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Four Counties Newspapers Limited

Report and Accounts

1 April 2000

 ERNST & YOUNG



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Four Counties Newspapers Limited

Registered No. 1229102

DIRECTORS

G Clark (appointed 15 March 2000)
P Comyn (appointed 15 March 2000)
G Gurmeet (appointed 15 March 2000)
M A Lusby (appointed 10 September 1999; resigned 15 March 2000)
B Holden (appointed 10 September 1999; resigned 15 March 2000)
H P Lambert (resigned 15 October 1999)
D S Fordham (resigned 30 September 1999)
R Broadley (resigned 31 March 2000)

SECRETARY

P Comyn

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

BANKERS

National Westminster Bank Plc
Abbey Gardens
4 Abbey Street
Reading
Berkshire RG1 3BA

SOLICITOR

Rowe & Mawe
20 Blackfriars Lane
London EC4V 6HD

REGISTERED OFFICE

326 Station Road
Harrow
Middlesex
HA1 2DR

Four Counties Newspapers Limited

DIRECTORS' REPORT

The directors present their report and accounts for the 10 months ended 1 April 2000.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached accounts.

The directors have not recommended a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is printing and distributing advertising newspapers.

The company's balance sheet as detailed on page 6 shows a deficit in shareholders' funds amounting to £327,858.

DIRECTORS AND THEIR INTERESTS

The directors who served the company during the period as shown on page 1.

The interests of G Clark, P Comyn and G Gurmeet in the shares of the ultimate parent company, Southnews plc, are dealt with in the directors' report of that company.

YEAR 2000 COMPLIANCE

Since 31 December 1999 the company has not experienced any adverse effects as a result of the Year 2000 issue. The company is continuing to monitor its computer systems and any additional costs are not expected to be significant.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

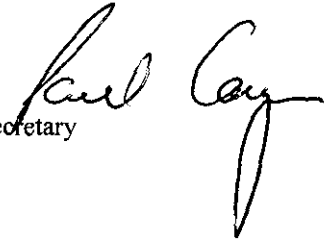
Four Counties Newspapers Limited

DIRECTORS' REPORT

AUDITORS

Ernst & Young were appointed as auditors by the directors during the period. A resolution to reappoint them as auditors will be put to the members at the Annual General Meeting.

By order of the board


Secretary

9 JUNE 2000

REPORT OF THE AUDITORS
to the members of Four Counties Newspapers Limited

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

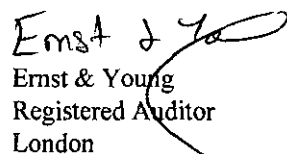
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 1 April 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
London

Four Counties Newspapers Limited

PROFIT AND LOSS ACCOUNT for the 10 months ended 1 April 2000

		<i>10 months ended 1 April 2000</i>	<i>Year ended 31 May 1999</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
TURNOVER	2	1,710,668	2,615,485
Cost of sales		1,209,155	2,035,576
Gross profit		501,513	579,909
Administrative expenses		(547,408)	(778,480)
Other operating income	3	7,858	9,150
OPERATING LOSS	4	(38,037)	(189,421)
Exceptional items	7	(51,612)	122,291
Interest receivable	9	(89,649)	(67,130)
		-	(3,969)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(89,649)	(63,161)
Tax on loss on ordinary activities	10	(5,390)	(41,100)
LOSS FOR THE FINANCIAL PERIOD	18	(84,259)	(22,061)

The company has no recognised gains or losses other than the results for the period as set out above.

Four Counties Newspapers Limited

BALANCE SHEET

at 1 April 2000

	<i>Notes</i>	<i>1 April 2000 £</i>	<i>31 May 1999 £</i>
FIXED ASSETS			
Intangible assets	11	-	32,018
Tangible assets	12	267,595	353,731
		<u>267,595</u>	<u>385,749</u>
CURRENT ASSETS			
Stocks	13	3,765	7,955
Debtors	14	657,285	438,523
Cash at bank and in hand		14,580	1,101
		<u>675,630</u>	<u>447,579</u>
CREDITORS: amounts falling due within one year	15	(1,215,083)	(1,076,927)
NET CURRENT LIABILITIES		<u>(539,453)</u>	<u>(629,348)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(271,858)</u>	<u>(243,599)</u>
PROVISIONS	16	(56,000)	-
		<u>(327,858)</u>	<u>(243,599)</u>
CAPITAL AND RESERVES			
Called up share capital	17	16,560	16,560
Profit and loss account	18	(344,418)	(260,159)
	19	<u>(327,858)</u>	<u>(243,599)</u>

ERNST & YOUNG

Paul Gray

Director

9 JUNE 2000

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

1. ACCOUNTING POLICIES

Basis of accounting

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

Fundamental accounting concept

These accounts are prepared on a going concern basis following an undertaking by the company's parent company to continue to provide adequate funds to the company, notwithstanding the deficiency of net assets at 1 April 2000.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 from including a cash flow statement in the accounts on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of value added tax.

Goodwill

Goodwill, excluding intangible assets/titles, is stated at cost. Having no finite useful economic life, no amortisation is provided. In accordance with FRS 11 an annual impairment review is undertaken and any impairment is written off to the profit and loss account.

Intangible assets/titles

Intangible assets/titles are stated at cost. Having no finite useful economic life, no amortisation is provided. In accordance with FRS 11 an annual impairment review is undertaken and any impairment is written off to the profit and loss account.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	-	2% straight line
Plant and machinery	-	20% - 25% straight line
Fixtures and fittings	-	15% per annum
Motor vehicles	-	25% per annum

Freehold land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Leasing and hire purchase commitments

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of the asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset at the estimated fair value at the date of inception of each lease or contract and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Pensions

The company operates a money purchase pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account, in accordance with the rules of the scheme.

2. TURNOVER

The turnover and pre-tax result are attributable to the one principal continuing activity of the company.

An analysis of turnover is given below:

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
United Kingdom	1,710,668	2,615,485

3. OTHER OPERATING INCOME

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Management charges receivable	7,858	9,150

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

4. OPERATING LOSS

This is stated after charging/(crediting):

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Write down of goodwill	32,018	-
Provision for diminution in value of intangible fixed assets	19,594	-
Depreciation - owned	57,810	66,639
- leased	-	44,779
(Profit)/loss on disposal of fixed assets	(3,337)	3,119
Auditors' remuneration - auditors (current auditors)	4,250	-
- auditors (previous auditors)	(2,570)	8,450
- non audit work (previous auditors)	3,321	1,362
Operating lease rentals - land and buildings	17,948	33,310

5. DIRECTORS' EMOLUMENTS

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Emoluments receivable	-	20,552
Value of company pension contributions to money purchase schemes	-	733
	-	21,285

	<i>10 months ended 1 April 2000 No.</i>	<i>Year ended 31 May 1999 No.</i>
Money purchase schemes	-	1

6. STAFF COSTS

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Wages and salaries	381,961	767,557
Social security costs	24,878	54,903
Other pension costs	-	733
	406,839	823,193

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

6. STAFF COSTS (continued)

The average number of employees during the period was as follows:

	<i>10 months ended 1 April 2000 No.</i>	<i>Year ended 31 May 1999 No.</i>
Number of publishing staff	57	74

7. EXCEPTIONAL ITEMS

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Included within operating loss:		
Write down of goodwill	(32,018)	-
Provision for diminution in value of fixed assets	(19,594)	122,291
	<u>(51,612)</u>	<u>122,291</u>

8. REDUNDANCY

Included in administration costs for the year are redundancy costs of £nil (1999 - £62,374). These are exceptional costs incurred in the course of ordinary activities.

9. INTEREST RECEIVABLE

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Finance credit	-	(3,969)

10. TAX ON LOSS ON ORDINARY ACTIVITIES

	<i>10 months ended 1 April 2000 £</i>	<i>Year ended 31 May 1999 £</i>
Corporation tax based on the results for period	(5,050)	(39,750)
Adjustment in respect of previous years:		
Corporation tax	(340)	(1,350)
	<u>(5,390)</u>	<u>(41,100)</u>

Included within the corporation tax credit is £5,050 relating to payment for losses surrendered to other group companies.

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

11. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 1 June 1999	133,556
Disposals	-
At 1 April 2000	<u>133,556</u>
Amortisation:	
At 1 June 1999	101,538
Provision for diminution in value	32,018
At 1 April 2000	<u>133,556</u>
Net book value:	
At 1 April 2000	-
At 1 June 1999	<u><u>32,018</u></u>

12. TANGIBLE FIXED ASSETS

	<i>Freehold property</i> £	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:					
At 1 June 1999	323,773	532,801	7,745	181,205	1,045,524
Additions	-	-	1,418	-	1,418
Disposals	-	-	-	(53,352)	(53,352)
At 1 April 2000	<u>323,773</u>	<u>532,801</u>	<u>9,163</u>	<u>127,853</u>	<u>993,590</u>
Depreciation:					
At 1 June 1999	81,255	472,599	4,903	133,036	691,793
Charge for the period	5,382	27,077	1,272	24,079	57,810
Disposals	-	-	-	(43,202)	(43,202)
Provision for diminution in value	-	18,020	1,574	-	19,594
At 1 April 2000	<u>86,637</u>	<u>517,696</u>	<u>7,749</u>	<u>113,913</u>	<u>725,995</u>
Net book value:					
At 1 April 2000	<u>237,136</u>	<u>15,105</u>	<u>1,414</u>	<u>13,940</u>	<u>267,595</u>
At 1 June 1999	<u><u>242,518</u></u>	<u><u>60,202</u></u>	<u><u>2,842</u></u>	<u><u>48,169</u></u>	<u><u>353,731</u></u>

Included within the net book value of £267,595 is £nil (1999 - £44,268) relating to assets held under finance lease agreements.

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

13. STOCKS

	<i>1 April 2000</i>	<i>31 May 1999</i>
	£	£
Consumables	3,765	7,955

14. DEBTORS

	<i>1 April 2000</i>	<i>31 May 1999</i>
	£	£
Trade debtors	288,866	340,523
Amounts owed by group undertakings	347,660	28,644
Corporation tax repayable	-	39,750
Prepayments and accrued income	20,759	29,606
	<u>657,285</u>	<u>438,523</u>

15. CREDITORS: amounts falling due within one year

	<i>1 April 2000</i>	<i>31 May 1999</i>
	£	£
Bank loans and overdrafts	-	694,243
Trade creditors	136,464	46,164
Amounts owed to group undertakings	972,495	217,470
Other taxation and social security	31,381	59,667
Accruals and deferred income	74,743	59,383
	<u>1,215,083</u>	<u>1,076,927</u>

Bank overdrafts are secured by a fixed and floating charge over the assets of the company.

16. PROVISIONS

	£
Provision for rent on empty properties:	
At 1 June 1999	-
Provided in the period	56,000
At 1 April 2000	<u>56,000</u>

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

17. SHARE CAPITAL

	<i>1 April 2000</i>	<i>Authorised 31 May 1999</i>
	£	£
20,000 ordinary shares of £1 each	20,000	20,000

	<i>1 April 2000</i>	<i>Allotted, called up and fully paid 31 May 1999</i>
	£	£
Ordinary shares of £1 each	16,560	16,560

18. PROFIT AND LOSS ACCOUNT

	<i>1 April 2000</i>	<i>31 May 1999</i>
	£	£
Balance brought forward	(260,159)	(238,098)
Retained loss for the financial period	(84,259)	(22,061)
Balance carried forward	(344,418)	(260,159)

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>1 April 2000</i>	<i>31 May 1999</i>
	£	£
Loss for the financial period	(84,259)	(22,061)
Opening shareholders' funds	(243,599)	(221,538)
Closing shareholders' funds	(327,858)	(243,599)

Four Counties Newspapers Limited

NOTES TO THE ACCOUNTS

at 1 April 2000

20. OTHER FINANCIAL COMMITMENTS

At 1 April 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000	<i>Land and buildings</i> 1999
	£	£
Operating leases which expire:		
within one year	4,345	4,345
in two to five years	8,000	8,000
in over five years	12,750	12,750
	<u>25,095</u>	<u>25,095</u>

21. POST BALANCE SHEET EVENT

On 12 May 2000 it was announced that Johnston Press plc had agreed to buy the Lincolnshire and Nottinghamshire operations, subject to necessary regulatory approvals, for the sum of £16.5 million. The anticipated proceeds will be used to reduce bank borrowings at the time of completion. After completion of the sale the company will publish a total of 83 titles.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage in these accounts of not showing related party transactions in accordance with FRS 8 on the basis that the consolidated accounts of the ultimate parent company are publicly available.

23. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking at the balance sheet date was Southnews plc, who have confirmed their present intention to continue their support of the company. The accounts of Four Counties Newspapers Limited are consolidated within the accounts of Southnews plc which are available from:

The Secretary
Southnews plc
326 Station Road
Harrow
Middlesex HAI 2DR

On 10 September 1999 The Adscene Group Limited (formerly plc), the then ultimate parent undertaking, was unconditionally purchased by Denitz Media Limited. A subsequent reorganisation and liquidation of Denitz Media Limited resulted in The Adscene Group Limited being 100% owned by Denitz Investments Limited.

On 15 March 2000 Southnews plc purchased the entire issued and to be issued share capital of Denitz Investments Limited. In order to align accounting reference dates with the Southnews group, these accounts have been prepared for the 10 months ended 1 April 2000.