

ARCHANT LIFESTYLE PLC

Registered Number: 3550181

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004



ARCHANT LIFESTYLE PLC

Registered Number: 3550181

DIRECTORS

J A Fry
A D Jeakings
N G F Websper

SECRETARY

J O Ellison

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

Barclays Bank plc
St Stephens Branch
Red Lion Street
Norwich
NR1 3QH

REGISTERED OFFICE

Prospect House
Rouen Road
Norwich
NR1 1RE

ARCHANT LIFESTYLE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report together with the financial statements of the company for the year ended 31st December 2004.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £582,744 (2003: profit £64,757).

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is the intermediate holding company for the magazine interests of the Archant group of companies.

POST BALANCE SHEET EVENTS

On 28 January 2005, Archant Specialist Limited acquired the entire issued share capital of Romsey Publishing Group Limited, a publisher of specialist magazines. The turnover of Romsey's titles for the year ended 31 March 2004 was £9,776,000.

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year are as follows:

J A Fry	
A D Jeakings	
N G F Websper	
P M Strong	resigned 16 May 2004
I A Davies	resigned 16 May 2004
J A E Hustler	resigned 16 May 2004

None of the directors had any interest in the share capital of the company at any time during the year.

Mr J A Fry, Mr A D Jeakings and Mr N G F Websper were also directors of the holding company at 31 December 2004 and have declared their interests in the shares of the holding company in that company's financial statements.

ARCHANT LIFESTYLE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board,


J O Ellison
Secretary
26 July 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCHANT LIFESTYLE PLC

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of 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 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 legal and regulatory requirements and United Kingdom 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 to you 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 consider the implications for our report if we become aware of any apparent misstatements within it.

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 affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Cambridge
26 July 2005

ARCHANT LIFESTYLE PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Investment income	2	1,860,000	1,425,000
Financing costs	3	(1,818,147)	(1,938,327)
Operating costs		(4,394)	(5,134)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		37,459	(518,461)
Tax credit on profit/(loss) on ordinary activities	4	545,285	583,218
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		582,744	64,757
DIVIDENDS		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	582,744	64,757

There are no recognised gains or losses for the period other than those included in the profit and loss account above.

The notes on pages 8 to 11 form part of these financial statements.

ARCHANT LIFESTYLE PLC

BALANCE SHEET - 31 DECEMBER 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investment in subsidiary undertakings	5	83,170,654	83,170,654
CURRENT ASSETS			
Debtors	6	548,744	1,460,063
CREDITORS:			
Amounts falling due within one year	7	(41,330,823)	(2,988,930)
NET CURRENT LIABILITIES		(40,782,079)	(1,528,867)
TOTAL ASSETS LESS CURRENT LIABILITIES		42,388,575	81,641,787
CREDITORS:			
Amounts falling due after more than one year	8	(40,004,340)	(79,840,296)
		2,384,235	1,801,491
CAPITAL AND RESERVES			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account	11	1,384,235	801,491
EQUITY SHAREHOLDERS' FUNDS	11	2,384,235	1,801,491

Approved by the Board on 26 July 2005.

A D Jeakings
Director

The notes on pages 8 to 11 form part of these financial statements.

ARCHANT LIFESTYLE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention and are drawn up in accordance with applicable Accounting Standards.

(b) Basis of consolidation

The company has taken advantage of exemptions conferred by section 228 of the Companies Act 1985 from preparing consolidated financial statements. Therefore, these financial statements represent the state of affairs of the company only.

2 INVESTMENT INCOME

	2004 £	2003 £
Dividend received from subsidiary undertaking	1,860,000	1,425,000
	<u>1,860,000</u>	<u>1,425,000</u>

3 FINANCING COSTS

	2004 £	2003 £
Unsecured loan notes 2003	-	197,260
Unsecured loan notes 2005	1,697,731	1,544,000
Unsecured loan notes 2008	103,779	141,842
Bank guarantee commission	14,617	37,696
Amortisation of loan issue costs	2,020	17,529
	<u>1,818,147</u>	<u>1,938,327</u>

4 TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004 £	2003 £
UK corporation tax		
current year credit	546,762	583,038
prior year credit	(1,477)	180
	<u>545,285</u>	<u>583,218</u>

Factors affecting current tax credit

The tax credit assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below.

Profit/(loss) on ordinary activities before tax	<u>37,459</u>	<u>(518,461)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	11,238	(155,538)
Non taxable income	(558,000)	(427,500)
Adjustments in respect of prior periods	1,477	(180)
Total current tax above	<u>(545,285)</u>	<u>(583,218)</u>

ARCHANT LIFESTYLE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

5 INVESTMENT IN SUBSIDIARY UNDERTAKINGS	2004	2003
	£	£
Cost		
At 1 January and at 31 December	84,041,180	84,041,180
Amounts provided		
At 1 January and at 31 December	870,526	870,526
Net book value		
At 31 December	83,170,654	83,170,654

The company's principal subsidiary undertakings, all of which are wholly owned and incorporated in England are:

<i>Company</i>	<i>Activity</i>	<i>Holding</i>
Home Counties Newspapers Holdings Plc	Holding company	100% ord. shares
Home Counties Newspapers Limited *	Dormant	100% ord. shares
The South Essex Recorders Limited *	Dormant	100% ord. shares
The Hampstead and Highgate Express Printing and Publishing Company Limited *	Dormant	100% ord. shares
Archant Specialist Limited	Magazine publishing	100% ord. shares
Pilot Publishing Company Limited *	Magazine publishing	100% ord. shares
Archant Life Limited	Magazine publishing	100% ord. shares
French Property News Limited *	Magazine publishing	100% ord. shares
Archant Dialogue Limited	Contract publishing	100% ord. shares
Archant Life (North) Limited	Dormant	100% ord. shares
Picture House Publishing Limited *	Dormant	100% ord. shares

* denotes investment indirectly owned

In the opinion of the directors the value of the investments is not less than their book value.

6 DEBTORS	2004	2003
	£	£
Amounts owed by other group companies	-	1
Group relief receivable	546,762	1,454,981
Other debtors	1,982	5,081
	548,744	1,460,063

ARCHANT LIFESTYLE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

7 CREDITORS: Amounts falling due within one year	2004	2003
	£	£
Bank overdraft	10,909	17,804
Unsecured loan notes 2008 (Note 9)	2,705,399	2,957,000
Unsecured loan notes 2005 (Note 9)	38,600,000	-
Income tax payable	11,467	12,951
Other creditors	3,048	1,175
	<u>41,330,823</u>	<u>2,988,930</u>

8 CREDITORS: amounts falling due after more than one year	2004	2003
	£	£
Unsecured loan notes 2005 (Note 9)	-	38,600,000
Amounts owed to parent undertaking	40,004,340	41,240,296
	<u>40,004,340</u>	<u>79,840,296</u>

9 UNSECURED LOAN NOTES

Unsecured loan notes 2008

The loan notes are floating rate, guaranteed, unsecured loan notes 2008. The financing cost is payable half yearly on 30 June and 31 December at a rate of 1% below the base rate of Barclays Bank Plc on the first business day in the period. The loan notes can be redeemed by the holders at 30 June and 31 December in any year up to 2007, subject to giving the required 30 days notice. The loan notes are guaranteed by Barclays Bank PLC.

	2004	2003
	£	£
Total loan notes outstanding	2,727,117	2,980,738
Less issue costs	(21,718)	(23,738)
	<u>2,705,399</u>	<u>2,957,000</u>

Unsecured loan notes 2005

The unsecured loan notes 2005 were issued to the parent company in settlement of the liability arising on the redemption of convertible unsecured loan stock 2001. The loan notes bear interest at the rate of LIBOR payable annually in arrears.

<u>38,600,000</u>	<u>38,600,000</u>
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10 CALLED UP SHARE CAPITAL

Authorised

6,950,000 ordinary shares of £1 each

Allotted, called up and fully paid

1,000,000 ordinary shares of £1 each

2004	2003
£	£
<u>6,950,000</u>	<u>6,950,000</u>
<u>1,000,000</u>	<u>1,000,000</u>

ARCHANT LIFESTYLE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Profit & loss account £	Shareholders' funds £
At 31 December 2002	1,000,000	736,734	1,736,734
Profit for the year	-	64,757	64,757
At 31 December 2003	1,000,000	801,491	1,801,491
Profit for the year	-	582,744	582,744
At 31 December 2004	1,000,000	1,384,235	2,384,235

12 CONTINGENT LIABILITY

Certain companies in the Group have provided a cross guarantee, by way of a debenture, in relation to the overdraft facility with Barclays Bank Plc. Details of the overdraft facility are contained in the Archant Limited group financial statements.

In addition, certain of the companies in the Group have provided a cross guarantee in relation to the revolving credit facilities with The Royal Bank of Scotland plc. Details of the overdraft facility are also contained in the Archant Limited group financial statements.

13 POST BALANCE SHEET EVENTS

On 28 January 2005, Archant Specialist Limited acquired the entire issued share capital of Romsey Publishing Group Limited, a publisher of specialist magazines. The turnover of Romsey's titles for the year ended 31 March 2004 was £9,776,000.

14 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with related parties that are part of the Archant Limited group.

15 ULTIMATE PARENT UNDERTAKING

At 31 December 2004, the parent undertaking for which group financial statements are drawn up and of which the company was a member was Archant Limited, registered in England and Wales. Copies of that company's financial statements can be obtained from The Registrar, Companies House, Crown Way, Maindy, Cardiff.

16 STATEMENT OF CASH FLOWS

The statement of cash flows has been incorporated within the consolidated financial statements of Archant Limited.