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HAYMARKET GROUP LIMITED

Report and Financial Statements

31 December 2003



Deloitte & Touche LLP
London

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The Rt Hon the Lord Heseltine CH (Chairman)
D B Fraser
The Hon R.W.D. Heseltine
Dr A S Kemp
Lord Levene of Portsoken KBE
J L Masters
S P Tindall
E A Verdon-Roe

SECRETARY

D B Fraser FCA

REGISTERED OFFICE

174 Hammersmith Road
London W6 7JP

BANKERS

The Royal Bank of Scotland plc

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITY AND FUTURE PROSPECTS

The principal activity of the group continued to be the publishing and development of magazines and the organisation of exhibitions. The directors do not anticipate any major changes in the foreseeable future.

REVIEW OF DEVELOPMENTS

The results for the year are set out on page 6.

Pre tax group profits before expenditure on the launch and development of new activities, asset amortisation (including publishing rights) and interest payable was £23,742,000 compared to £24,877,000 in 2002; such expenditure on new activities was £2,661,000 charged against profits compared to £2,153,000 in 2002.

The group made a number of acquisitions of subsidiaries and publishing rights during the year for total consideration including costs of £3,762,000 (net liabilities acquired £1,027,000).

Dividends of £2,500,000 (2002 - £2,500,000) have been paid during the year.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year. The interests of the directors in the shares of the company were as follows:

	Ordinary shares of 1p each at 1 January and 31 December 2003
The Rt Hon the Lord Heseltine CH (Chairman)	16,611,650
D B Fraser	1,483,640
J L Masters	1,158,220
S P Tindall	3,537,715

The Hon R W D Heseltine has an indirect interest in 9,184,760 shares through a family trust.

The directors of the company do not have any interests in the shares of subsidiary undertakings.

EMPLOYEE INVOLVEMENT

The company provides employees with information on matters of concern to them as employees.

EMPLOYMENT OF DISABLED PERSONS

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities. The company continues to employ, train and support the career development and promotion of employees of the company who have become disabled persons during the period when they were employed by the company and other disabled employees of the company.

DONATIONS

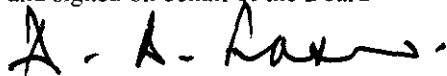
During the year the group made charitable donations of £31,045 (2002: £7,625) and made donations of £25,000 to Conservative Mainstream (2002: £26,000) and £1,000 to the Conservative Party (2002: £1,000).

DIRECTORS REPORT (continued)

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D B Fraser
Director and Secretary

22 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law 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 and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been applied; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAYMARKET GROUP LIMITED

We have audited the financial statements of Haymarket Group Limited for the year ended 31 December 2003 which comprises the consolidated profit and loss account, the statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the year above as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the group'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 and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP



Chartered Accountants and
Registered Auditors

London

23 June 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
TURNOVER					
Group and share of joint ventures		180,578		179,621	
Less: share of joint ventures		(6,229)		(7,334)	
Group turnover	2		174,349		172,287
Cost of sales			(150,558)		(147,840)
Gross profit			23,791		24,447
Amortisation of publishing and exhibition rights	9	(3,526)		(3,474)	
Other administrative expenses		(3,946)		(2,899)	
Administrative expenses			(7,472)		(6,373)
Other operating income			5		24
OPERATING PROFIT	4		16,324		18,098
Share of operating profit of joint ventures		279		381	
Amortisation of intangibles in respect of joint ventures and associates		(7)		(31)	
Profit on disposal of fixed asset		12		-	
			284		350
GROUP OPERATING PROFIT			16,608		18,448
Investment income	5		987		669
Interest payable and similar charges	6		(3,706)		(3,950)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			13,889		15,167
Tax on profit on ordinary activities	7		(6,734)		(5,622)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			7,155		9,545
Equity minority interests			74		41
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF HAYMARKET GROUP LIMITED			7,229		9,586
Equity dividends paid			(2,500)		(2,500)
RETAINED PROFIT FOR THE GROUP AND ITS SHARE OF ASSOCIATES AND JOINT VENTURES			4,729		7,086

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Profit for the year attributable to the members of Haymarket Group Limited		7,229	9,586
Currency translation differences on foreign currency net investments	21	(715)	(303)
Amount paid for minority interest		-	4
Adjustment on revaluation of fixed assets	22	(1,613)	(2,005)
Total recognised gains and losses relating to the year		<u>4,901</u>	<u>7,282</u>

CONSOLIDATED BALANCE SHEET
31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
FIXED ASSETS					
Intangible assets	9		49,033		48,456
Tangible assets	10		31,344		33,264
Investments	11		70		70
Investments in joint ventures	11				
- Goodwill		133		1,306	
- Gross assets		5,367		5,328	
- Gross liabilities		(3,616)		(3,683)	
			<u>1,884</u>	<u>1,306</u>	<u>2,951</u>
			<u>82,331</u>		<u>84,741</u>
CURRENT ASSETS					
Stocks	12		1,261		1,227
Debtors falling due within one year	13(a)		39,167		37,911
Debtors falling due after more than one year	13(b)		1,347		3,620
Cash at bank and in hand			3,328		6,586
			<u>45,103</u>		<u>49,344</u>
CREDITORS: amounts falling due within one year	14		<u>(52,424)</u>		<u>(46,621)</u>
NET CURRENT (LIABILITIES)/ASSETS			<u>(7,321)</u>		<u>2,723</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>75,010</u>		<u>87,464</u>
CREDITORS: amounts falling due after more than one year	15		<u>(69,931)</u>		<u>(84,786)</u>
NET ASSETS			<u>5,079</u>		<u>2,678</u>
CAPITAL AND RESERVES					
Called up share capital	17		335		335
Capital redemption reserve	18		177		177
Revaluation reserve	19		9,545		11,158
Merger reserve	20		6,236		6,236
Profit and loss account	21		(11,214)		(15,228)
EQUITY SHAREHOLDERS' FUNDS	22		<u>5,079</u>		<u>2,678</u>

These financial statements were approved by the Board of Directors on 22 June 2004.

Signed on behalf of the Board of Directors

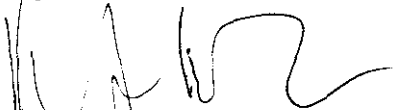
The Rt. Hon. the Lord Heseltine CH
 Chairman

BALANCE SHEET
31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	11	72	359
CURRENT ASSETS			
Debtors falling due within one year	13(a)	135,640	54,624
NET CURRENT ASSETS		135,640	54,624
TOTAL ASSETS LESS CURRENT LIABILITIES		135,712	54,983
		135,712	54,983
CAPITAL AND RESERVES			
Called up share capital	17	335	335
Capital redemption reserve	18	177	177
Profit and loss account	21	135,200	54,471
EQUITY SHAREHOLDERS' FUNDS		135,712	54,983

These financial statements were approved by the Board of Directors on 22 June 2004.

Signed on behalf of the Board of Directors



The Rt. Hon. the Lord Heseltine CH
Chairman

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	23	23,571	27,557
Dividends received from associated undertakings		192	366
Returns on investments and servicing of finance			
Interest received		45	65
Dividends received		65	78
Interest paid		(3,791)	(4,082)
Net cash outflow from returns on investments and servicing of finance		(3,681)	(3,939)
Taxation			
UK corporation tax paid		(6,345)	(4,396)
Total tax paid		(6,345)	(4,396)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,339)	(2,492)
Purchase of intangible fixed assets		(1,952)	(1,325)
Proceeds from sale of intangible asset		155	-
Proceeds from sale of tangible fixed assets		152	185
Net cash outflow from capital expenditure and financial investment		(4,984)	(3,632)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(1,810)	(6,272)
Net cash acquired with subsidiary		553	489
Purchase of interest in associated undertakings		-	-
Net cash outflow from acquisitions and disposals		(1,257)	(5,783)
Equity dividends paid		(2,500)	(2,500)
Net cash inflow before financing		4,996	7,673
Financing			
Bank loan (repayment)/drawdown	24	(10,978)	5,000
Unsecured loan stock (repayment)/drawdown	24	(1,341)	-
Issue of loan stock		-	(225)
Net cash (outflow)/inflow from financing		(12,319)	4,775
(Decrease)/increase in cash	25, 26	(7,323)	12,448

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as amended by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries for the year ended 31 December 2003.

The group's share in associates is accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits or losses and attributable taxation.

The group's share of its joint ventures' assets and liabilities have been accounted for using the gross equity method.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net assets. Where the cost of the acquisition exceeds the values attributed to such net assets, the difference is treated as purchased goodwill. Purchased goodwill is capitalised and amortised on a straight line basis at 5% per annum.

Publishing and exhibition rights

Publishing and exhibition rights are held at cost less any provision for impairment in value and are amortised on a straight line basis at 5% per annum.

Tangible fixed assets

Short leasehold properties are amortised over the period of the lease. No depreciation is usually charged on freehold land. When it has proved impossible to obtain a split between land and buildings for a property then the full cost has been depreciated. Other assets are depreciated by equal annual instalments over the anticipated lives of the assets, principally at the following rates:

Freehold office properties	2%
Other freehold properties	2%
Vehicles, furniture and equipment	20% - 25%

Freehold properties are revalued every year with the surplus or deficit on book value being transferred to the revaluation reserve.

Investments

Investments are stated at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks of magazine back issues are not valued.

Agricultural stock is included at independent professional valuation.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in a taxation computation.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiary and associated undertakings and joint ventures where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account. The financial statements of foreign subsidiary undertakings are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiary undertakings at the closing rates are taken directly to reserves.

Pension costs

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the period in which they become payable.

Operating leases

Rentals are charged to the profit and loss account in equal annual amounts over the lease term.

2. ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS

Turnover represents revenue receivable and the value of goods (excluding VAT) sold to third parties. All turnover and profit before tax relates to the group's principal activity.

Geographical analysis by location is as follows:

TURNOVER BY DESTINATION	2003	2002
	£'000	£'000
United Kingdom	153,282	152,483
Other Countries	21,067	19,804
	<u>174,349</u>	<u>172,287</u>
	<u><u>174,349</u></u>	<u><u>172,287</u></u>

TURNOVER BY SOURCE	2003	2002
	£'000	£'000
United Kingdom	133,022	152,483
Other Countries	42,327	19,804
	<u>174,349</u>	<u>172,287</u>
	<u><u>174,349</u></u>	<u><u>172,287</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

2. ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS (continued)

PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

An analysis of operating profit by geographical segment has not been included as the directors believe that to do so would be seriously prejudicial to the interests of the group.

NET ASSETS	2003 £'000	2002 £'000
United Kingdom	59,539	59,390
Other Countries	11,571	14,036
Group monetary net liabilities	(66,031)	(70,748)
	<u>5,079</u>	<u>2,678</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' emoluments		
Emoluments	<u>2,509</u>	<u>1,368</u>
Remuneration of highest paid director	<u>1,218</u>	<u>347</u>
	<u>No.</u>	<u>No.</u>
Average number of persons employed (including directors)	<u>1,510</u>	<u>1,471</u>

Remuneration of the highest paid director includes accumulated bonus relating to and provided for in prior years.

There are defined contribution pension plans for the benefit of six directors (2002: 6). The contributions by the group in the year were £81,225 (2002: £74,020). The highest paid director received contributions of £43,750 (2002: £42,750).

	2003 £'000	2002 £'000
Staff costs during the year		
Wages and salaries	43,759	36,889
Social security costs	5,010	3,698
Pension costs	1,842	620
	<u>50,611</u>	<u>41,207</u>

4. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is after charging:		
Depreciation – owned assets	3,383	3,813
Rentals under operating leases - land & buildings	997	540
Auditors' remuneration - audit	93	85
- other services	312	300
Amortisation of publishing and exhibition rights	<u>3,526</u>	<u>3,474</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

5. INVESTMENT INCOME

	2003 £'000	2002 £'000
Income from other fixed asset investments	65	78
Interest receivable and similar income	45	65
Income from associate	877	526
	<u>987</u>	<u>669</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank loan and overdraft interest	3,500	4,006
Other interest payable	166	76
Foreign exchange	40	(132)
	<u>3,706</u>	<u>3,950</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30%	5,599	5,606
Adjustment in respect of prior years	240	(42)
Overseas taxation	69	16
Group share of tax on profits of:		
Joint ventures	214	221
Double tax relief	(157)	(146)
	<u>5,965</u>	<u>5,655</u>
Total current tax charge	5,965	5,655
Deferred tax charge/(credit)	769	(33)
	<u>6,734</u>	<u>5,622</u>
Tax on profit on ordinary activities	6,734	5,622

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2002: 30%). The current tax charge for the year exceeds 30% for the reasons set out in the following reconciliation:

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Reconciliation of current tax charge	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	13,889	15,167
Tax at 30% thereon	4,167	4,550
Factors affecting charge for the year		
- Expenses not deductible for tax	192	180
- Other short term timing differences	(380)	587
- Non-deductible depreciation/amortisation on assets not qualifying for capital allowances	1,084	667
- Additional items deductible for tax purposes	(28)	(421)
- Capital allowances in advance of depreciation	116	-
- Unutilised tax losses	496	134
- Overseas taxation	(89)	-
- Non-taxable income	167	-
- Over provision in respect of prior years	240	(42)
Current tax charge for the year	<u>5,965</u>	<u>5,655</u>

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements.

The company's retained profit for the year was £80,729k (2002: £44,090k).

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

9. INTANGIBLE FIXED ASSETS

Group	Publishing and exhibition rights £'000
Cost or valuation	
At 1 January 2003	69,191
Additions during the year	4,789
Transfer from joint ventures	1,274
Disposals during the year	(1,826)
Foreign exchange translation differences	(1,677)
	<hr/>
At 31 December 2003	71,751
	<hr/>
Accumulated amortisation	
At 1 January 2003	20,735
Charged in the year	3,526
Transfer from creditors	422
Disposals during the year	(1,686)
Foreign exchange translation differences	(279)
	<hr/>
At 31 December 2003	22,718
	<hr/>
Net book value	
At 31 December 2003	49,033
	<hr/> <hr/>
At 31 December 2002	48,456
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The group made a number of acquisitions during the year for total consideration including costs of £3,762,000 (net liabilities acquired £1,027,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

10. TANGIBLE FIXED ASSETS

Group Cost or valuation	Freehold properties £'000	Short leasehold properties £'000	Vehicles, furniture, equipment £'000	Total £'000
At 1 January 2003	27,172	1,559	19,849	48,580
Additions	1,222	8	2,109	3,339
On acquisition of subsidiary	-	-	50	50
Adjustment on revaluation	(2,001)	-	-	(2,001)
Disposals	-	-	(1,333)	(1,333)
Foreign exchange translation differences	-	(27)	(138)	(165)
At 31 December 2003	<u>26,393</u>	<u>1,540</u>	<u>20,537</u>	<u>48,470</u>
Accumulated depreciation				
At 1 January 2003	328	977	14,011	15,316
Charge for the year	456	211	2,716	3,383
On acquisition of subsidiary	-	-	14	14
Adjustment on revaluation	(388)	-	-	(388)
Disposals	-	-	(1,104)	(1,104)
Foreign exchange translation differences	-	(3)	(92)	(95)
At 31 December 2003	<u>396</u>	<u>1,185</u>	<u>15,545</u>	<u>17,126</u>
Net book value				
At 31 December 2003	<u>25,997</u>	<u>355</u>	<u>4,992</u>	<u>31,344</u>
At 31 December 2002	<u>26,844</u>	<u>582</u>	<u>5,838</u>	<u>33,264</u>

Freehold properties at 31 December 2003 comprise freehold office properties at open market value as determined by Colliers CRE, professional valuers, of £16,800,000 (2002: £21,650,000), other freehold office property at market value of £3,250,000 (2002: nil) and other freehold properties at cost of £5,947,000 (2002: £5,194,000).

The net book value of freehold properties comprises land of £2,674,000 (2002 - £2,607,000) and properties for which no split can be obtained of £23,323,000 (2002 - £24,237,000).

	Freehold properties £'000
The comparable amounts for properties at valuation determined according to the historical cost convention:	
Cost	18,106
Accumulated depreciation	(3,124)
Net book value at 31 December 2003	<u>14,982</u>
Net book value at 31 December 2002	<u>14,343</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

11. INVESTMENTS HELD AS FIXED ASSETS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Shares in subsidiary undertakings (a)	-	-	72	359
Other investments (b)	70	70	-	-
Investments in joint ventures and associated undertakings (c)	1,884	2,951	-	-
	<u>1,954</u>	<u>3,021</u>	<u>72</u>	<u>359</u>

(a) Shares in subsidiary undertakings

The principal subsidiary undertakings, all of which with the exception of Haymarket Media Inc, (registered in USA) are registered in England and Wales and operate principally in the United Kingdom, are as follows:

Subsidiary undertakings	Percentage of equity held	Principal activity
Haymarket Business Publications Limited *	100%	Magazine publishing
Haymarket Medical Publications Limited**	100%	Magazine publishing
Haymarket Magazines Limited *	100%	Magazine publishing
Haymarket Exhibitions Limited *	100%	Exhibition organising
Haymarket Publishing Services Limited*	100%	Administrative services
Haymarket Worldwide Limited*	100%	Holding company
Teddington Properties Limited	100%	Property investment
Haymarket Media Inc.***	100%	Holding company
Haymarket Customer Publishing Ltd*	100%	Magazine publishing
* Shares held by Haymarket Publishing Group Limited		
** Shares held by Haymarket Business Publications Limited		
*** Shares held by Haymarket Worldwide Ltd		

(b) Other investments

Cost	Listed Total £'000	
At 1 January 2003 and 31 December 2003		70
	2003 £'000	2002 £'000
Market value of investments listed on a recognised stock exchange (cost £54,069 (2002 - £54,069))	2,605	1,905

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

(c) Joint ventures & associated undertakings	Joint ventures £'000	Associated undertakings £'000	Total £'000
Group			
Share of net assets			
At 1 January 2003	1,645	-	1,645
Transfer to intangible assets	32	-	32
Share of retained losses	74	-	74
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,751	-	1,751
	<hr/>	<hr/>	<hr/>
Goodwill cost			
At 1 January 2003	1,322	1	1,323
Additions	-	140	140
Transfer to intangible assets	(1,322)	-	(1,322)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	141	141
	<hr/>	<hr/>	<hr/>
Goodwill amortisation			
At 1 January 2003	(16)	(1)	(17)
Charged in the year	-	(7)	(7)
Transfer to intangible assets	16	-	16
	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	(8)	(8)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	1,751	133	1,884
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2002	2,951	-	2,951
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amortisation of publishing rights above brings the accounting policies of the joint ventures and associates into line with that of the group. For certain associated undertakings, Haymarket Group Limited's partners can require the company to purchase their remaining shares at a price to be determined based on average profits for certain years.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

Details of investments representing more than 10% of the company's issued share capital:

	Country of incorporation/ registration and principal place of operation	Percentage of equity held	Principal activity
Associates			
Frontline Limited	England and Wales	Ordinary 'A' shares 5% Ordinary 'C' shares 100% Ordinary 'E' shares 25% Ordinary 'F' shares 17%	Distribution of magazines
FinanceAsia.com Limited	Hong Kong	20%	Magazine publisher
Joint ventures			
BBC Haymarket Exhibitions Limited	England and Wales	50%	Organisation of exhibitions
Gateway Motor Consulting Services Private Limited	India	49%	Consultancy
Haymarket SMT Publishing PTE Limited	Singapore	50%	Magazine publisher

All shares are held by subsidiary undertakings. The investment in FinanceAsia.com Limited was purchased on 12 July 2003.

(d) Transactions with associated undertakings

Frontline Limited is the group's agent in relation to the sale of publications to third parties. Distribution services totalling £3,409,798 (2002 - £3,468,656) were provided to the group by Frontline Limited.

During the year the group provided the following services to BBC Haymarket Exhibitions Limited:

	2003 £'000	2002 £'000
Administrative services	349	353

Amounts owed to and from associated undertakings are shown in notes 13 and 14 to the accounts.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

12. STOCKS

Group	2003 £'000	2002 £'000
Raw materials and consumables	<u>1,261</u>	<u>1,227</u>

Raw materials and consumables include £131,000 (2002 - £136,000) of agricultural stocks which are included at independent professional valuation.

The balance represents stocks of paper for which, in the directors' opinion, the replacement cost does not differ significantly from the value included in the financial statements.

13. DEBTORS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(a) Falling due within one year				
Trade debtors	24,923	22,181	-	-
Amounts owed by subsidiary undertakings	-	-	135,640	54,624
Amounts owed by associated undertakings	1,700	2,997	-	-
Other debtors	2,463	6,702	-	-
Prepayments and accrued income	10,081	6,031	-	-
	<u>39,167</u>	<u>37,911</u>	<u>135,640</u>	<u>54,624</u>

Amounts owed by associated undertakings include £1,217,266 (2002 - £534,000) owed by Frontline Limited.

	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(b) Falling due after more than one year				
Other debtors	522	2,102	-	-
Deferred tax	709	1,478	-	-
Minority interest	116	40	-	-
	<u>1,347</u>	<u>3,620</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft	4,065	-	-	-
Trade creditors	7,583	6,010	-	-
Other creditors including taxation and social security	10,852	10,402	-	-
Accruals and deferred income	29,924	30,209	-	-
	<u>52,424</u>	<u>46,621</u>	<u>-</u>	<u>-</u>
Other creditors including taxation and social security:				
Amounts owed to associated undertakings	2,040	-	-	-
UK corporation tax	3,387	6,498	-	-
Overseas taxation	60	16	-	-
Taxation and social security	3,768	2,134	-	-
Other creditors	1,597	1,754	-	-
	<u>10,852</u>	<u>10,402</u>	<u>-</u>	<u>-</u>

The bank overdraft is secured by fixed and floating charges on the assets of the group. Interest on the unsecured loan stock is payable at the base lending rate of The Royal Bank of Scotland plc.

At the end of the year no balances were owed to any director.

During the year the group entered into the following transactions with its directors:

	Lord Heseltine £	J L Masters £	S P Tindall £
2003			
Personal costs paid for by the group and fully reimbursed	207,000	-	172,100
Other costs paid for by the group and fully reimbursed	-	32,100	170,300
	Lord Heseltine £	J L Masters £	S P Tindall £
2002			
Personal costs paid for by the group and fully reimbursed	165,000	4,500	150,000
Other costs paid for by the group and fully reimbursed	-	98,500	176,000

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2003	2002
	£'000	£'000
Bank loans	65,015	75,993
Unsecured loan stock 2004	-	1,341
Amounts owed to associated undertakings	1,707	1,474
Accruals	3,209	5,978
	<u>69,931</u>	<u>84,786</u>

The bank loans bear interest at a variable rate. These are secured by fixed and floating charges on the assets of the group and are repayable after five years. The rate for a £25m loan is capped at 6.17% (plus margin) until 4 June 2004 then fixed at that rate until 4 March 2007.

16. DEFERRED TAX

Group deferred taxation

There is a deferred tax asset recognised of £709,000 (2002 - £1,478,000). This asset relates to the following amounts:

	2003	2002
	£'000	£'000
Capital allowances in excess of depreciation	(683)	(336)
Other timing differences	1,392	1,814
	<u>709</u>	<u>1,478</u>

There is also an unrecognised deferred tax asset of £3,899,000 (2002 - £2,468,000). The unprovided deferred tax asset comprises:

	2003	2002
	£'000	£'000
Unutilised overseas tax losses	1,091	1,470
Unutilised UK tax losses	248	135
Gain deferred by roll over relief	(570)	(618)
Capital losses	3,130	1,481
	<u>3,899</u>	<u>2,468</u>

Deferred tax has not been provided for potential gains on the disposal of revalued properties or gains rolled over into replacement assets as there are no binding sale agreements in place at the balance sheet date.

Deferred tax has not been provided for unutilised losses as there is insufficient evidence that these losses will be offset against taxable profits in the near future.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

16. DEFERRED TAX (continued)

No tax liability would be expected on the disposal of properties at their revalued amounts due to the excess capital losses carried forward in the group.

17. CALLED UP SHARE CAPITAL

	2002 and 2003
	£'000
Authorised:	
52,000,000 ordinary shares of 1p each	520
Allotted, called up and fully paid:	
33,522,805 ordinary shares of 1p each	335

The company is party to an agreement whereby it may be required to purchase 1,158,220 ordinary shares of 1p each in the company, in which shares J.L. Masters has an interest, the cost to be determined on the basis of the net asset value of the Group at the immediately preceding accounting date. If the company is required to purchase these shares on or before 31 December 2004 the cost will be approximately £9,500,000.

The Rt. Hon. the Lord Heseltine CH and his family have a controlling interest in the company.

18. CAPITAL REDEMPTION RESERVE

	£'000
Group and company	
As at 1 January 2003 and 31 December 2003	177

19. REVALUATION RESERVE

	2003	2002
	£'000	£'000
Group		
At 1 January	11,158	13,163
Revaluation of freehold properties	(1,613)	(2,005)
At 31 December	9,545	11,158

20. MERGER RESERVE

	£'000
Group	
At 1 January 2003 and 31 December 2003	6,236

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

21. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
At 1 January	(15,228)	(22,015)	54,471	10,381
Profit for the financial year	7,229	9,586	83,229	-
Dividends	(2,500)	(2,500)	(2,500)	44,090
Currency translation differences on foreign currency net investments	(715)	(303)	-	-
Amount paid for minority interest	-	4	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December	<u>(11,214)</u>	<u>(15,228)</u>	<u>135,200</u>	<u>54,471</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Profit for the financial year	7,229	9,586	53,578	-
Foreign exchange differences	(715)	(303)	-	-
Amount paid for minority interest	-	4	-	-
Dividends	(2,500)	(2,500)	27,151	44,090
	<u>4,014</u>	<u>6,787</u>	<u>80,729</u>	<u>44,090</u>
Adjustment on revaluation of freehold properties	(1,613)	(2,005)	-	-
Net increase to shareholders' funds	2,401	4,782	80,729	44,090
Opening shareholders' funds/(deficit)	2,678	(2,104)	54,983	10,893
Closing shareholders' funds	<u>5,079</u>	<u>2,678</u>	<u>135,712</u>	<u>54,983</u>

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

	2003 £'000	2002 £'000
Operating profit	16,324	18,098
Depreciation	3,383	3,527
Amortisation of publishing and exhibition rights	3,533	3,505
Increase/(decrease) in debtors	(969)	306
(Increase)/ decrease in stocks	(33)	283
Increase in creditors	1,333	1,838
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>23,571</u>	<u>27,557</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans 2003 £'000	Loan stock 2003 £'000
Balance at 1 January	75,993	1,341
Cash inflow from financing	(9,000)	(1,341)
Foreign Exchange movement	(1,978)	-
	<u>65,015</u>	<u>-</u>
Balance at 31 December	<u>65,015</u>	<u>-</u>

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

	2003 £'000	2002 £'000
Increase in cash in the year	(7,323)	12,448
Cash inflow from debt financing	12,319	(2,873)
	<u>4,996</u>	<u>9,575</u>
Change in net debt resulting from cash flows	4,996	9,575
Interest accumulated on loan notes	-	(36)
	<u>4,996</u>	<u>9,539</u>
Movement in net debt in the year	4,996	9,539
Net debt at 1 January	(70,748)	(80,287)
	<u>(65,752)</u>	<u>(70,748)</u>
Net debt at 31 December	<u>(65,752)</u>	<u>(70,748)</u>

26. ANALYSIS OF NET DEBT

	At 1 January 2003 £'000	Cash flow £'000	Other Non-cash Changes £'000	At 31 December 2003 £'000
Cash at bank and in hand	6,586	(3,258)	-	3,328
Overdrafts	-	(4,065)	-	(4,065)
	<u>6,586</u>	<u>(7,323)</u>	<u>-</u>	<u>(737)</u>
Debt due after one year				
Bank Loans	(75,993)	9,000	1,978	(65,015)
Unsecured Loan Stock 2004	(1,341)	1,341	-	-
	<u>(70,748)</u>	<u>3,018</u>	<u>1,978</u>	<u>(65,752)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

27. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

The group made a number of acquisitions during the year.

	Net assets acquired £'000
Tangible fixed assets	50
Debtors	376
Cash	553
Creditors	(2,006)
	<u>(1,027)</u>
Intangible fixed assets	<u>2,837</u>
Consideration paid	<u><u>1,810</u></u>

All consideration for the acquisition of subsidiary undertakings was satisfied by cash. No fair value adjustments were required.

Acquisitions include CPS Communications Inc. and SCMPH Pte Limited. The principal activity of all of the acquisitions is that of publishing magazines.

The results of the acquisitions included in the 31 December 2003 accounts have been as follows:

	1 January 2003 to 31 December 2003 £'000
Turnover	2,253
Cost of sales	(2,330)
	<u>(77)</u>
Operating loss	<u>(77)</u>
Loss before taxation	<u><u>(77)</u></u>

28. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF SUBSIDIARY UNDERTAKING

	£'000
Cash consideration	1,810
Cash balance acquired	(553)
	<u>1,257</u>
Net outflow of cash and cash equivalent in respect of the acquisition	<u><u>1,257</u></u>

29. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2003 (2002: £nil) relating to the group and none (2002: £nil) relating to the company.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

30. OPERATING LEASE COMMITMENTS

As at 31 December 2003 the group was committed to making the following payments during the next year in respect of operating leases:

Group

	Other	Land and	Total
	£'000	buildings	£'000
		£'000	
Leases which expire:			
Within one year	-	18	18
Within two to five years	-	34	34
After five years	1	944	945
	<u>1</u>	<u>996</u>	<u>997</u>
	<u>1</u>	<u>996</u>	<u>997</u>

31. PENSION SCHEME

The principal scheme operated by the group is a defined contribution scheme in which eligible employees participate in personal pension plans to which the company contributes 8% - 12.5% and the employees contribute a minimum of 5% of relevant earnings. The assets of the individual plans are held separately from those of the company in independently administered funds.

32. POST BALANCE SHEET EVENTS

A group company has paid £850,000 as a deposit towards the acquisition of freehold property.