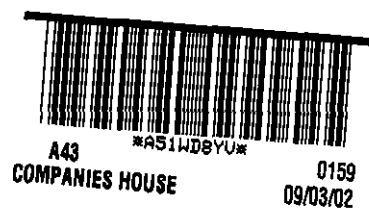


Sanctuary Publishing Limited
REPORT AND FINANCIAL STATEMENTS

year ended 30 September 2001



Sanctuary Publishing Limited

DIRECTORS AND OFFICERS

DIRECTORS

AJ Taylor
MD Miller
RC Smallwood
A Najeeb
P Braybrooke
HH Davies

JOINT COMPANY SECRETARIES

City Group Limited
SEA Standing

REGISTERED OFFICE

Sanctuary House
45-53 Sinclair Road
London W14 0NS

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Sanctuary Publishing Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Sanctuary Publishing Limited for the year ended 30 September 2001.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was book publishing.

REVIEW OF THE BUSINESS

The company had a promising trading year and the directors are confident of the future prospects.

RESULTS AND DIVIDENDS

The trading loss for the year before taxation was £236,236 (2000: loss £102,734).

The directors do not recommend the payment of a dividend. The loss for the financial year will be carried forward.

DIRECTORS

The directors who have held office during the year and their interest in the share capital of the company were as follows:

	<i>Ordinary shares of £1 each</i>	
	2001	2000
P Braybrooke	20	20
AJ Taylor	-	-
MD Miller	-	-
RC Smallwood	-	-
A Najeeb	-	-
HH Davies	-	-

AJ Taylor, RC Smallwood, MD Miller and A Najeeb are also directors of the ultimate parent company, The Sanctuary Group plc. Details of their shareholdings in that company are given in its statutory accounts.

The shareholdings of the other directors in The Sanctuary Group plc are as follows:

	<i>Ordinary shares of 12.5p each</i>	
	2001	2000
P Braybrooke	3,008	3,000
HH Davies	827,016	824,239

INTRODUCTION OF THE EURO

All relevant parts of the company are able to handle Euro transactions.

Sanctuary Publishing Limited

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



A Najeeb
Director

14 January 2002

Sanctuary Publishing Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF SANCTUARY PUBLISHING LIMITED

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

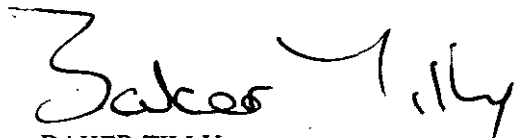
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

14 January 2002

Sanctuary Publishing Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2001

	<i>Notes</i>	2001 £	2000 £
TURNOVER	1	1,184,419	659,608
Cost of sales		(764,161)	(484,484)
Gross profit		<u>420,258</u>	<u>175,124</u>
Administrative expenses		(456,389)	(276,364)
OPERATING LOSS		<u>(36,131)</u>	<u>(101,240)</u>
Interest payable		(200,105)	(1,494)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(236,236)</u>	<u>(102,734)</u>
Taxation	4	-	-
RETAINED LOSS FOR THE YEAR	10	<u>(236,236)</u>	<u>(102,734)</u>

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

There have been no movement in shareholders' funds other than the loss for the financial year and the loss for the preceding financial year.

The operating loss for the year arises from the company's continuing operations.

Sanctuary Publishing Limited

BALANCE SHEET

30 September 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	5	7,780	12,707
		<u> </u>	<u> </u>
CURRENT ASSETS			
Stock	6	612,154	718,061
Debtors	7	1,530,261	970,221
		<u>2,142,415</u>	<u>1,688,282</u>
CREDITORS: Amounts falling due within one year	8	(2,813,137)	(2,127,695)
NET CURRENT LIABILITIES		<u>(670,722)</u>	<u>(439,413)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(662,942)</u>	<u>(426,706)</u>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	(663,042)	(426,806)
EQUITY SHAREHOLDERS' FUNDS		<u>(662,942)</u>	<u>(426,706)</u>

Approved by the board on 14 January 2002

A Najeeb  Director

Sanctuary Publishing Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company relies on the continued support of the ultimate parent company, The Sanctuary Group plc. The directors continue to adopt the going concern concept in preparing the financial statements.

TURNOVER

Turnover represents the invoiced value, (exclusive of Value Added Tax), of goods sold during the year.

TANGIBLE FIXED ASSETS

Depreciation is provided on costs in equal instalments to write off each asset over its useful life, as follows:-

Computer equipment	25% per annum
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LEASED ASSETS AND OBLIGATIONS

Assets acquired under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the year of the lease in proportion to the capital element outstanding.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value.

PENSION COSTS

The company is a member of The Sanctuary Group plc group personal pension plan which is a money purchase scheme. Contributions are taken to the profit and loss account as incurred.

Sanctuary Publishing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2001

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal business: the sale of books worldwide. It is not practicable to provide a geographical analysis of turnover.

	2001 £	2000 £
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2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

Depreciation and amounts written off tangible fixed assets:

leased assets	-	2,000
owned assets	6,109	2,560
Auditors' remuneration	3,000	-
Directors' remuneration	51,312	44,500

3 EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the year was

2001 No.	2000 No.
6	6

Staff costs for the above persons:

Wages and salaries	160,376	81,242
Social security costs	15,090	13,671
Other pension costs	3,802	2,601
	179,268	97,514

4 TAXATION

Group relief received

2001 £	2000 £
-	-

There is no corporation tax charge for the year due to losses incurred during the year.

Sanctuary Publishing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2001

5	TANGIBLE FIXED ASSETS	Computer equipment £
	Cost:	
	1 October 2000	18,327
	Additions	1,182
	30 September 2001	19,509
	Depreciation	
	1 October 2000	5,620
	Charged in the year	6,109
	30 September 2001	11,729
	Net book value	
	30 September 2001	7,780
	30 September 2000	12,707

6	STOCK	2001 £	2000 £
	Finished goods - books	612,154	718,061

7	DEBTORS	2001 £	2000 £
	Due within one year:		
	Trade debtors	436,623	145,939
	Other debtors	265,352	273,623
	Prepayments and accrued income	793,548	516,579
	Amounts due from group undertakings	34,738	34,080
		1,530,261	970,221

8	CREDITORS: Amounts falling due within one year	2001 £	2000 £
	Bank loans and overdrafts	2,448,262	1,545,930
	Trade creditors	75,165	31,528
	Amounts owed to parent company and fellow subsidiaries	277,510	549,664
	Accruals	12,200	573
		2,813,137	2,127,695

The bank overdraft is secured on the assets of the company and guaranteed by the ultimate parent company, The Sanctuary Group plc.

Sanctuary Publishing Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2001

	2001	2000
	£	£
9 SHARE CAPITAL		
Authorised, allotted and fully paid:		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

	2001	2000
	£	£
10 PROFIT AND LOSS ACCOUNT		
1 October 2000	(426,806)	(324,072)
Loss for the financial year	(236,236)	(102,734)
30 September 2001	<hr/> (663,042) <hr/>	<hr/> (426,806) <hr/>

11 CONTINGENT LIABILITY

The bank overdrafts of the Group undertakings are secured by cross-guarantees between group companies. At 30 September 2001 the net liability of the group including the company amounted to £Nil (2000: £2,437,000).

12 IMMEDIATE PARENT COMPANY

The company is a subsidiary of Sanctuary Enterprises plc, a company registered in England and Wales.

13 ULTIMATE PARENT COMPANY

In the directors' opinion the ultimate parent company at 30 September 2001 was The Sanctuary Group plc, a company registered in England and Wales.

Copies of the group financial statements of The Sanctuary Group plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

14 RELATED PARTY DISCLOSURES

In preparing these financial statements, the directors have taken advantage of the exemptions available under paragraph 3(c) of the Financial Reporting Standard No 8 Related Party Disclosures.

15 CASH FLOW STATEMENTS

In accordance with Financial Reporting Standard 1, cash flow statements have not been prepared as the cash flows of the company are included in those of the ultimate parent company, The Sanctuary Group plc.

16 PENSION COMMITMENTS

The company is a member of The Sanctuary Group plc group personal pension scheme, the assets of which are held separately for each employee in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £3,802 (2000: £2,601). No contributions remained payable at the year end.