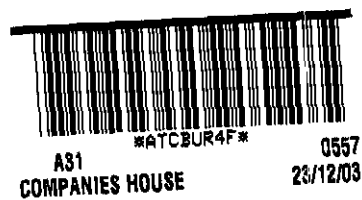


**SURRIDGE DAWSON LIMITED**

**Company Registration Number 744679**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 27 SEPTEMBER 2003**



## **SURRIDGE DAWSON LIMITED**

### **Directors' Report for the 52 weeks ended 27 September 2003**

The directors present their report and the company's audited financial statements for the 52 weeks ended 27 September 2003 (2002 – 52 weeks ended 28 September 2002).

**Directors**

P J Arden (appointed 29 November 2002)  
D Blundell  
J R Brown (retired 1 October 2003)  
P Butterworth  
J Howe  
D Kerr  
D J Lowther  
T J Perry (appointed 13 October 2003)  
J R Townley

**Secretary** A L Wood

**Registered Office** 10<sup>th</sup> Floor (North Wing)  
AMP House  
Dingwall Road  
Croydon  
CR0 9XA

### **Principal Activity**

The company continued to be engaged in the following principal activities:

- newspaper and magazine wholesaling;
- book supply;
- travel brochure distribution;
- specialist distribution services; and
- marketing support services.

### **Review of Business and Future Developments**

The profit for the period before taxation was £11,122,000 (2002 – profit of £5,201,000). A final dividend of £28.25 (2002 – £9.00) per share was declared. This absorbed £5,650,000 (2002 – £1,800,000). £943,000 was transferred to reserves (2002 – £117,000 transferred to reserves).

During the period, certain dormant subsidiary undertakings declared dividends of £11,584,000 that paid up their reserves to the company. Consequently, a provision of £11,529,000 has been made in the company's accounts to write down the carrying value of these investments to the new underlying net worth disclosed in the dormant subsidiaries' financial statements.

The directors consider the position at 27 September 2003, and the company's future prospects, to be satisfactory.

# **SURRIDGE DAWSON LIMITED**

## **Directors' Report for the 52 weeks ended 27 September 2003**

### **Directors and their interests**

The directors in office throughout the 52 weeks ended 27 September 2003 are listed on page 1.

No director in office at 27 September 2003 held any of the Company's shares beneficially.

D J Lowther and D Blundell were also directors of the ultimate parent undertaking, Dawson Holdings PLC, at 27 September 2003. Their interests in the shares of Dawson Holdings PLC are disclosed in that Company's Annual Report and Financial Statements. Details of options they hold over the shares of Dawson Holdings PLC are also disclosed in that Company's Annual Report and Financial Statements.

The interests in the shares of Dawson Holdings PLC, and details of options over the shares of Dawson Holdings PLC, of those directors of the company who are not also directors of Dawson Holdings PLC are shown below:

Options over the shares of Dawson Holdings PLC for Directors of the Company at 27 September 2003 who were not also directors of Dawson Holdings PLC at that date were as follows:

	Number of options			Exercise price per share	Date from which exercisable
	At 28/09/02	Surrendered during the period	Granted during the period		
P J Arden	-	-	-	-	-
J R Brown	15,376	-	-	63p	01/03/04
P Butterworth	22,671	-	-	73p	01/03/06
J Howe	-	-	-	-	-
D Kerr	15,376	-	-	63p	01/03/04
J R Townley	9,226	-	-	63p	01/03/04

All of the above options are under savings-related share option schemes, and expire six months after the date from which they are exercisable.

The interests in the ordinary shares of Dawson Holdings PLC of directors of the company who were not also directors of Dawson Holdings PLC, at 27 September 2003, were as follows:

	At 27 September 2003 and at 28 September 2002	Number of 1p ordinary shares held
P J Arden	-	-
J R Brown	-	-
P Butterworth	-	-
J Howe	-	-
D Kerr	60,500	-
J R Townley	-	-

## **SURRIDGE DAWSON LIMITED**

### **Directors' Report for the 52 weeks ended 27 September 2003**

#### **Directors and their interests (continued)**

The following maximum options over the shares of Dawson Holdings PLC, for directors of the company who were not also directors of Dawson Holdings PLC at 27 September 2003, have vested with directors on achievement of their individual targets under the Dawson Holdings PLC Long Term Incentive Plan 1998:

	Number of options vested as at 27 September 2003 and at 28 September 2002	Exercise price	Exercise period
P J Arden	-	-	-
J R Brown	3,325	113.0p	1/10/01 - 1/10/04
P Butterworth	6,650	113.0p	1/10/01 - 1/10/08
	675	141.0p	1/10/01 - 12/12/09
J Howe	4,000	156.5p	1/10/01 - 19/12/09
D Kerr	12,200	113.0p	1/10/01 - 1/10/08
	900	141.0p	1/10/01 - 12/12/09
J R Townley	5,150	113.0p	1/10/01 - 1/10/08

#### **Employees**

In order to provide staff with information on Company policy and working practices, regular meetings are held between directors, executives and management. In addition, briefing groups are held at branch level with local management and staff in attendance. The meetings involve staff in discussions on future policies and methods and provide regular information on the company's financial performance.

The company exercises a policy of employing disabled persons where this is practicable. Disabled applicants are given fair consideration in recruitment and receive the training and opportunities given for career development offered to all employees as appropriate.

In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the company continues, and that appropriate training is arranged.

#### **Fixed assets**

Details of changes to fixed assets are shown in notes 10, 11 and 12 to the accounts.

As disclosed in note 11, a revaluation of the company's freehold and leasehold properties was undertaken as at 30 September 1999. This indicated that their market value was £3,025,000 lower than their net book value. However, in the opinions of the directors, the value in use of these properties is greater than their market value and, as a result, no impairment has been recognised within these financial statements.

## **SURRIDGE DAWSON LIMITED**

### **Directors' Report for the 52 weeks ended 27 September 2003**

#### **Statement of Directors' Responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year that 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 that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis, making judgements that are prudent and reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume 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 ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Policy on payment of creditors**

The company agrees payment dates with all suppliers prior to delivery of goods or provision of services. Payments are made on the agreed dates, upon receipt of correct invoices.  
At 27 September 2003, average creditor days outstanding were 23 (2002 – 23).

#### **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, with effect from 1 August 2003, under the provisions of section 26(5) of the Companies Act 1989. A resolution for the reappointment of Deloitte & Touche LLP as auditors of the company is to be proposed at the Annual General Meeting.

The directors approved this report on 28 November 2003.

A handwritten signature in black ink, appearing to be 'A L Wood', written over a horizontal line.

A L Wood  
Secretary

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SURRIDGE DAWSON LIMITED

We have audited the financial statements of Surridge Dawson Limited, for the 52 week period ended 27 September 2003, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes 1 to 28. The 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 on page 4, the company's directors are responsible for the preparation of the financial statements 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

### 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 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 the company's affairs as at 27 September 2003 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

28 November 2003

**SURRIDGE DAWSON LIMITED**

**Profit and Loss Account for the 52 weeks ended 27 September 2003**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
Turnover (note 2)	615,923	610,014
Net operating costs (note 3)	(602,703)	(602,655)
<b>Operating profit (note 6)</b>		
– before goodwill impairment	13,220	10,577
– goodwill impairment	-	(3,218)
– after goodwill impairment	13,220	7,359
Investment income (note 12(3))	11,584	-
Amounts written off investments (note 12(3))	(11,529)	-
Net interest payable (note 7)	(2,153)	(2,158)
<b>Profit on ordinary activities before taxation</b>	11,122	5,201
Tax on profit on ordinary activities (note 8)	(4,529)	(3,284)
<b>Profit on ordinary activities after taxation</b>	6,593	1,917
Dividends (note 9)	(5,650)	(1,800)
<b>Amount transferred to reserves (note 21)</b>	943	117

The results shown above relate wholly to continuing operations for the current and previous accounting periods.

**SURRIDGE DAWSON LIMITED****Balance Sheet as at 27 September 2003**

	27 September 2003	28 September 2002
	£'000	£'000
<b>Fixed assets</b>		
Intangible assets (note 10)	40,467	42,162
Tangible assets (note 11)	18,132	17,345
Investments (note 12)	3,525	16,393
	<u>62,124</u>	<u>75,900</u>
<b>Current assets</b>		
Stocks	1,319	1,697
Debtors (note 13)	25,654	31,716
Cash at bank and in hand	5,703	2,709
	<u>32,676</u>	<u>36,122</u>
<b>Creditors – amounts falling due within one year (note 14)</b>	<u>(85,243)</u>	<u>(103,270)</u>
<b>Net current liabilities</b>	<u>(52,567)</u>	<u>(67,148)</u>
<b>Total assets less current liabilities</b>	<u>9,557</u>	<u>8,752</u>
<b>Creditors – amounts falling due after more than one year (note 15)</b>	<u>(1,100)</u>	<u>(1,238)</u>
<b>Net assets</b>	<u>8,457</u>	<u>7,514</u>
<b>Capital and reserves</b>		
Called up share capital (note 18)	200	200
Share premium account (note 19)	70	70
Revaluation reserve (note 20)	633	633
Profit and loss account (note 21)	7,554	6,611
<b>Total equity shareholders' funds (note 22)</b>	<u>8,457</u>	<u>7,514</u>

These financial statements were approved by the Board of Directors on 28 November 2003 and signed on its behalf by:



D J Lowther  
Director



**SURRIDGE DAWSON LIMITED**

**Statement of Total Recognised Gains and Losses for the 52 weeks ended 27 September 2003**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
<b>Profit attributable to shareholders of the company for the financial period</b>	6,593	1,917
Unrealised loss on revaluation of short leasehold property	-	(70)
<b>Total recognised gains and losses relating to the period</b>	<u>6,593</u>	<u>1,847</u>

**SURRIDGE DAWSON LIMITED**

**Note of Historical Cost Profits and Losses for the 52 weeks ended 27 September 2003**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
<b>Reported profit before taxation</b>	11,122	5,201
Difference between depreciation on a historical cost basis and the actual depreciation charge calculated on the revalued amount	<u>1</u>	<u>2</u>
<b>Historical cost profit on ordinary activities before taxation</b>	<u>11,123</u>	<u>5,203</u>
<b>Historical cost profit for the period after taxation and dividends</b>	<u>944</u>	<u>119</u>

## **SURRIDGE DAWSON LIMITED**

### **Notes to the accounts for the 52 weeks ended 27 September 2003**

#### **1. Principal accounting policies**

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards in the United Kingdom, applied consistently in the current and prior period. Compliance with SSAP 19 "Accounting for Investment Properties" requires departures from the requirements of the Companies Act 1985 relating to depreciation and amortisation. An explanation for this departure is given below.

##### **Consolidated financial statements**

The directors have taken advantage of Section 228 of the Companies Act 1985 and have not prepared consolidated financial statements for Surridge Dawson Limited and its subsidiaries, as the company is a wholly owned subsidiary undertaking of Dawson Holdings PLC, a company incorporated in Great Britain, and which prepares group accounts that include the results of Surridge Dawson Limited.

These financial statements present information about the company as an individual undertaking and not about its group.

##### **Cash flow statement**

The company has taken advantage of the exemption in the Financial Reporting Standard 1 not to produce a cash flow statement. The company is a wholly owned subsidiary of a parent undertaking incorporated in Great Britain which produces consolidated cash flow statements incorporating the cash flows of the company.

##### **Turnover**

Turnover comprises sales to customers, less credits and returns, and is stated net of VAT and other sales taxes. It arose wholly in the United Kingdom and was attributable to the company's principal activities.

##### **Goodwill**

As allowed by FRS 10, "Goodwill and Intangible Assets", purchased goodwill arising on the acquisition of a business or trade prior to 29 January 1995 has been written off directly to reserves. Goodwill arising on the acquisition of a business or trade on or after 29 January 1995 has been capitalised and amortised on a straight-line basis over periods not exceeding 20 years, being the estimated useful life.

##### **Fixed assets**

The company has taken advantage of the transitional rules contained in FRS 15, "Tangible Fixed Assets", to freeze the valuation of its freehold properties previously revalued. The date of the last valuation of these properties was 30 September 1999.

##### **Depreciation**

This is provided on a straight-line basis, over the following periods:

Freehold and long leasehold property	20 to 50 years
Short leasehold property	Term of lease, or shorter periods if considered necessary
Other tangible fixed assets	3 to 8 years

Freehold land is not depreciated.

##### **Stocks**

Stocks principally comprise goods for resale and have been stated at the lower of cost and net realisable value. In the opinion of the directors, there is no material difference between the replacement, and original, costs of stocks.

## **SURRIDGE DAWSON LIMITED**

### **Notes to the accounts for the 52 weeks ended 27 September 2003**

#### **1. Principal accounting policies (continued)**

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in its financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### **Leases**

Assets acquired under finance leases are capitalised at fair value and depreciated over the shorter of the lease term and useful life. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals for operating leases are charged on a straight-line basis over the lease term.

##### **Pension costs**

The company provides pension arrangements on both defined contribution and defined benefit bases. For the defined contribution scheme, costs are charged to the profit and loss account as incurred. Differences between contributions payable in the period and contributions actually paid are shown as accruals or prepayments in the balance sheet. For the defined benefit scheme, the profit and loss account is charged with a level contribution rate sufficient to fund the scheme to meet pension obligations as they fall due.

##### **Fixed asset investments**

In accordance with SSAP 19, investment properties are stated at market value and the aggregate surplus or deficit is transferred to the revaluation reserve, and no provision is made for depreciation of freehold properties, or for amortisation of leasehold properties held on leases having more than 20 years unexpired. This departure from the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The depreciation or amortisation (which would have reduced the profit for the year if the provisions of the Companies Act 1985 had been followed) is only one of the factors reflected in the annual valuation, and the amount attributable to this factor cannot reasonably be separately identified or quantified.

Investments in subsidiary and associated undertakings are stated at cost, less any provisions for impairment in value.

##### **Long term incentive scheme**

The costs of long term incentive schemes, where amounts are payable based on business performance over a number of years, are accrued over the lives of said schemes, based on estimates of the final amounts payable, which are reviewed at each period end.

# **SURRIDGE DAWSON LIMITED**

Notes to the accounts for the 52 weeks ended 27 September 2003

## **2. Analyses of turnover, operating profit and net assets**

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
<b>Turnover by class of business</b>		
Distribution and marketing services	577,078	576,861
Book supply	38,845	33,153
	<u>615,923</u>	<u>610,014</u>
<b>Turnover by destination</b>		
United Kingdom	603,538	599,647
Overseas	12,385	10,367
	<u>615,923</u>	<u>610,014</u>
<b>Operating profit</b>		
Distribution and marketing services	13,779	11,629
Book supply	2,266	1,821
	<u>16,045</u>	<u>13,450</u>
Amortisation of goodwill	(2,825)	(2,873)
Exceptional item – impairment of goodwill	-	(3,218)
	<u>13,220</u>	<u>7,359</u>

Turnover and operating profit arose wholly from continuing operations in the United Kingdom.

Amortisation and impairment of goodwill relate to the Distribution and marketing services business segment.

The operating profit of the Distribution and marketing services segment after goodwill amortisation and impairment was £10,954,000 (2002 - £5,538,000).

	At 27 September 2003 £'000	At 28 September 2002 £'000
<b>Net assets by business class</b>		
Distribution and marketing services	(15,627)	(9,476)
Book supply	1,807	2,618
	<u>(13,820)</u>	<u>(6,858)</u>
Intangible assets	40,467	42,162
Interest bearing net assets	(18,190)	(27,790)
<b>Total net assets</b>	<u>8,457</u>	<u>7,514</u>

Net assets relate wholly to the United Kingdom.

**SURRIDGE DAWSON LIMITED****Notes to the accounts for the 52 weeks ended 27 September 2003****3. Net operating costs**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
Change in stock	555	603
Raw materials and consumables	507,929	504,262
Staff costs (note 5)	50,077	51,235
Amortisation of goodwill (note 10)	2,825	2,873
Impairment of goodwill	-	3,218
Depreciation of tangible fixed assets (note 11)	3,163	4,119
Other external charges	41,001	38,946
Other operating income	(2,847)	(2,601)
	<u>602,703</u>	<u>602,655</u>

**4. Directors**

Directors' remuneration was as follows:

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
<b>In respect of all directors</b>		
Total emoluments, excluding pension contributions made by the company	<u>1,428</u>	<u>1,202</u>
Employer's contribution to pension scheme in respect of which money purchase benefits may become payable	<u>32</u>	<u>28</u>
<b>In respect of the highest paid director only</b>		
Emoluments, excluding pension contributions made by the company	<u>333</u>	<u>332</u>
Employer's contribution to pension scheme in respect of which money purchase benefits may become payable	<u>26</u>	<u>28</u>
Amount of accrued pension	<u>9</u>	<u>8</u>

7 (2002 – 7) directors were members of a defined benefit pension scheme.

Contributions to money purchase pension schemes were made on behalf of 2 (2002 – 1) directors.

During the period, no director received shares, and no shares became receivable by any director, under a long-term incentive plan.

No director exercised share options during the period.

# **SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

## **5. Employee information (including directors)**

The average number of full and part time employees during the period was:

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	Number	Number
Distribution	2,346	2,312
Administration	451	541
Other	85	144
	<u>2,882</u>	<u>2,997</u>

Employment costs for the period were:

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
Wages and salaries	44,569	45,784
Social security costs	3,494	3,333
Other pension costs	2,014	2,118
	<u>50,077</u>	<u>51,235</u>

## **6. Operating profit**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
	£'000	£'000
This is stated after charging/(crediting):		
Depreciation – owned assets	2,532	3,519
Depreciation – leased assets	631	600
Amortisation of goodwill (note 10)	2,825	2,873
Impairment of goodwill	-	3,218
Auditors' remuneration – audit fees	1	91
Auditors' remuneration – other fees	4	15
Operating lease rentals – plant and machinery	432	526
Operating lease rentals – other	3,705	3,488
Management charge to associated undertaking	(227)	(193)
Management charge to subsidiary undertaking	(857)	(863)
	<u></u>	<u></u>

The audit fee for the period ended 27 September 2003 was paid by the ultimate parent company.

**SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

**7. Net interest payable**

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
Interest payable		
– on bank overdrafts	-	82
– on other loans	45	-
– on finance leases	139	184
– to other group undertakings	1,969	1,920
	<u>2,153</u>	<u>2,186</u>
Other interest receivable	-	(20)
Bank interest receivable	-	(8)
	<u>2,153</u>	<u>2,158</u>

**8. Tax on profit on ordinary activities**

**8(1). Analysis of taxation charge for the period**

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
Corporation tax at 30.0% (2002 – 30.0%)	4,502	4,090
Group relief payable	-	-
Credit in respect of prior periods	(116)	(301)
Current tax charge	<u>4,386</u>	<u>3,789</u>
Deferred tax charge relating to		
– current period	197	-
– prior periods	163	-
Deferred tax credits relating to		
– current period	(217)	(365)
– prior periods	-	(140)
	<u>4,529</u>	<u>3,284</u>



## SURRIDGE DAWSON LIMITED

### Notes to the accounts for the 52 weeks ended 27 September 2003

#### 8. Tax on profit on ordinary activities (continued)

##### 8(2). Factors affecting the charge for the period

The corporation tax charge for the period is disproportionate due mainly to the accounting charges for amortisation and impairment of goodwill that are not deductible for tax purposes. A full analysis of the differences is given below:

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
Profit on ordinary activities before tax	11,122	5,201
Tax on profit on ordinary activities at the standard rate of UK corporation tax of 30%	3,337	1,560
<i>Factors affecting the charge for the period</i>		
Expenses not deductible for tax purposes		
Goodwill impairment	-	965
Goodwill amortisation	848	862
Investment write-down	3,459	-
Permanently disallowable expenses	236	338
Non-taxable income		
Dividends from UK subsidiaries	(3,475)	-
Fixed asset timing differences	(121)	200
Other short-term timing differences	218	165
Adjustment to tax charge in respect of previous periods	(116)	(301)
Current tax charge for the period	4,386	3,789

##### 8(3). Factors that may affect future tax charges

Based on current investment plans, no significant differences between depreciation and capital allowances are anticipated in future periods, although, due to the ineligibility of many wholesale depots for industrial buildings' allowances, modest permanent differences will continue to arise.

No provision has been made for deferred tax on the revaluation of fixed assets, or for chargeable gains which have been rolled-over against replacement assets. Such tax would only become payable if the property were sold without the possibility of claiming further roll-over relief. The total amount not provided is £2,100,000. In addition, the company has unutilised capital losses of £1,417,000, which have not been recognised as deferred tax assets. At present, therefore, it is not anticipated that tax will become payable in respect of these chargeable gains in the foreseeable future.

# **SURRIDGE DAWSON LIMITED**

## **Notes to the accounts for the 52 weeks ended 27 September 2003**

### **9. Dividends**

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
Final dividend of £28.25 (2002 – £9.00) per share	<u>5,650</u>	<u>1,800</u>

### **10. Intangible assets**

	Goodwill £'000
<b>Cost</b>	
At 29 September 2002	64,551
Amount reclassified from investments (note 12)	1,130
At 27 September 2003	<u>65,681</u>
<b>Amortisation and other amounts written off</b>	
At 29 September 2002	22,389
Amortisation charge for the period	2,825
At 27 September 2003	<u>25,214</u>
<b>Net book value</b>	
At 27 September 2003	<u>40,467</u>
At 28 September 2002	<u>42,162</u>

In previous years, a number of businesses were hived-up into Surridge Dawson Limited from purchased subsidiary undertakings. Consideration for the transfers was equal to the book values of the individual net assets acquired, excluding goodwill, for which the subsidiaries were not compensated.

To the extent that the cost of the investments in these subsidiaries now exceeds the fair values of their relevant net assets, the excess (£1,130,000) represents purchased goodwill, and has been reclassified as such.

**SURRIDGE DAWSON LIMITED**

Notes to the accounts for the 52 weeks ended 27 September 2003

**11. Tangible fixed assets**

	Freehold land and buildings £'000	Long leasehold properties £'000	Short leasehold properties £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>						
At 29 September 2002	7,589	2,109	2,078	15,131	8,034	34,941
Reclassifications	(10)	-	-	10	-	-
Additions	-	-	37	2,469	1,568	4,074
Disposals	-	-	(107)	(3,523)	(2,146)	(5,776)
At 27 September 2003	<u>7,579</u>	<u>2,109</u>	<u>2,008</u>	<u>14,087</u>	<u>7,456</u>	<u>33,239</u>
<b>Depreciation</b>						
At 29 September 2002	850	414	741	10,229	5,362	17,596
Reclassifications	(1)	-	-	1	-	-
Charge for the period	242	101	150	1,621	1,049	3,163
Disposals	-	-	(107)	(3,477)	(2,068)	(5,652)
At 27 September 2003	<u>1,091</u>	<u>515</u>	<u>784</u>	<u>8,374</u>	<u>4,343</u>	<u>15,107</u>
<b>Net book value</b>						
At 27 September 2003	<u>6,488</u>	<u>1,594</u>	<u>1,224</u>	<u>5,713</u>	<u>3,113</u>	<u>18,132</u>
At 28 September 2002	<u>6,739</u>	<u>1,695</u>	<u>1,337</u>	<u>4,902</u>	<u>2,672</u>	<u>17,345</u>
<b>Analysis of assets carried at cost or valuation at 27 September 2003</b>						
<b>Net book value</b>						
At valuation	125	-	36	-	-	161
At cost	<u>6,363</u>	<u>1,594</u>	<u>1,188</u>	<u>5,713</u>	<u>3,113</u>	<u>17,971</u>
	<u>6,488</u>	<u>1,594</u>	<u>1,224</u>	<u>5,713</u>	<u>3,113</u>	<u>18,132</u>

At 27 September 2003, the company had leased motor vehicles with a net book value of £1,057,000 (2002 – £1,009,000) and leased furniture, fixtures and fittings with a net book value of £829,000 (2002 – £106,000).

## **SURRIDGE DAWSON LIMITED**

### **Notes to the accounts for the 52 weeks ended 27 September 2003**

#### **11. Tangible fixed assets (continued)**

##### **Revaluations**

All freehold and leasehold properties held at 31 October 1988 were, as at that date, revalued by a firm of qualified Chartered Surveyors at their open market value on an existing use basis. The results of this revaluation were reflected in the financial statements.

The company's freehold and leasehold properties were revalued as at 30 September 1999. This indicated that their market value at that time was £3,025,000 lower than their net book value at that time. However, in the opinions of the directors, the value in use of these properties as at 27 September 2003 was greater than their market value, and, as a result, no impairment has been recognised within these financial statements.

All vacant former trading properties are written down to their current open market value, on the basis of a review as at 30 September 1999 undertaken by a firm of qualified Chartered Surveyors.

As at 27 September 2003 and at 28 September 2002, no freehold properties were being held pending disposal.

##### **Historical costs**

If land and buildings were stated at historical cost, the amounts as at 27 September 2003 would be:

	Freehold properties £'000	Short leasehold properties £'000
Cost	7,514	2,013
Accumulated depreciation	(1,080)	(787)
Net book value	<u>6,434</u>	<u>1,226</u>

The company's long-leasehold properties are stated at historical cost.

# **SURRIDGE DAWSON LIMITED**

Notes to the accounts for the 52 weeks ended 27 September 2003

## **12. Fixed asset investments**

### **12(1). Summary of fixed asset investments**

	27 September 2003 £'000	28 September 2002 £'000
Investment properties – note 12(2)	750	750
Investments in subsidiary undertakings – note 12(3)	2,077	14,690
Investments in associated undertakings – note 12(4)	698	953
	<u>3,525</u>	<u>16,393</u>

### **12(2). Investment properties**

	£'000
<b>Freehold investment properties at valuation</b>	
At 27 September 2003 and at 28 September 2002	<u>750</u>

A firm of professionally qualified chartered surveyors revalued investment properties, on an open market value basis, as at 27 September 2003.

### **12(3). Investments in subsidiary undertakings**

	£'000
<b>Cost</b>	
At 29 September 2002	21,611
Additions	46
Transfer to goodwill (note 10)	(1,130)
At 27 September 2003	<u>20,527</u>
<b>Provisions</b>	
At 29 September 2002	6,921
Amount provided during the period	11,529
At 27 September 2003 and at 28 September 2002	<u>18,450</u>
<b>Net book amount</b>	
At 27 September 2003	<u>2,077</u>
At 28 September 2002	<u>14,690</u>

During the period, certain dormant subsidiary undertakings declared dividends of £11,584,000 that paid up their reserves to the company. Consequently, a provision of £11,529,000 has been made in the company's accounts to write down the carrying value of these investments to the new underlying net worth disclosed in the dormant subsidiaries' financial statements.

During the period the company invested in the share capital of Dawson Media Direct SAS, and in the share capital of Dawson Media Direct GmbH (companies incorporated in France and Germany respectively). The combined cash amount paid was £46,000. As at 27 September 2003, the aggregate net asset value of these two companies was £43,000, and neither had started trading.

## **SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

### **12. Fixed asset investments (continued)**

#### **12(3). Investments in subsidiary undertakings (continued)**

At 27 September 2003, the company's subsidiary undertakings were:

<i>Name</i>	<i>Voting rights held</i>	<i>Activity</i>
Solent SD Limited	53%	Wholesale newsagent
Dawson Media Direct NV (incorporated in Belgium)	100%	Specialist distribution
Dawson Media Direct SAS (incorporated in France)	100%	No activity carried out
Dawson Media Direct GmbH (incorporated in Germany)	100%	No activity carried out
Johnsons of London Limited	100%	No activity carried out
Solent Delivery Services Limited	53% *	No activity carried out
Solent News Distributors Limited	53% *	No activity carried out
H W Seitz & Sons Limited	100%	No activity carried out
Bournemouth Area News Distributors Limited	100% *	No activity carried out
F A Loader & Co (Blandford) Limited	100% *	No activity carried out
Thunder & Clayden (News) Limited	100% *	No activity carried out
Urgentchart	100% *	No activity carried out
Wessex News Distributors Limited	100% *	No activity carried out
Pathfinder Wholesalers Limited	50%	No activity carried out
BFG (Holdings) Limited	100%	No activity carried out
Storeforce UK Limited	100% *	No activity carried out
Omega Marketing Services Limited	100% *	No activity carried out
Transman Distributors Limited	100% *	No activity carried out
ABC Promotional Marketing Services Limited	100% *	No activity carried out
Bridge Marketing Support Services Limited	100%	No activity carried out

\* Shares owned by an intermediate holding company

Unless otherwise indicated, the above undertakings are all incorporated in Great Britain. Those companies that trade do so in the country of incorporation.

The minority shareholders of Solent SD Limited can, at any time, oblige the company to purchase some, or all, of their shares, at a price based on Solent SD Limited's profits.

# **SURRIDGE DAWSON LIMITED**

Notes to the accounts for the 52 weeks ended 27 September 2003

## **12. Fixed asset investments (continued)**

### **12(4). Investments in associated undertakings**

	Share capital £'000	Loans £'000	Total £'000
<b>Cost and net book value</b>			
At 29 September 2002	125	828	953
Loan repayments made	-	(255)	(255)
At 27 September 2003	<u>125</u>	<u>573</u>	<u>698</u>

The company owns 18.33% (2002 – 18.33%) of the ordinary share capital of T Cox & Son (Tonbridge) Limited, a news wholesale company incorporated in Great Britain. The directors consider this to be an investment in an associated undertaking.

The company owns, through FMD Limited (a non-trading holding company incorporated in Great Britain), 30.00% (2002 – 30.00%) of the ordinary share capital of Worldwide Magazine Distribution Limited, a news wholesale company incorporated in Great Britain.

## **13. Debtors**

	27 September 2003 £'000	28 September 2002 £'000
Trade debtors	23,188	27,931
Other debtors	810	1,338
Deferred tax asset (note 17)	222	365
Prepayments and accrued income	1,434	2,082
	<u>25,654</u>	<u>31,716</u>

## **14. Creditors – amounts falling due within one year**

	27 September 2003 £'000	28 September 2002 £'000
Bank loans and overdrafts (note 16)	2,040	3,044
Trade creditors	47,013	46,669
Amounts due to group undertakings	22,196	40,356
Corporation tax	2,401	2,578
Other taxation and social security liabilities	1,549	1,485
Accruals and deferred income	9,411	8,588
Obligations under finance leases (note 16)	633	550
	<u>85,243</u>	<u>103,270</u>

# **SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

## **15. Creditors – amounts falling due after more than one year**

	27 September 2003 £'000	28 September 2002 £'000
Obligations under finance leases (note 16)	<u>1,100</u>	<u>1,238</u>

## **16. Borrowings**

The company's borrowings are as follows:

	27 September 2003 £'000	28 September 2002 £'000
Bank overdraft	2,040	3,044
Finance lease obligations	1,733	1,788
<b>Total borrowings</b>	<u><b>3,773</b></u>	<u><b>4,832</b></u>
Borrowings repayable within one year or on demand		
- bank overdrafts	2,040	3,044
- finance lease obligations	633	550
<b>Total repayable within one year or on demand</b>	<u><b>2,673</b></u>	<u><b>3,594</b></u>
Borrowings repayable in the second to fifth years		
- finance lease obligations	1,100	1,238
<b>Total borrowings</b>	<u><b>3,773</b></u>	<u><b>4,832</b></u>

## **17. Deferred tax**

	£'000
Asset at 29 September 2002 (shown in debtors, note 13)	365
Credit relating to current period short-term timing differences	217
Charge relating to prior period accelerated capital allowances	(163)
Charge relating to current period accelerated capital allowances	(197)
<b>Asset at 27 September 2003 (shown in debtors, note 13)</b>	<u><b>222</b></u>

The deferred tax asset provided is as follows:

	27 September 2003 £'000	28 September 2002 £'000
Excess of depreciation over capital allowances	160	(200)
Other short term timing differences	(382)	(165)
<b>Deferred tax asset shown in debtors (note 13)</b>	<u><b>(222)</b></u>	<u><b>(365)</b></u>



# **SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

## **18. Called up share capital**

	27 September 2003 and 28 September 2002 £'000
<b>Authorised, allotted, called up and fully paid</b> 200,000 £1 ordinary shares	<u>200</u>

## **19. Share premium account**

	£'000
At 27 September 2003 and at 28 September 2002	<u>70</u>

## **20. Revaluation reserve**

	Investment properties £'000	Other properties £'000	Total £'000
At 27 September 2003 and at 29 September 2002	<u>570</u>	<u>63</u>	<u>633</u>

## **21. Profit and loss account**

	£'000
Balance at 29 September 2002	6,611
Profit for the period	943
Balance at 27 September 2003	<u>7,554</u>

## **22. Reconciliation of movements in shareholders' funds**

	52 weeks ended 27 September 2003 £'000	52 weeks ended 28 September 2002 £'000
Profit for the period	6,593	1,917
Dividends	(5,650)	(1,800)
	<u>943</u>	<u>117</u>
Deficit on revaluation of short leasehold property	-	(70)
Net increase in shareholders' funds	<u>943</u>	<u>47</u>
Opening shareholders' funds	7,514	7,467
Closing shareholders' funds	<u>8,457</u>	<u>7,514</u>

## SURRIDGE DAWSON LIMITED

### Notes to the accounts for the 52 weeks ended 27 September 2003

#### 23. Financial commitments

At 27 September 2003, the company had the following annual commitments under non-cancellable operating leases:

	27 September 2003		28 September 2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Commitments under leases expiring				
– within one year	93	353	741	520
– in one to five years	959	79	513	6
– after five years	2,376	-	2,608	-
	<u>3,428</u>	<u>432</u>	<u>3,862</u>	<u>526</u>

#### 24. Capital commitments

At 27 September 2003, the company had no capital expenditure commitments that were not provided in the accounts (2002 – nil).

#### 25. Pension commitments

For practical purposes, the members of the Dawson Holdings PLC group pension scheme are all employed by Surridge Dawson Limited. Therefore, the disclosures in these financial statements are the same as those in the financial statements of Dawson Holdings PLC.

The company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the Dawson Holdings PLC group pension scheme.

##### Pension expense under SSAP 24

The company operates a pension fund that has both defined benefit and defined contribution sections. The defined benefit section is closed to new entrants. The fund's assets are held in trust, separately from the Company's assets. A qualified actuary assesses the pension costs of the defined benefit section. The costs are charged to the profit and loss account in such a way that they are spread over the duration of employees' working lives with the company.

The last formal actuarial valuation of the fund was carried out as at 1 March 2002. Since the defined benefit section is closed to new entrants, the current service cost, expressed as a percentage of pensionable salaries, will increase as the fund's members approach retirement. The valuation was performed using a market-based approach and the projected unit method. The main assumptions used to determine the pension cost were a 7.0% p.a. return on investments pre-retirement (5.0% p.a. post-retirement), salary increases of 4.0% p.a. and pension increases of 2.5% p.a. At the valuation date, the market value of the fund's assets was £28.9m, representing 91.0% of the value of the combined benefits that had accrued to members, after allowing for expected future increases in salaries.

In relation to the defined benefit section, the company contributed £1,825,000 (2002 - £1,788,000) to the fund over the period.

The pension cost for the period was £1,848,000 (2002 - £1,798,000), comprising a regular cost of £1,253,000 and a variation of £595,000. Provisions as at 27 September 2003 include £23,000 in respect of the difference between the amount expensed and the amount contributed (2002 – nil).

**SURRIDGE DAWSON LIMITED**

Notes to the accounts for the 52 weeks ended 27 September 2003

**25. Pension commitments (continued)****Additional disclosures required by FRS 17****Assumptions**

	27 September 2003	28 September 2002
Rate of increase in salaries	3.75%	3.75%
Rate of increase in deferred pensions	2.50%	2.25%
Rate of increase in pensions in payment	2.50%	2.25%
Discount rate	5.30%	5.40%
Inflation assumption	2.50%	2.25%

The present value of the fund's liabilities, and the current service cost, are calculated using the projected unit method. As the pension scheme is closed, under this method, the current service cost, as a percentage of pensionable salaries, will increase as the members of the scheme approach retirement.

**Assets in the fund, and rate of return**

	27 September 2003		28 September 2002	
	Long term rate of return expected	Fair value £m	Long term rate of return expected	Fair value £m
Equities	7.70%	17.2	7.50%	14.2
Bonds	4.70%	12.7	4.50%	12.4
Other	4.00%	0.3	4.50%	0.2
		<u>30.2</u>		<u>26.8</u>

**Net pension liability**

	27 September 2003	28 September 2002
	£m	£m
Total market value of assets	30.2	26.8
Present value of fund liabilities	(40.6)	(35.7)
Deficit in fund	<u>(10.4)</u>	<u>(8.9)</u>
Related deferred tax asset	3.1	2.6
Net pension liability	<u>(7.3)</u>	<u>(6.3)</u>

**SURRIDGE DAWSON LIMITED**

**Notes to the accounts for the 52 weeks ended 27 September 2003**

**25. Pension commitments (continued)**

**Additional disclosures required by FRS 17 (continued)**

**Profit and loss reserve**

Had FRS 17 been adopted, the profit and loss reserve would have been adjusted as follows:

	27 September 2003	28 September 2002
	£m	£m
Profit and loss reserve as stated	7.6	6.6
Less: pension liability	(7.3)	(6.3)
Profit and loss reserve under FRS 17	<u>0.3</u>	<u>0.3</u>

**Profit and loss account disclosures under FRS 17**

	52 weeks ended 27 September 2003 £m
<i>Analysis of the amount charged to operating profit</i>	
Current service cost	1.4
Past service cost	-
	<u>1.4</u>
<i>Analysis of net return on pension scheme</i>	
Expected return on pension scheme assets	1.7
Interest on pension scheme liabilities	(2.0)
Net return	<u>(0.3)</u>

**Amounts recognised in the statement of total recognised gains and losses under FRS 17**

	52 weeks ended 27 September 2003 £m
Actual return less expected return on assets	0.5
Experience gains and losses on liabilities	0.1
Changes in assumptions	(2.2)
Actuarial loss	<u>(1.6)</u>

# **SURRIDGE DAWSON LIMITED**

## **Notes to the accounts for the 52 weeks ended 27 September 2003**

### **25. Pension commitments (continued)**

#### **Additional disclosures required by FRS 17 (continued)**

#### **Movement in the deficit during the year**

	52 weeks ended 27 September 2003 £m
Deficit in the scheme as at 29 September 2002	(8.9)
Current service cost	(1.4)
Contributions	1.8
Net return on assets	(0.3)
Actuarial loss	(1.6)
Deficit in the scheme as at 27 September 2003	<u>(10.4)</u>

#### **History of experience of gains and losses**

	52 weeks ended 27 September 2003	52 weeks ended 28 September 2002
Difference between expected and actual return on scheme assets		
Amount/£m	0.5	(2.7)
Proportion of scheme's assets	<u>2%</u>	<u>(10%)</u>
Experience gains and losses on scheme liabilities		
Amount/£m	0.1	0.6
Proportion of scheme's assets	<u>-</u>	<u>2%</u>
Total amount recognised in statement of total recognised gains and losses		
Amount/£m	(1.6)	(4.8)
Proportion of scheme's assets	<u>(4%)</u>	<u>(14%)</u>

### **26. Contingent liabilities**

The company has given a guarantee and a debenture in respect of a £20,000,000 bank overdraft facility, expiring in September 2004, and £27,550,000 of amortising loans, repayable through to September 2008, taken out by its ultimate parent undertaking.

## **SURRIDGE DAWSON LIMITED**

### **Notes to the accounts for the 52 weeks ended 27 September 2003**

#### **27. Related party disclosures**

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with companies in the Dawson Holdings PLC group where 90% or more of the voting rights are held within the group.

##### **Transactions with Solent SD Limited**

During the period, the following transactions took place with Solent SD Limited, a subsidiary undertaking where less than 90% of the voting rights are held within the Dawson Holdings PLC group:

- The company levied a management charge of £857,000 (2002 – £863,000) on Solent SD Limited.
- The company charged Solent SD Limited £427,000 (2002 – £415,000) in respect of head office administration costs.
- The company credited Solent SD Limited with interest of £49,000 (2002 – £45,000) in respect of pooled cash balances.
- The company invoiced sales with a value of £37,377,000 (2002 – £37,166,000) on behalf of Solent SD Limited.
- The company settled expenses with a value of £35,968,000 (2002 – £36,217,000) on behalf of Solent SD Limited.

As at 27 September 2003, the creditor balance on these transactions was £1,088,000 (2002 – creditor balance of £1,183,000), and was included in amounts due to group undertakings (note 14).

##### **Other transactions**

During the period, the company carried on business, at arm's length and on normal commercial terms, with International Press Network Limited (IPN), an undertaking of which Mr M V L Pearce is a beneficial owner. Mr Pearce is a director of Dawson Holdings PLC, which is Surridge Dawson Limited's ultimate parent undertaking. IPN distributes foreign press publications to the UK news trade. The company purchases titles from IPN and also provides packing and distribution services for IPN in London and the north of England.

During the period, purchases made from IPN were £3,347,000 (2002 – £3,591,000), and sales invoiced to IPN were £1,203,000 (2002 – £774,000). At 27 September 2003, the creditor balance outstanding on these transactions was £470,000 (2002 – £528,000), and the debtor balance outstanding was £216,000 (2002 – £209,000).

#### **28. Parent undertakings**

The immediate parent undertaking is Dawson Holdings Wholesale Limited.  
The ultimate parent undertaking, and controlling party, is Dawson Holdings PLC.  
Both undertakings are companies incorporated in Great Britain.

Dawson Holdings PLC is the only parent undertaking to prepare consolidated financial statements that incorporate Surridge Dawson Limited's results. Copies are available from:

The Company Secretary  
Dawson Holdings PLC  
9<sup>th</sup> Floor (South Wing)  
AMP House  
Dingwall Road  
Croydon  
CR0 9XA