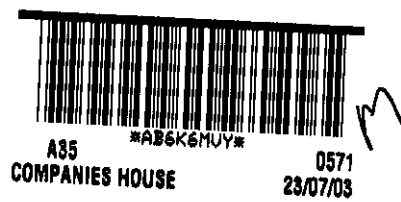


**ARCHANT LIFESTYLE PLC**

**Registered Number: 3550181**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2002**



**ARCHANT LIFESTYLE PLC**

Registered Number: 3550181

**DIRECTORS**

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

**SECRETARY**

J O Ellison

**AUDITORS**

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

**BANKERS**

Barclays Bank PLC  
Bank Plain  
Norwich  
NR2 4ST

**SOLICITORS**

Eversheds  
Holland Court  
The Close  
Norwich  
NR1 4DX

**REGISTERED OFFICE**

Prospect House  
Rouen Road  
Norwich  
NR1 1RE

## **ARCHANT LIFESTYLE PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002**

The directors present their report together with the financial statements of the company for the year ended 31st December 2002.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £1,326,915 (2001: loss £278,357).

The directors do not recommend the payment of a dividend.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

Up to 1 March 2002, the company was an investment holding company for the Archant group, which underwent a rebranding and legal restructuring on that date.

As part of that restructuring, on 1 March 2002 the company changed its name from Orient Publishing Plc to Archant Lifestyle Plc, and became the intermediate holding company for the group's magazine interests. As a result, the company acquired Archant Dialogue Limited from a fellow subsidiary.

Archant Life Limited, a subsidiary company, acquired four lifestyle magazines from fellow subsidiaries on 1 January 2002; the title and business of Hampshire Life magazine on 2 April 2002; Sussex Life Limited on 7 May 2002; Kent Life, Surrey Life and Berkshire County Life on 1 July 2002; and Picture House Publishing Limited, the publisher of Living France magazine, on 20 December 2002.

#### **DIRECTORS AND THEIR INTERESTS**

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

	Appointed	Resigned
R W Jewson		01-Mar-02
G H C Copeman		01-Mar-02
C H Lawrence		28-Nov-02
J N Arnold	01-Mar-02	26-Jul-02
A R Lewis	01-Mar-02	22-Nov-02
P M Strong		
I A Davies	01-Mar-02	
J A E Hustler	01-Mar-02	
N G F Websper	01-Mar-02	
J A Fry	22-May-02	
A D Jeakings	04-Oct-02	

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 2002 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 2002**

**DIRECTORS AND THEIR INTERESTS (continued)**

The other directors at 31 December 2002 had the following interests in the shares of the holding company:

	At 31 December 2001 or appointment	At 31 December 2002
Ordinary shares of 20p each		
P M Strong	59,617	111,263
I A Davies	27,987	29,936
J A E Hustler	3,801	4,600

**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**  
16 July 2003

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCHANT LIFESTYLE PLC

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. 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.

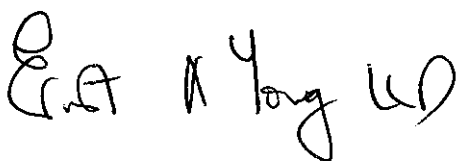
### Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written over the printed name of the auditor.

Ernst & Young LLP  
Registered Auditor  
Cambridge  
16 July 2003

**ARCHANT LIFESTYLE PLC**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 £	2001 £
Investment income	2	1,500,000	2,251,664
Financing costs	3	(2,791,290)	(3,605,999)
Operating costs		(3,551)	(7,513)
Amounts written off investments	5	(870,526)	-
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(2,165,367)</b>	<b>(1,361,848)</b>
Tax credit on (loss) on ordinary activities	4	838,452	1,083,491
<b>(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(1,326,915)</b>	<b>(278,357)</b>
<b>DIVIDENDS</b>		<b>-</b>	<b>-</b>
<b>RETAINED (LOSS) FOR THE FINANCIAL YEAR</b>	11	<b>(1,326,915)</b>	<b>(278,357)</b>

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 7 to 10 form part of these financial statements.

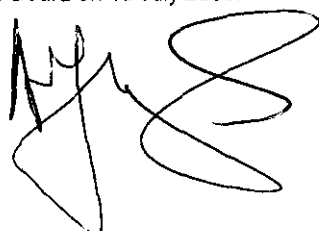
ARCHANT LIFESTYLE PLC

BALANCE SHEET - 31 DECEMBER 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Investment in subsidiary undertakings	5	83,170,654	83,244,152
<b>CURRENT ASSETS</b>			
Debtors	6	8,894,647	7,606,106
Cash at bank and in hand		29,959	20,388
		<u>8,924,606</u>	<u>7,626,494</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	7	(19,732,417)	(16,888,414)
<b>NET CURRENT LIABILITIES</b>			
		<u>(10,807,811)</u>	<u>(9,261,920)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		72,362,843	73,982,232
<b>CREDITORS:</b>			
Amounts falling due after more than one year	8	(70,626,109)	(70,918,583)
		<u>1,736,734</u>	<u>3,063,649</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account	11	736,734	2,063,649
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
	11	<u>1,736,734</u>	<u>3,063,649</u>

Approved by the Board on 16 July 2003.

A D Jeakings  
Director



The notes on pages 7 to 10 form part of these financial statements.

ARCHANT LIFESTYLE PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002

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

	2002 £	2001 £
Interest receivable	-	1,664
Dividend received from subsidiary undertaking	1,500,000	2,250,000
	<u>1,500,000</u>	<u>2,251,664</u>

3 FINANCING COSTS

	2002 £	2001 £
Unsecured loan notes 2003	600,000	552,329
Unsecured loan notes 2005	1,736,517	2,289,360
Unsecured loan notes 2008	324,533	708,823
Bank guarantee commission	54,000	49,500
Amortisation of loan issue costs	76,240	5,987
	<u>2,791,290</u>	<u>3,605,999</u>

4 TAX ON ORDINARY ACTIVITIES

	2002 £	2001 £
UK corporation tax		
current year credit	<u>838,452</u>	<u>1,083,491</u>

**Factors affecting current tax credit**

The tax credit assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below.

(Loss) on ordinary activities before tax	<u>(2,165,367)</u>	<u>(1,361,848)</u>
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	(649,610)	(408,554)
Non taxable income	(450,000)	(675,000)
Amounts written off investments	261,158	-
Expenses not deductible for tax purposes	-	63
	<u>(838,452)</u>	<u>(1,083,491)</u>



**ARCHANT LIFESTYLE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

<b>5 INVESTMENT IN SUBSIDIARY UNDERTAKINGS</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 January	83,244,152	65,935,167
Acquisitions	-	17,308,985
Inter group acquisition	1,172,599	-
Inter group disposal	(1)	-
Adjustment to purchase consideration	(375,570)	-
	<hr/>	<hr/>
At 31 December	84,041,180	83,244,152
	<hr/>	<hr/>
<b>Amounts provided</b>		
At 1 January	-	-
Provided in the year	870,526	-
	<hr/>	<hr/>
At 31 December	870,526	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December	83,170,654	83,244,152
	<hr/>	<hr/>

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 Plc	Magazine publishing	100% ord. shares
Pilot Publishing Company Limited *	Magazine publishing	100% ord. shares
Archant Life (North) Plc	Magazine publishing	100% ord. shares
Archant Life Limited	Magazine publishing	100% ord. shares
Archant Dialogue Limited	Contract publishing	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.

<b>6 DEBTORS</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Amounts owed by subsidiary undertakings	7,960,959	6,460,959
Amounts owed by other group companies	1	-
Corporation tax recoverable	929,099	1,140,647
Other debtors	4,588	4,500
	<hr/>	<hr/>
	8,894,647	7,606,106
	<hr/>	<hr/>

**ARCHANT LIFESTYLE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

<b>7 CREDITORS: Amounts falling due within one year</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Unsecured loan notes 2003 (Note 9)	12,392,000	-
Unsecured loan notes 2008 (Note 9)	5,140,573	14,637,613
Amounts owed to fellow subsidiary undertakings	2,149,579	2,149,579
Income tax payable	48,119	98,555
Other creditors	2,146	2,667
	<hr/>	<hr/>
	19,732,417	16,888,414

<b>8 CREDITORS: amounts falling due after more than one year</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Unsecured loan notes 2003 (Note 9)	-	12,392,000
Unsecured loan notes 2005 (Note 9)	38,600,000	38,600,000
Amounts owed to parent undertaking	32,026,109	19,551,013
Deferred acquisition consideration	-	375,570
	<hr/>	<hr/>
	70,626,109	70,918,583

**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.

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Total loan notes outstanding	5,181,840	14,755,120
Less issue costs	(41,267)	(117,507)
	<hr/>	<hr/>
	5,140,573	14,637,613
	<hr/>	<hr/>
<b>Unsecured loan notes 2003</b>	<b>12,392,000</b>	<b>12,392,000</b>

The unsecured loan notes 2003 were issued during 2001 as part of the considerations for the acquisitions during the year. The loan notes are fixed rate, with interest payable at the rate of 5% on £12,000,000 with the remaining loan notes interest free. The loan notes are guaranteed by Barclays Bank PLC.

<b>Unsecured loan notes 2005</b>	<b>38,600,000</b>	<b>38,600,000</b>
----------------------------------	-------------------	-------------------

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.

# ARCHANT LIFESTYLE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

<b>10 CALLED UP SHARE CAPITAL</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
6,950,000 ordinary shares of £1 each	6,950,000	6,950,000
<b>Allotted, called up and fully paid</b>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

<b>11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>Share capital</b>	<b>Profit &amp; loss account</b>	<b>Shareholders' funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 31 December 2000	1,000,000	2,342,006	3,342,006
Loss for the year	-	(278,357)	(278,357)
At 31 December 2001	1,000,000	2,063,649	3,063,649
Loss for the year	-	(1,326,915)	(1,326,915)
At 31 December 2002	1,000,000	736,734	1,736,734

## 12 CONTINGENT LIABILITY

All 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.

## 13 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.

## 14 ULTIMATE PARENT UNDERTAKING

At 31 December 2002, 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.

## 15 STATEMENT OF CASH FLOWS

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