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RAMBORO BOOKS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1997

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**RAMBORO BOOKS PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997**

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RAMBORO BOOKS PLC DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 July 1997.

Principal Activities

The principal activities of the company which have remained unchanged during the financial year were those of publishers and wholesalers of books and publications.

Business review and future developments

The directors are satisfied with the performance of the company during the year and will continue to pursue established management policies in the future.

Results and dividends

The profit for the year after taxation amounted to £306,579 and the directors propose a dividend of 200p per Ordinary £1 share.

Directors and their interests

The directors and their interests, as defined by the Companies Act, in the shares of the company, at the beginning and end of the year were as follows:

	Ordinary shares of £1 each	
	1997	1996
J E Needleman Esq	-	-
T Finch Esq	-	-
R Cortie Esq (appointed 3 June 1997)	-	-
A Brown Esq (appointed 3 June 1997)	-	-

Mr Needleman's interest in the shares of Firecount Limited, the company's holding company, are disclosed in that company's financial statements.

Creditors payment policy

The company's current policy concerning the payment of trade creditors is to :

- a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) pay in accordance with the company's contractual and other legal obligations.

RAMBORO BOOKS PLC
DIRECTOR'S REPORT

Taxation status

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the reappointment of H.W. Fisher & Company, as auditors to the company will be put to the annual general meeting.

DIRECTORS' RESPONSIBILITIES FOR PREPARATION OF THE 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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 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.

By Order of the Board



A. Jose
Secretary

Dated: 23rd February 1998

Registered Office:

Unit 5a
202-208 New North Road
LONDON N1 7BJ

AUDITORS' REPORT TO THE SHAREHOLDERS OF RAMBORO BOOKS PLC

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 & 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the 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 31 July 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



H.W. Fisher & Company
Chartered Accountants
Registered Auditors
Acre House
11-15 William Road
LONDON NW1 3ER

Dated: 27th February 1998

RAMBORO BOOKS PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 1997

	Notes	£	1997 £	£	1996 £
Turnover	2		3,376,264		3,285,747
Cost of sales			<u>(2,171,307)</u>		<u>(2,033,574)</u>
Gross profit			1,204,957		1,252,173
Distribution costs		241,863		195,917	
Administrative expenses		<u>540,164</u>		<u>567,370</u>	
			<u>782,027</u>		<u>(763,287)</u>
Operating profit on continuing operations	3		422,930		488,886
Loss on discontinued operations			<u>(22,187)</u>		<u>-</u>
			400,743		488,886
Other income	4		<u>39,083</u>		<u>39,192</u>
Profit on ordinary activities before interest			439,826		528,078
Interest payable	6		<u>(23,247)</u>		<u>(26,261)</u>
Profit on ordinary activities before taxation			416,579		501,817
Tax on profit on ordinary activities	7		<u>(110,000)</u>		<u>(139,000)</u>
Profit on ordinary activities after taxation			306,579		362,817
Proposed dividend			<u>(100,000)</u>		<u>-</u>
Retained profit for the financial year			206,579		362,817
Retained profit bought forward			<u>898,888</u>		<u>536,071</u>
Retained profit carried forward			<u>£1,105,467</u>		<u>£898,888</u>

There are no recognised gains and losses other than those passing through the profit and loss account.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

RAMBORO BOOKS PLC
BALANCE SHEET
AS AT 31 JULY 1997

	Notes	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	8		135,170		181,990
Current assets					
Stocks	9	1,035,734		813,440	
Debtors	10	1,250,585		1,126,425	
Cash at bank and in hand		<u>345,501</u>		<u>290,378</u>	
		2,631,820		2,230,243	
Creditors - amounts falling due within one year	11	<u>(1,516,588)</u>		<u>(1,285,763)</u>	
Net current assets			<u>1,115,232</u>		<u>944,480</u>
Total assets less current liabilities			1,250,402		1,126,470
Creditors - amount falling due after more than one year	12		<u>(94,935)</u>		<u>(177,582)</u>
			<u>1,155,467</u>		<u>948,888</u>
Capital and reserves					
Called up share capital	13		50,000		50,000
Profit and loss account			<u>1,105,467</u>		<u>898,888</u>
Shareholders' funds-all equity interests	14		<u>£1,155,467</u>		<u>£948,888</u>


J E NEEDLEMAN - DIRECTOR

Approved by the board on: 23rd February 1998

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

1. Accounting Policies

a) Basis of accounting

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

b) Turnover

Turnover represents amounts invoiced by the company in respect of goods sold and services rendered during the year stated net of value added tax.

c) Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over the expected useful life as follows:

Fixtures and fittings:	15% per annum on reducing balance
Office equipment:	15% per annum on reducing balance
Motor vehicles:	25% per annum on reducing balance

d) Stocks

Stocks are valued on a first in, first out basis at the lower of cost and net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing stocks to their present location and condition.

Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and subsequent disposal.

e) Deferred taxation

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability will become payable within the foreseeable future.

f) Pensions

The company operates a defined contribution scheme, pension costs charged against profits represent the amounts payable to the scheme in respect of the year.

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the profit and loss account.

h) HP and finance leases

Assets held under hire purchase contracts and finance leases are treated as if they had been purchased outright at the present value of the outstanding rentals payable, less finance charges, over the primary period of the leases. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals payable is charged to the profit and loss on a straight line basis over the lease term.

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. Turnover

The turnover and profit of the company for the year derives from the same class of business as noted in the directors' report.

An analysis of turnover by geographical market is given below:

	1997 £	1996 £
Arabia	3,317	-
United Kingdom	1,623,437	1,701,849
EEC	329,654	161,379
Europe	89,049	38,653
Asia	152,976	147,231
Africa	144,765	72,878
America	546,628	832,291
Australasia	<u>486,438</u>	<u>331,466</u>
	<u>3,376,264</u>	<u>3,285,747</u>

Profit before tax by geographical market has not been shown as the directors consider it would be seriously prejudicial to the company.

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

3. Operating Profit on continuing operations

	1997	1996
	£	£
This is stated after charging:		
Auditors' remuneration	6,555	6,000
Operating lease rentals - land & buildings	39,487	20,088
Depreciation on owned tangible fixed assets	7,209	4,993
Depreciation on tangible fixed assets held under hire purchase contracts	<u>16,343</u>	<u>18,409</u>

4. Other income

	1997	1996
	£	£
Interest receivable	9,083	9,192
Rent and service charge receivable	<u>30,000</u>	<u>30,000</u>
	<u>£39,083</u>	<u>£39,192</u>

5. Employees and directors

	1997	1996
	£	£
Staff costs including executive directors during the year amounted to:		
Wages and salaries	303,795	296,579
Social security costs	30,380	29,657
Other pension costs	<u>8,800</u>	<u>9,128</u>
	<u>342,975</u>	<u>335,364</u>

The average monthly number of employees during the year was made up as follows:-

	No.	No.
Office and management	<u>15</u>	<u>14</u>
Directors' Emoluments		
Salaries	64,833	75,310
Pension contributions	<u>8,800</u>	<u>9,128</u>
	<u>73,633</u>	<u>84,438</u>

Included above is remuneration, excluding pension scheme contributions, paid to:-

The Chairman	<u>£5,000</u>	<u>£26,479</u>
Highest paid director	<u>£49,000</u>	<u>£43,831</u>
The number of other directors who received remuneration in the following ranges were:		
£Nil-£5,000	No. 1	No. 1
£5,001 - £10,000	1	-

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

6. Interest payable and similar charges on continuing operations

	1997	1996
	£	£
Bank loans & overdrafts	16,090	19,926
Finance leases and hire purchase contracts	<u>7,157</u>	<u>6,335</u>
	<u><u>23,247</u></u>	<u><u>26,261</u></u>

7. Taxation

	1997	1996
	£	£
The taxation charge which is based on the profit for the year is made up as follows:		
Current year corporation tax	<u><u>110,000</u></u>	<u><u>139,000</u></u>

United Kingdom corporation tax has been computed at 26.4% (1996 - 27.7%).

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

8. Tangible fixed assets

	Short Leasehold Land & Buildings	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost:					
At 1st August 1996	23,290	45,666	67,126	149,269	285,351
Additions	-	1,235	19,460	3,000	23,695
Disposals	-	-	-	(50,423)	(50,423)
At 31st July 1997	<u>23,290</u>	<u>46,901</u>	<u>86,586</u>	<u>101,846</u>	<u>258,623</u>
Depreciation					
At 1st August 1996	-	29,160	35,459	38,742	103,361
Charge for year	932	2,552	7,669	12,399	23,552
Disposals	-	-	-	(3,460)	(3,460)
At 31st July 1997	<u>932</u>	<u>31,712</u>	<u>43,128</u>	<u>47,681</u>	<u>123,453</u>
Net book value at 31st July 1997	<u>£22,358</u>	<u>£15,189</u>	<u>£43,458</u>	<u>£54,165</u>	<u>£135,170</u>
Net book value at 31st July 1996	<u>£23,290</u>	<u>£16,506</u>	<u>£31,667</u>	<u>£110,527</u>	<u>£181,990</u>

The net book value of assets held under Hire Purchase agreements and Finance Leases amounted to £41,381 (1996:£124,719).

9. Stocks

	1997 £	1996 £
Finished goods and goods for resale	<u>1,035,734</u>	<u>813,440</u>

The replacement cost of stocks is not considered by the directors to be materially different from the amount stated above.

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

10. Debtors

	1997	1996
	£	£
Amounts falling due within one year:		
Trade debtors	1,055,158	932,685
Amount due from parent undertaking	104,024	104,024
Other debtors	40,441	37,776
Prepayments	<u>50,962</u>	<u>51,940</u>
	<u>£1,250,585</u>	<u>£1,126,425</u>

11. Creditors - amounts falling due within one year

	1997	1996
	£	£
Bank loans and overdrafts	50,000	50,000
Trade creditors	858,314	643,006
Corporation tax	110,000	139,357
Other taxation and social security costs	11,246	8,571
Director's Loan accounts	324,148	295,468
Finance Leases and Hire Purchase	19,443	40,925
Accruals	43,437	108,436
Proposed dividend	<u>100,000</u>	<u>-</u>
	<u>£1,516,588</u>	<u>£1,285,763</u>

Bank loans and overdrafts are secured by way of a first fixed and floating charge over the assets of the company. The Directors loans are secured by way of a second fixed and floating charge over the assets of the company.

12. Creditors: Amounts falling due after more than one year

	1997	1996
	£	£
Due between 1 and 5 years		
Bank loans	87,500	137,500
Finance Leases & Hire Purchase	<u>7,435</u>	<u>40,082</u>
	<u>94,935</u>	<u>177,582</u>

The bank loans and overdrafts are repayable as follows :-

Within 1 year	50,000	50,000
Between 1 and 2 years	37,500	50,000
Between 2 and 5 years	<u>-</u>	<u>87,500</u>
	<u>87,500</u>	<u>187,500</u>

Obligations under finance leases and hire purchase contracts :

Repayable between 1 and 5 years	7,435	40,082
Included in current liabilities	<u>19,443</u>	<u>40,925</u>
	<u>26,878</u>	<u>81,007</u>

RAMBORO BOOKS PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997

13. Share capital

	1997 £	1996 £
Authorised:		
50,000 ordinary shares of £1 each	<u>£50,000</u>	<u>£50,000</u>
Allotted, issued and fully paid:		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

14. Approval of financial statements

These financial statements were formally approved by the directors on 23rd February 1998.

15. Ultimate Parent Company

The directors regard Firecount Ltd a company incorporated in England as the company's ultimate parent company.

16. Commitments under Operating Leases

	1997 £	1996 £
Land and Buildings		
Expiring within one year	-	2,507
Expiring between two and five years	<u>30,000</u>	<u>30,000</u>

17. Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial period	206,579	362,817
Opening shareholders funds	<u>948,888</u>	<u>586,071</u>
	<u>£1,155,467</u>	<u>£948,888</u>

18. Transactions concerning directors

- i) The company received professional services valued at £30,000 from Elliot and Partners, a partnership in which J E Needleman is a partner.
- ii) Rent and service charges receivable of £30,000 per annum was collected from Elliot & Partners.

19. Post Balance Sheet Events

On 16th December 1997, Ramboro Books Plc acquired 75% of the issued share capital of Salamander Books Limited, a company incorporated in England.