

ARCHANT DIALOGUE LIMITED

Registered Number: 2266514

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



ARCHANT DIALOGUE LIMITED

Registered Number: 2266514

***DIRECTORS**

J A Fry
A D Jeakings
I A Davies
J O Ellison

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 DIALOGUE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £100,631 (2001: loss £65,693).
The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year continued to be that of publishing books and magazines.

CHANGE OF NAME

On 1 March 2002 the company changed its name from Summerhouse Publishing Limited to Archant Dialogue Limited.

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year are listed below:

	Appointed	Resigned
P M Strong		May 22, 2002
J N Arnold		July 26, 2002
C H Lawrence	March 1, 2002	November 28, 2002
J Cormode		December 31, 2002
I A Davies		
J O Ellison		
J A Fry	May 22, 2002	
A D Jeakings	October 4, 2002	

Mr J A Fry and Mr A D Jeakings 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.

The interests of the other directors at 31 December 2002 in the shares of the holding company were as follows :

	2001	2002
<i>Ordinary shares of 20p each</i>		
I A Davies	27,987	29,936
J O Ellison	10,581	12,180

ARCHANT DIALOGUE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

**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

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 Companies Act 1985.

By order of the Board,



JO Ellison
Secretary
16 July 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCHANT DIALOGUE LIMITED

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 20. 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.

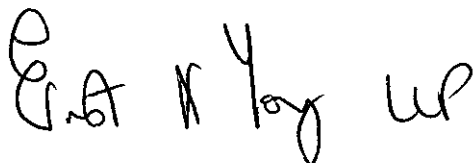
Basis of audit opinion

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 profit 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 'E.Y. LLP', is written over the printed name of the auditor.

Ernst & Young LLP
Registered Auditor
Cambridge
16 July 2003

ARCHANT DIALOGUE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
TURNOVER	2	2,108,352	2,327,941
Operating costs	3	(1,971,313)	(2,444,025)
OPERATING PROFIT/(LOSS)	4	137,039	(116,084)
Interest receivable	7	12	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		137,051	(116,084)
Tax on profit/(loss) on ordinary activities	8	(36,420)	50,391
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		100,631	(65,693)
DIVIDENDS		-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	16	100,631	(65,693)

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

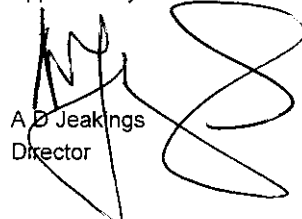
The notes on pages 7 to 12 form part of these financial statements.

ARCHANT DIALOGUE LIMITED

BALANCE SHEET - 31 DECEMBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	9	70,985	112,767
CURRENT ASSETS			
Work in progress		18,000	23,545
Debtors	10	694,777	512,332
Cash at bank and in hand		383	41,340
		<u>713,160</u>	<u>577,217</u>
CREDITORS:			
Amounts falling due within one year	11	(450,572)	(488,542)
NET CURRENT ASSETS		<u>262,588</u>	<u>88,675</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>333,573</u>	<u>201,442</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	(31,500)	-
NET ASSETS		<u><u>302,073</u></u>	<u><u>201,442</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	2,000	2,000
Profit and loss account	16	300,073	199,442
EQUITY SHAREHOLDERS' FUNDS	16	<u><u>302,073</u></u>	<u><u>201,442</u></u>

Approved by the Board on 16 July 2003.


A D Jeakings
Director

The notes on pages 7 to 12 form part of these financial statements.

ARCHANT DIALOGUE LIMITED

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.

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change of accounting policy for deferred taxation. Deferred taxation is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred taxation was provided on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has not resulted in a prior year adjustment, as the amount credited in the current year relating to prior years is not significant. The current year tax charge has been reduced by £2,811 in respect of a deferred tax credit recorded in 2002 but relating to 2001 and prior periods.

(b) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows :

Leasehold land and buildings	-	straight line over the term of the lease
Computer equipment	-	25% straight line
Fixtures, fittings and equipment	-	25% straight line

(c) Stocks

Work in progress has been stated at the lower of cost and net realisable value.

(d) Deferred taxation

Full provision for deferred taxation is made in respect of all timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes at the balance sheet date. The provision is calculated without discounting. Deferred taxation assets are recognised to the extent that, based on available evidence, it is more likely than not that suitable taxable profits will arise from which the asset may be recovered.

Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.

(e) Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

(f) Pensions

The parent company operates a defined contribution scheme. Contributions to this scheme are charged in the company's profit and loss account as they become payable in accordance with the rules of the scheme.

ARCHANT DIALOGUE LIMITED

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

2 TURNOVER

Turnover, which is stated net of value added tax, arises from the continuing principal activities. Sales to the rest of Europe totalled £775,764 (2001: £628,170); sales to the USA were £55,450 (2001: £65,718); and sales to the rest of the world were £15,064 (2001: £nil). All other sales were made in the United Kingdom.

3 OPERATING COSTS

	2002 £	2001 £
Change in work in progress	5,545	19,443
Other external charges	826,163	986,906
Staff costs (Note 5)	755,348	934,435
Depreciation	45,255	47,915
Other operating charges	339,002	455,326
	<u>1,971,313</u>	<u>2,444,025</u>

4 OPERATING PROFIT/(LOSS)

	2002 £	2001 £
Operating profit is stated after charging:		
Depreciation - tangible fixed assets	45,255	47,915
Auditors' remuneration in respect of audit services	6,000	6,400
Operating lease rentals	57,050	56,975
Directors' remuneration, including benefits in kind	<u>72,021</u>	<u>107,765</u>

5 EMPLOYEES

	2002 £	2001 £
Staff costs during the year:		
Wages and salaries	680,537	806,752
Social security costs	55,466	78,477
Other pension costs	14,764	43,106
Parent company staff share scheme	<u>4,581</u>	<u>6,100</u>
	<u>755,348</u>	<u>934,435</u>

	Number	Number
The average number of persons employed by the company during the year was:	<u>24</u>	<u>30</u>

6 DIRECTORS' REMUNERATION

	2002 £	2001 £
Emoluments	<u>68,115</u>	<u>102,161</u>
Contributions to money purchase pension scheme	<u>3,906</u>	<u>5,604</u>
Remuneration including pension contributions	<u>72,021</u>	<u>107,765</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes were nil (2001: 1).

ARCHANT DIALOGUE LIMITED

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

7 INTEREST RECEIVABLE

	2002 £	2001 £
Interest received on corporation tax refund	12	-

8 TAX ON ORDINARY ACTIVITIES

	2002 £	2001 £
UK corporation tax charge/(credit)		
current year	61,698	(29,682)
prior year	-	(20,709)
	61,698	(50,391)
Deferred taxation		
current year	(16,890)	-
prior year	(5,577)	-
deferred tax arising on adoption of FRS 19	(2,811)	-
	(25,278)	-
Tax on profit on ordinary activities	36,420	(50,391)

Factors affecting current tax charge

The tax assessed on the profit 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.

Profit/(loss) on ordinary activities before tax	137,051	(116,084)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	41,115	(34,825)
Expenses not deductible for tax purposes	3,693	2,436
Decelerated capital allowances	16,890	-
Movement in unprovided deferred tax	-	2,707
Tax overprovided in prior years	-	(20,709)
Total current tax above	61,698	(50,391)

The provision for deferred taxation, the amounts unprovided, and the movements in the provision are detailed in Note 13.

ARCHANT DIALOGUE LIMITED

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

9	TANGIBLE FIXED ASSETS	Leasehold land and buildings	Plant and machinery	Total
		£	£	£
	Cost			
	At 1 January 2002	18,984	263,158	282,142
	Additions	2,384	18,129	20,513
	Disposals	(21,368)	-	(21,368)
	At 31 December 2002	-	281,287	281,287
	Depreciation			
	At 1 January 2002	3,248	166,127	169,375
	Charge for year	1,080	44,175	45,255
	Eliminated on disposals	(4,328)	-	(4,328)
	At 31 December 2002	-	210,302	210,302
	Net book amount			
	At 31 December 2002	-	70,985	70,985
	At 31 December 2001	15,736	97,031	112,767
10	DEBTORS		2002	2001
			£	£
	Trade debtors		481,021	395,680
	Other debtors		30,970	31,135
	Balances due from group companies		99,894	-
	Corporation tax recoverable and group relief receivable		25,310	53,702
	Deferred taxation asset (Note 13)		25,278	-
	Prepayments and accrued income		32,304	31,815
			694,777	512,332
11	CREDITORS: Amounts falling due within one year		2002	2001
			£	£
	Bank overdraft		25,916	-
	Trade creditors		172,782	181,516
	Other creditors		120,938	156,685
	Corporation tax		61,698	-
	Other taxation and social security payable		15,864	19,501
	Amounts owing to group companies		53,374	130,840
			450,572	488,542
12	PROVISIONS FOR LIABILITIES AND CHARGES		2002	2001
			£	£
	Provision for dilapidations on leasehold property		31,500	-

ARCHANT DIALOGUE LIMITED

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

13 DEFERRED TAXATION

The deferred taxation provided in the financial statements and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	2002	2001	2002	2001
	£	£	£	£
Accelerated capital allowances	(12,589)	-	-	(2,518)
Other short-term timing differences	(12,689)	-	-	(292)
	<u>(25,278)</u>	<u>-</u>	<u>-</u>	<u>(2,810)</u>

The movement in the provision for deferred taxation are as follows:

	2002	2001
	£	£
At 1 January	-	-
Origination and reversal of timing differences	(22,467)	-
Arising on adoption of FRS 19	(2,811)	-
	<u>(25,278)</u>	<u>-</u>
At 31 December	(25,278)	-

14 PENSION COSTS

All eligible employees have the opportunity to join the parent company's defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £14,764 (2001: £43,106).

The unpaid contributions outstanding at the year end, included in 'other creditors' (Note 11) are £3,986 (2001: £2,513).

The disclosures required by FRS 17 in respect of the parent company's pension schemes are given in the financial statements of the parent company. It is not practical to apportion these disclosures across the various subsidiaries of the group.

15 CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
2,000 ordinary shares of £1 each	2,000	2,000

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Profit & loss account	Shareholders' funds
	£	£	£
At 31 December 2000	2,000	265,135	267,135
Loss for the year	-	(65,693)	(65,693)
At 31 December 2001	2,000	199,442	201,442
Profit for the year	-	100,631	100,631
At 31 December 2002	2,000	300,073	302,073

ARCHANT DIALOGUE LIMITED

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

17 OTHER FINANCIAL COMMITMENTS

The Company has annual commitments under non-cancellable operating leases analysed by the date of the termination of the lease as follows:

	<i>Land and buildings</i>	
	2002	2001
	£	£
Within one year	-	-
Between two and five years	-	-
After five years	57,050	56,975
	<hr/>	<hr/>
	57,050	56,975
	<hr/>	<hr/>

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.

18 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.

19 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.

20 CASH FLOW STATEMENT

The Company has taken advantage of the dispensation under FRS1 Section 8 (c) not to publish a cash flow statement. The cash flow statement of the Group is published in the financial statements of Archant Limited.