</u>	<u>(92,280)</u>
Profit on ordinary activities before taxation		840,314	743,695
Taxation on profit on ordinary activities	7	<u>(308,996)</u>	<u>(262,932)</u>
Profit on ordinary activities after taxation		531,318	480,763
Dividend proposed		<u>(410,368)</u>	<u>0</u>
Retained profit for the year		<u><u>120,950</u></u>	<u><u>480,763</u></u>

All of the company's profit and turnover have been generated from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 6 to 9 form part of these financial statements.

THE WESTERN GAZETTE CO. LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
THE YEAR ENDED 28 MARCH 1998

	<u>1997/98</u>	<u>1996/97</u>
	£	£
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Profit for the financial year	531,318	480,763
Unrealised loss on revaluation of land and buildings	(45,921)	0
Total recognised gains and losses for the financial year	<u>485,397</u>	<u>480,763</u>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit for the financial year	531,318	480,763
Dividend	<u>(410,368)</u>	<u>0</u>
	120,950	480,763
Other recognised gains and losses relating to the year	<u>(45,921)</u>	<u>0</u>
Net increase in shareholders' funds	75,029	480,763
Opening shareholders' funds	<u>235,005</u>	<u>(245,758)</u>
Closing shareholders' funds	<u>310,034</u>	<u>235,005</u>

THE WESTERN GAZETTE CO. LIMITED

BALANCE SHEET AS AT 28 MARCH 1998

	Notes	£	1998	£	1997
					£
FIXED ASSETS					
Tangible assets	8			814,873	<u>903,660</u>
CURRENT ASSETS					
Stocks	9	20,576			19,233
Debtors	10	793,372			785,996
Cash at bank and in hand		<u>66,001</u>			<u>162,783</u>
			<u>879,949</u>		<u>968,012</u>
CREDITORS:					
amounts falling due within one year					
Creditors	11	(682,579)			(1,558,244)
Dividend payable		(410,368)			0
Corporation Tax		<u>(292,500)</u>			<u>(96,148)</u>
			<u>(1,385,447)</u>		<u>(1,654,392)</u>
NET CURRENT LIABILITIES				<u>(505,498)</u>	<u>(686,380)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				309,375	217,280
PROVISIONS FOR LIABILITIES AND CHARGES					
Provision for deferred taxation	12		16,323		36,569
Provision for life cover premiums			<u>(15,664)</u>		<u>(18,844)</u>
NET ASSETS				<u>310,034</u>	<u>235,005</u>
CAPITAL AND RESERVES					
Called up Share Capital	13		200,000		200,000
Revaluation reserve	14		63,003		137,497
Profit and loss account	14		<u>47,031</u>		<u>(102,492)</u>
EQUITY SHAREHOLDERS' FUNDS				<u>310,034</u>	<u>235,005</u>

The accounts on pages 3 to 9 were approved by the Board of Directors on 28 May 1998 and signed on its behalf by:

K.R.J. HAYWARD Director

K Hayward

The notes on pages 6 to 9 form part of these financial statements.

THE WESTERN GAZETTE CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 MARCH 1998

1. ULTIMATE PARENT COMPANY

The immediate parent is Western Newspapers Ltd. The ultimate parent company and controlling party is Bristol United Press plc, which itself prepares consolidated financial statements.

2. ACCOUNTING POLICIES

(a) The 'year' refers to a period of 52 weeks ending on Saturday, 28 March 1998 (1996/97, 52 weeks to 29 March 1997).

(b) The accounts are drawn up under the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.

(c) Turnover represents the invoiced value of sales excluding VAT, less discounts and allowances.

(d) Tangible fixed assets are stated at cost less accumulated depreciation. Cost is their purchase price together with any incidental expenses of acquisition. Depreciation is made on the straight-line method over the estimated useful economic lives of the assets so as to write off the cost less the estimated residual values as follows:-

Freehold buildings	10 years
Plant and machinery:	
Press lines, other plant and equipment	10 to 15 years
Computers and electronic equipment	4 to 6 years
Fixtures, fittings and office equipment	15 years
Motor vehicles	4 or 5 years

(e) Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost includes relevant direct labour costs, materials and overheads.

(f) Deferred taxation is provided on the liability method at current rates of Corporation Tax where there is a reasonable probability that a liability or asset will crystallise.

(g) The pension costs charged against profits in respect of the defined benefit schemes are based on an actuarial method and actuarial assumptions designed to spread the anticipated pension costs over the service lives of the employees in the funds. The contributions are determined on the advice of a qualified actuary on the basis of triennial valuations.

	<u>1997/98</u>	<u>1996/97</u>
	£	£
3. TURNOVER		
Principal activities		
- Publishing and printing	4,799,168	4,330,064
Less: intra-group sales	<u>0</u>	<u>28,562</u>
	<u>4,799,168</u>	<u>4,301,502</u>
4. PROFIT BEFORE TAXATION		
This is stated after charging:		
Depreciation of tangible fixed assets	210,869	168,537
Profit on disposal of tangible fixed assets	<u>0</u>	<u>(85)</u>
	<u>210,869</u>	<u>168,452</u>
Auditors' remuneration	9,550	9,600
Hire of motor vehicles	90,300	85,582

THE WESTERN GAZETTE CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 MARCH 1998 (contd.)

	<u>1997/98</u>	<u>1996/97</u>
	£	£
5. DIRECTORS AND EMPLOYEES		
Staff costs		
Wages and salaries	1,095,750	1,077,241
Social Security costs	78,692	78,971
Pension costs	50,637	51,887
Management charges	254,250	151,300
	<u>1,479,329</u>	<u>1,359,399</u>

The company is a member of the Bristol United Press Group Pension Fund which provides defined benefits based on final pensionable salary. Contributions are based on pension costs across the Group as a whole and are assessed on the advice of an independent qualified actuary. The most recent actuarial valuation was at 5 April 1996, and particulars of the actuarial assumptions and valuation are to be found in the accounts of the ultimate parent company, Bristol United Press plc. A prepayment of £45,966 (1997 £45,966) is included under debtors, representing the excess of contributions paid over the pension costs.

	<u>Number</u>	<u>Number</u>
Average weekly number of employees		
Production and editorial	32	35
Management, clerical & administration	90	75
	<u>122</u>	<u>110</u>
Directors' remuneration:	£	£
Emoluments (including benefits in kind)	226,095	166,415
Pension contributions to defined benefit scheme	46,517	22,253
	<u>272,612</u>	<u>188,668</u>

The emoluments of the highest paid director included above were £70,259 (1996/97 £69,637). His accrued pension under a defined benefits scheme was £23,220.

During the year five directors, including the highest paid director, accrued benefits under a defined benefit pension scheme.

6. EXCEPTIONAL ITEMS

	£	£
Demolition of press hall	0	67,582
Closure of printing operation	0	24,698
	<u>0</u>	<u>92,280</u>

7. TAXATION

	£	£
Corporation Tax based on the taxable profits of the year at 31% (1996/97 33%)	292,500	241,107
Deferred taxation (Note 12)	(29,792)	108,585
Under/(over) provision in respect of prior year	46,288	(86,760)
	<u>308,996</u>	<u>262,932</u>

THE WESTERN GAZETTE CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 MARCH 1998 (contd.)

8. TANGIBLE FIXED ASSETS	Freehold	Motor Vehicles	Plant and Machinery	Office Equipment	Total
	Land & Buildings				
COST OR VALUATION	£	£	£	£	£
At 29 March 1997	442,801	46,334	1,728,261	463,901	2,681,297
Additions	1,028	0	5,598	172,813	179,439
Transfer to Revaluation Reserve	(118,829)	0	0	0	(118,829)
Intra-group transfer	0	(13,044)	(15,000)	0	(28,044)
At 28 March 1998	<u>325,000</u>	<u>33,290</u>	<u>1,718,859</u>	<u>636,714</u>	<u>2,713,863</u>
ACCUMULATED DEPRECIATION					
At 29 March 1997	25,461	13,182	1,531,136	207,858	1,777,637
Charge for the period	47,447	7,186	79,139	77,094	210,866
Transfer to Revaluation Reserve	(72,908)	0	0	0	(72,908)
Intra-group transfer	0	(5,355)	(11,250)	0	(16,605)
At 28 March 1998	<u>0</u>	<u>15,013</u>	<u>1,599,025</u>	<u>284,952</u>	<u>1,898,990</u>
NET BOOK VALUE AT 28.3.98	<u>325,000</u>	<u>18,277</u>	<u>119,834</u>	<u>351,762</u>	<u>814,873</u>
NET BOOK VALUE AT 29.3.97	<u>417,340</u>	<u>33,152</u>	<u>197,125</u>	<u>256,043</u>	<u>903,660</u>

Land and buildings at Sherborne Road, Yeovil were valued at March 1998 by the directors at open market value for existing use.

The original cost of land and buildings was £443,829 (1997 £442,801) and the accumulated depreciation thereon would be £32,150 (1997 £25,850).

9. STOCKS	1998	1997
	£	£
Raw materials and consumables	<u>20,576</u>	<u>19,233</u>
10. DEBTORS		
Amounts falling due within one year:-		
Trade debtors	684,470	692,778
Prepayments and accrued income	45,460	32,587
Other debtors	17,476	14,665
Prepaid pension cost	45,966	45,966
	<u>793,372</u>	<u>785,996</u>

THE WESTERN GAZETTE CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 28 MARCH 1998 (contd.)

	<u>1998</u>	<u>1997</u>
	£	£
11. CREDITORS		
Amounts falling due within one year:-		
Trade creditors	54,134	29,610
Amount owed to parent company	302,901	1,235,933
Social security and other taxes	119,904	141,213
Other creditors	694	213
Accruals and deferred income	<u>204,946</u>	<u>151,275</u>
	<u>682,579</u>	<u>1,558,244</u>
12. DEFERRED TAXATION		
Balance brought forward	(36,569)	(145,154)
(Credit)/Charge for year (note 7)	(29,792)	108,585
Adjustment re prior years	<u>50,038</u>	<u>0</u>
Balance carried forward		
- deferred tax asset	<u>(16,323)</u>	<u>(36,569)</u>
Being in respect of		
- accelerated capital allowances	(17,545)	(45,519)
- other timing differences	1,222	8,950
13. CALLED-UP SHARE CAPITAL		
Authorised, allotted, called-up and fully paid		
- 40,000 Shares of £5 each	<u>200,000</u>	<u>200,000</u>
14. RESERVES	Revaluation Reserve	Profit and Loss Account
Balance brought forward	137,497	(102,492)
Transfer	(28,573)	28,573
Revaluation of property	(45,921)	0
Retained profit for the year	<u>0</u>	<u>120,950</u>
Balance carried forward	<u>63,003</u>	<u>47,031</u>

The balance on the profit and loss account represents the undistributed profits at the date of the company's acquisition by Western Newspapers Ltd.

15. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption allowed under FRS 8: Related Party Disclosures not to disclose related party transactions with members of the group.

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