

Transworld Publishers Limited

425183

Annual report for the year ended 30 June 1993

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RECEIPT DATE: 25/06/94

**Directors' report
for the year ended 30 June 1993**

The directors present their report and the audited consolidated financial statements for the year ended 30 June 1993.

Principal activity

The principal activity of the group continues to be the publishing and distribution of paperback books through its "Corgi" and "Bantam" divisions and hardback books through its "Bantam Press", "Partridge Press" and "Doubleday" divisions.

Review of business

Turnover increased by £4,644,532 (11%) during the year and the directors report a consolidated profit after tax for the financial year of £3,921,841 (1992: £3,842,778). The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends and transfers to reserves

The directors declared a dividend of £1,000,000 which was paid during the year. After payment of the dividend, £2,921,841 has been transferred to the group's reserves.

Changes in fixed assets

Information relating to changes in intangible and tangible fixed asset investments is given in notes 11 to 14 to the accounts.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 3 "Reporting Financial Performance", the presentation of the financial statements has been amended to conform with the new requirements. Turnover and operating profit have been analysed between continuing and discontinued operations.

Directors and their interests in shares of the company

The following were directors of the company during the year:-

M Barty-King	P Janson-Smith
J Blake	E Laczynska (appointed 1 July 1993)
A Davies	U Mackenzie (appointed 1 July 1993)
P Dickinson (appointed 1 July 1993)	I Manhire (appointed 1 July 1993)
L Finlay (appointed 1 July 1993)	E Mott
F Gill	T Pink
W Hayhurst (appointed 1 July 1993)	G Prior (appointed 1 July 1993)
B Hempstead	G Rumpf
J Hoeft	P Scherer (Managing Director)

None of the directors has any interests in the shares of the company.

Employees

Employment of disabled persons

Every effort is made by the group to employ its quota of disabled persons and this is dependent solely on the ability of the person seeking employment to meet the job requirements.

The group's policy on training, career development and promotion of disabled employees is, wherever possible, identical to that for all other employees.

In the event of an employee becoming disabled it is our usual practice to ensure their continued employment, but with appropriate training where necessary.

The group's offices are designed, wherever possible, to provide facilities and amenities for disabled people.

Employee communications and involvement

It is our usual practice to charge departmental managers with the responsibility for day to day communications.

Charitable contributions

The contributions made by the group during the year for charitable purposes were £14,312 (1992: £14,820), of which £5,200 was paid under covenant to registered charities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



W Hayhurst
Company Secretary

Report of the auditors to the members of Transworld Publishers Limited

We have audited the financial statements on pages 4 to 24 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 1993 and of the profit, total recognised gains and cash flow of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors
London, 17 June 1994

**Consolidated profit and loss account
for the year ended 30 June 1993**

	Notes	Continuing operations 1993 £	Continuing operations 1992 £
Turnover	2	46,043,134	41,398,602
Cost of sales		(22,500,892)	(21,783,434)
Gross profit		23,542,242	19,615,168
Other operating expenses	3	(17,247,274)	(15,551,060)
Operating profit		6,294,968	4,064,108
Interest income and other similar income		319,513	208,953
Interest payable and similar charges	6	(134,412)	(247,203)
Profit on ordinary activities before taxation	7	6,480,069	4,025,858
Taxation	8	(2,558,228)	(183,080)
Profit for the financial year	9	3,921,841	3,842,778
Dividends	10	(1,000,000)	(1,000,000)
Retained profit for the year		2,921,841	2,842,778

Movements on reserves are set out in note 24.

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Statement of total recognised gains and losses

	1993 £	1992 £
Profit for the financial year	3,921,841	3,842,778
Currency translation difference on foreign currency net investments	11,516	45,858
Total gains recognised since last annual report	<u>3,933,357</u>	<u>3,888,636</u>

Note of historical cost profits and losses

As the financial statements are based on the historical cost convention, no separate statement of historical cost profits and losses is necessary.

Balance sheets at 30 June 1993

	Notes	Group 1993 £	Group 1992 £	Company 1993 £	Company 1992 £
<i>Fixed assets</i>					
Intangible assets	11	650,529	91,023	600,000	-
Tangible assets	12	3,348,453	3,465,820	2,377,519	2,402,187
Investments	14	-	-	336,001	14,578
		<u>3,998,982</u>	<u>3,556,843</u>	<u>3,313,520</u>	<u>2,416,765</u>
<i>Current assets</i>					
Stocks	15	3,762,708	4,523,234	2,993,701	2,996,475
Debtors: amounts falling due after one year	16	543,638	4,003,190	543,638	4,003,191
Debtors: amounts falling due within one year	16	12,851,471	8,256,754	12,100,038	7,897,747
Cash at bank and in hand		5,825,829	893,019	5,674,710	646,515
		<u>22,983,646</u>	<u>17,676,197</u>	<u>21,312,087</u>	<u>15,543,928</u>
Creditors: amounts falling due within one year	18	(15,363,494)	(12,495,592)	(12,994,462)	(9,336,569)
Net current assets		<u>7,620,152</u>	<u>5,180,605</u>	<u>8,317,625</u>	<u>6,207,359</u>
Total assets less current liabilities		<u>11,619,134</u>	<u>8,737,448</u>	<u>11,631,145</u>	<u>8,624,124</u>
Creditors: amounts falling due after more than one year	19	(169,699)	(221,370)	(142,576)	(88,370)
Net assets		<u>11,449,435</u>	<u>8,516,078</u>	<u>11,488,569</u>	<u>8,535,754</u>
Capital and reserves					
Called up share capital	23	5,000	5,000	5,000	5,000
Translation reserve	24	457,269	445,753	-	-
Profit and loss account	24	10,987,166	8,065,325	11,483,569	8,530,754
		<u>11,449,435</u>	<u>8,516,078</u>	<u>11,488,569</u>	<u>8,535,754</u>

The financial statements on pages 4 to 24 were approved by the board of directors on and were signed on its behalf by:

P Scherer }
B Hempstead } Directors



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17 June 1994

Consolidated cash flow statement for the year ended 30 June 1993

	Notes	1993 £	1992 £
Net cash inflow from operating activities	25	7,886,627	2,549,839
Returns on investments and servicing of finance			
Interest and similar income received		319,513	208,953
Interest paid		(29,658)	(127,810)
Interest paid on finance leases		(104,754)	(119,393)
Dividends paid		(1,000,000)	(1,000,000)
Net cash outflow from returns on investments and servicing of finance		(814,899)	(1,038,250)
Taxation			
United Kingdom corporation tax paid		-	-
Repayment of overseas tax		-	171,226
Overseas tax paid		(327,705)	-
Tax paid		(327,705)	171,226
Investment activities			
Purchase of licence		(1,000,000)	-
Purchase of tangible fixed assets		(548,335)	(630,130)
Sale of tangible fixed assets		165,034	128,084
Net cash (outflow)/inflow from investing activities		(1,383,301)	(502,046)
Net cash inflow before financing		5,360,722	1,180,769
Financing			
Payment of principal under finance leases		(464,471)	(457,304)
Net cash outflow from financing		(464,471)	(457,304)
Increase in cash and cash equivalents	26	4,896,251	723,465

Notes to the financial statements for the year ended 30 June 1993

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts are prepared under the historical cost convention.

Basis of consolidation

The group profit and loss account and balance sheet include the results and balances of the company and those companies which were its subsidiaries during the 12 months ended 30 June 1993. Internal sales and profits are eliminated on consolidation.

Goodwill

Intangible fixed assets include purchased goodwill arising from the excess of the cost of part of the business of another group company over the amount attributed to the relevant net assets at the date of acquisition. The goodwill is being amortised over its expected useful economic life of 7 years.

Licences

Licences represent an amount paid for certain publishing rights. This is being amortised on a straight line basis over the period during which, in the opinion of the directors, it is considered that economic benefit will be derived.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives as follows:-

Long leasehold buildings	- 50 years (2% per annum)
Leasehold improvements	- 5 years
Plant and machinery	- 4 to 10 years (10% to 25% per annum) or over the term of the leases, whichever is the shorter.
Motor vehicles	- Over the term of the leases.

Finance and operating leases

Assets held under finance leases are included in the balance sheet at cost to the lessor less depreciation. Payments are apportioned between capital and interest. The interest is charged to the profit and loss account as it accrues and the outstanding capital commitments are included in creditors.

Operating lease expenditure is written off as incurred. The group's commitment for rental payments under operating leases is disclosed in note 27.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials - purchase cost on a first in, first out basis, including transport.

Work in progress
and finished goods - cost of direct materials and labour.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year, and the results of foreign subsidiaries are translated at the average rate of exchange for the whole year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods sold in the normal course of business, less returns and provision for anticipated returns.

Royalties paid in advance

Advances paid to authors in respect of future royalties to be earned on sales of their books are carried forward as an asset in the balance sheet until they are either recouped by royalties earned on books sold or provided against because their future recoverability is considered doubtful.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Pension costs

A pension scheme is operated by the company and is available to all staff over the age of 21. The scheme is a defined benefit scheme, fully funded, and one to which employees are required to contribute. The assets of the scheme are administered and maintained by trustees separately from those of the company, with independent qualified actuaries as advisers. The actuarial method used is the projected unit method.

The provisions of SSAP 24 have been applied to determine the company's pensions charge for the period. An analysis of pension costs is included in note 22.

No assumption has been made relating to discretionary increases in respect of pensions in payment. Pension charges, therefore, include the amount of the discretionary increases provided in the period.

Actuarial valuations are undertaken every three years or more frequently when circumstances demand.

2 Analysis by geographical area

The analysis by geographical area of the group's turnover is set out below.

Turnover

	1993 £	1992 £
United Kingdom	32,641,566	27,770,414
Australia/New Zealand	11,450,844	11,561,917
Rest of world	1,950,724	2,066,271
	<u>£46,043,134</u>	<u>£41,398,602</u>

3 Other operating expenses

	1993 £	1992 £
Distribution costs	7,849,180	7,172,849
Administrative expenses	9,398,094	8,378,211
	<u>17,247,274</u>	<u>15,551,060</u>

4 Directors' emoluments

	1993 £	1992 £
Fees	873,093	784,811
Other emoluments (including pension contributions and benefits in kind)	306,197	260,645
	<u>1,179,290</u>	<u>1,045,456</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1993	1992
The highest-paid director	<u>£291,251</u>	<u>£254,326</u>

5 Employee information

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

	1993 Number	1992 Number
Selling and marketing	106	104
Distribution	54	52
Administration	126	123
	<u>286</u>	<u>279</u>

	1993 £	1992 £
Staff costs (for the above persons)		
Wages and salaries	6,607,457	6,027,989
Social security costs	436,710	378,336
Other pension costs	566,658	480,246
	<u>7,610,825</u>	<u>6,886,571</u>

6 Interest payable and similar charges

	1993 £	1992 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	1,776	34,311
On loans from group companies	27,882	93,498
On finance leases and hire purchase contracts	104,754	119,394
	<u>134,412</u>	<u>247,203</u>

7 Profit on ordinary activities before taxation

	1993 £	1992 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Goodwill amortisation	50,466	50,572
Amortisation of licence	400,000	-
Depreciation charge for the year on tangible fixed assets	1,110,766	1,001,116
Auditors' remuneration	63,616	67,694
Hire of plant and machinery - operating leases	24,112	22,093
Property - operating leases	737,538	665,129
Profit on disposal of fixed assets	<u>(98,058)</u>	<u>(37,387)</u>

The licence is being amortised on a straight line basis over its expected useful economic life of 5 years.

8 Taxation

	1993 £	1992 £
United Kingdom corporation tax (33%)	2,178,000	307,000
Underpayment in prior year	130,000	-
Overseas taxation:		
Current	250,228	264,993
Over-provision in respect of prior years	-	(388,913)
	<u>2,558,228</u>	<u>183,080</u>

The UK corporation tax charge represents a payment to a Bertelsmann group company for group relief of the company's UK tax liability.

9 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	1993 £	1992 £
Dealt with in the accounts of the holding company	3,631,392	3,244,470
Retained by subsidiary companies	290,449	598,308
	<u>3,921,841</u>	<u>3,842,778</u>

10 Dividends

	1993 £	1992 £
Ordinary:		
Final dividend paid of £200 per share (1992: £200 per share)	<u>1,000,000</u>	<u>1,000,000</u>

11 Intangible fixed assets

Group

	Goodwill £	Licences £	Total £
Cost			
At 1 July 1992	318,509	-	318,509
Exchange difference	35,002	-	35,002
Additions	-	1,000,000	1,000,000
At 30 June 1993	<u>353,511</u>	<u>1,000,000</u>	<u>1,353,511</u>
Depreciation			
At 1 July 1992	227,486	-	227,486
Exchange differences	25,030	-	25,030
Charge for year	50,466	400,000	450,466
At 30 June 1993	<u>302,982</u>	<u>400,000</u>	<u>702,982</u>
Net book value			
At 30 June 1993	<u>50,529</u>	<u>600,000</u>	<u>650,529</u>
Net book value			
At 30 June 1992	<u>91,023</u>	<u>-</u>	<u>91,023</u>

Company

	Licences £	Total £
Cost		
At 1 July 1992	-	-
Exchange difference	-	-
Additions	1,000,000	1,000,000
At 30 June 1993	<u>1,000,000</u>	<u>1,000,000</u>
Depreciation		
At 1 July 1992	-	-
Exchange differences	-	-
Charge for year	400,000	400,000
At 30 June 1993	<u>400,000</u>	<u>400,000</u>
Net book value		
At 30 June 1993	<u>600,000</u>	<u>600,000</u>
Net book value		
At 30 June 1992	<u>-</u>	<u>-</u>

12 Tangible fixed assets

Group

	Buildings		Plant and	Motor	Total
	Long Lease £	Leasehold Improvements £	Machinery £	Vehicles £	£
Cost or valuation					
At 1 July 1992	1,922,029	732,939	3,253,951	1,017,030	6,925,949
Exchange differences	-	38,628	158,111	36,545	233,284
Additions	23,104	4,395	499,661	406,220	933,380
Disposals	-	-	(187,244)	(388,342)	(575,586)
At 30 June 1993	<u>1,945,133</u>	<u>775,962</u>	<u>3,724,479</u>	<u>1,071,453</u>	<u>7,517,027</u>
Depreciation					
At 1 July 1992	348,100	330,408	2,168,397	613,224	3,460,129
Exchange differences	-	8,018	84,473	13,659	106,150
Charge for year	38,903	68,017	698,040	305,806	1,110,766
Eliminated in respect of disposals	-	-	(185,500)	(322,971)	(508,471)
At 30 June 1993	<u>387,003</u>	<u>406,443</u>	<u>2,765,410</u>	<u>609,718</u>	<u>4,168,574</u>
Net book value					
At 30 June 1993	<u>1,558,130</u>	<u>369,519</u>	<u>959,069</u>	<u>461,735</u>	<u>3,348,453</u>
Net book value					
At 30 June 1992	<u>1,573,929</u>	<u>402,531</u>	<u>1,085,554</u>	<u>403,806</u>	<u>3,465,820</u>

Company

	Buildings		Plant and	Motor	Total
	Long	Leasehold	MachineryV	Vehicles	
	Lease	Improvements			
	£	£	£	£	£
Cost or valuation					
At 1 July 1992	1,922,029	413,033	2,007,555	711,953	5,054,570
Additions	23,104	3,615	429,920	366,555	823,194
Disposals	-	-	(186,780)	(266,214)	(452,994)
At 30 June 1993	1,945,133	416,648	2,250,695	812,294	5,424,770
Depreciation					
At 1 July 1992	348,100	264,275	1,536,712	503,296	2,652,383
Charge for year	38,903	48,007	519,082	232,974	838,966
Eliminated in respect of disposals	-	-	(185,080)	(259,018)	(444,098)
At 30 June 1993	387,003	312,282	1,870,714	477,252	3,047,251
Net book value					
At 30 June 1993	1,558,130	104,366	379,981	335,042	2,377,519
Net book value					
At 30 June 1992	1,573,929	148,758	470,843	208,657	2,402,187

13 Capitalised finance leases

Included in tangible fixed assets are the following leased assets:

	Plant and machinery		Motor vehicles	
	Group	Company	Group	Company
	£	£	£	£
Cost	571,611	247,413	1,046,898	812,294
Accumulated depreciation	(517,740)	(222,603)	(602,604)	(477,253)
	53,871	24,810	444,294	335,041
Depreciation charge for the year	107,928	42,954	298,609	232,974

14 Fixed Asset Investments

Group

	Associated undertakings £
Cost or valuation	
At 1 July 1992 and 30 June 1993	77,006
Amounts written off	
At 1 July 1992 and 30 June 1993	<u>77,006</u>
Net book value	
At 1 July 1992 and 30 June 1993	<u><u>-</u></u>

Company

	Interests in group undertakings £	Associated undertakings £	Total £
Cost or valuation			
At 1 July 1992	501,807	77,006	578,813
Additions	-	-	-
At 30 June 1993	<u>501,807</u>	<u>77,006</u>	<u>578,813</u>
Amounts written off			
At 1 July 1992	487,229	77,006	564,235
Amounts written back in year	(321,423)	-	(321,423)
At 30 June 1993	<u>165,806</u>	<u>77,006</u>	<u>242,812</u>
Net book value			
At 30 June 1993	<u>336,001</u>	<u>-</u>	<u>336,001</u>
Net book value			
At 30 June 1992	<u>14,578</u>	<u>-</u>	<u>14,578</u>

Interests in group undertakings

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by Company
Trading Transworld Publishers (Australia) PTY Limited	Australia	Ordinary	100%
Transworld Publishers (New Zealand) Limited	New Zealand	Ordinary	100%
Non trading Corgi Books Limited	Great Britain	Ordinary	100%
Carousel Books Limited	Great Britain	Ordinary	100%

15 Stocks

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Raw materials and consumables	441,011	418,564	430,641	401,582
Work in progress	628,988	508,733	546,012	307,943
Finished goods and goods for sale	2,692,709	3,595,937	2,017,048	2,286,950
	<u>3,762,708</u>	<u>4,523,234</u>	<u>2,993,701</u>	<u>2,996,475</u>

16 Debtors

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Amounts falling due within one year				
Royalties paid in advance	5,661,845	1,932,737	5,621,660	1,825,856
Trade debtors	4,762,075	4,197,820	3,853,834	3,303,734
Amounts owed by group undertakings	1,050,863	438,012	1,359,138	1,256,466
Other debtors	509,232	795,191	507,696	737,520
Prepayments and accrued income	534,123	559,661	424,377	440,838
ACT recoverable	333,333	333,333	333,333	333,333
	<u>12,851,471</u>	<u>8,256,754</u>	<u>12,100,038</u>	<u>7,897,747</u>
Amounts falling due after one year				
Royalties paid in advance	543,638	4,003,190	543,638	4,003,191
	<u>13,395,109</u>	<u>12,259,944</u>	<u>12,643,676</u>	<u>11,900,938</u>

Of the amount owed to the company by group companies, £0.9m (1992 £0.9m) is owed by its own subsidiaries.

17 Loans to Directors

On 24 August 1992 the company made interest-free loans to the following directors:

	Liability at beginning of year £	Liability at end of year £	Maximum liability during the year £
M Barty-King	-	60,000	60,000
B Hempstead	-	50,000	50,000
P Janson-Smith	-	50,000	50,000
P Scherer	-	100,000	100,000

The loans have been repaid in full since the year end.

18 Creditors: amounts falling due within one year

	1993 £	Group 1992 £	1993 £	Company 1992 £
Royalty payable	2,478,591	2,063,627	2,407,089	2,011,180
Bank loans and overdrafts	2	-	2	-
Obligations under finance leases	306,198	312,079	177,849	156,434
Trade creditors	3,716,299	3,625,255	3,197,841	2,855,349
Amounts owed to group undertakings	1,890,057	2,005,280	714,380	309,114
Corporation tax	2,784,338	528,296	2,615,000	307,000
- mainstream	-	333,333	-	333,333
- advance	-	-	-	-
Other taxation and social security payable	165,073	117,042	154,936	117,042
Other creditors	-	9,168	-	8,861
Accruals and deferred income	3,922,936	3,401,512	3,627,365	3,138,256
Dividends payable	100,000	100,000	100,000	100,000
	<u>15,363,494</u>	<u>12,495,592</u>	<u>12,994,462</u>	<u>9,336,569</u>

19 Creditors: amounts falling due after one year

	1993 £	Group 1992 £	1993 £	Company 1992 £
Obligations under finance leases	169,699	221,370	142,576	88,370
	<u>169,699</u>	<u>221,370</u>	<u>142,576</u>	<u>88,370</u>

20 Overdrafts and loans

Bank overdraft

The company had overdraft facilities totalling £5,100,000 at the balance sheet date. This amount is guaranteed in full by the ultimate holding company Bertelsmann AG.

21 Finance leases

The future minimum lease payments to which the group and the company are committed under finance leases and hire purchase contracts are as follows:

	Group		Company	
	1993	1992	1993	1992
	£	£	£	£
In one year or less	306,198	312,079	177,849	156,434
Between one and two years	136,748	196,674	111,275	74,636
Between two to five years	32,951	24,696	31,301	13,734
	<u>475,897</u>	<u>533,449</u>	<u>320,425</u>	<u>244,804</u>

22 Pension arrangements

The pension costs of the group were £566,658 (1992: £480,484). The main schemes are in the UK where the company maintains two pension schemes, the larger of which covers employees over the age of 21. The schemes are as follows:-

- (a) Main pension scheme - a contributory defined benefit scheme which is administered by Murray Johnstone Unit Trust Management Limited.

Actuarial valuations on both a discontinuance and a going concern basis by Sedgwick Employee Benefits Consultants Limited of the scheme as at 1 July 1990 confirmed that the scheme was fully funded on both bases at that date. The actuarial attained age method was used, with an interest rate of 9.0% per annum and a pensionable salary increase rate of 8.0% per annum. The company contribution rate is currently 10.5% of pensionable salaries and the members' contribution rate is currently 5.0%. The market value of the Scheme's managed fund at the actuarial valuation date, 1 July 1990, was £3,624,635.

An experience surplus of £282,000 was identified, which is included within accruals and is being written off over the estimated service lives of current employees of 15 years as follows:

	£'000
Surplus at 1 July 1992	264
Surplus deduction	(18)
Surplus at 30 June 1993	<u>246</u>

- (b) Executive pension scheme - a non contributory insured scheme which is administered by Murray Johnstone Unit Trust Management Limited.

The pension costs of the company under the schemes were £445,751 (1992: £406,250)

23 Called up share capital

	1993 £	1992 £
Authorised 5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid 5,000 (1992: 5,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

24 Reserves

	Translation reserve £	Profit and loss account £
Group		
At 1 July 1992	445,753	8,065,325
Translation difference	11,516	-
Retained profit for the year	-	2,921,841
	<u>457,269</u>	<u>10,987,166</u>
At 30 June 1993		
		<u>10,987,166</u>
		Profit and loss account £'000
Company		
At 1 July 1992		8,530,754
Retained profit for the year		2,952,815
		<u>11,483,569</u>
At 30 June 1993		<u>11,483,569</u>

25 Reconciliation of operating profit to net cash inflow from operating activities

	1993 £	1992 £
Operating profit	6,294,967	4,064,108
Amortisation of intangible fixed assets	450,466	50,572
Depreciation of tangible fixed assets	1,110,766	1,001,118
Gain on sale of tangible fixed assets	(98,058)	(37,428)
Decrease in stocks	936,048	133,243
(Increase)/Decrease in trade debtors	(466,214)	447,045
Decrease in prepayments and accrued income	41,260	79,345
Decrease/(Increase) in net royalty advances	137,390	(1,121,840)
Decrease/(Increase) in other debtors	292,647	(705,397)
(Decrease)/Increase in trade creditors	(8,228)	1,086,796
(Decrease) in amounts owed to group undertakings	(1,018,241)	(3,189,533)
Increase in other creditors	509,082	582,745
(Decrease)/Increase in accruals and deferred income	(295,258)	182,234
(Increase) in pension provision	-	(23,169)
	<u>7,886,627</u>	<u>2,549,839</u>
Net cash flow from operating activities		
	<u>7,886,627</u>	<u>2,549,839</u>

26 Cash and cash equivalents

	1993 £	1992 £
Changes during the year		
At 1 July	893,019	223,705
Net cash inflow before adjustments for the effects of foreign exchange rates	4,896,251	723,465
Effect of foreign exchange rates	36,557	(54,151)
At 30 June	<u>5,825,827</u>	<u>893,019</u>

Analysis of balances	1993 £	1992 £	Movement £
Cash at bank and in hand	5,825,829	393,019	4,932,810
Bank overdrafts	(2)	-	(2)
	<u>5,825,827</u>	<u>893,019</u>	<u>4,932,808</u>

27 Guarantees and financial commitments

- (a) At 30 June 1993 the group had annual commitments in respect of land and buildings under non-cancellable operating leases as follows:

	1993 £	1992 £
Expiring within one year	-	-
Expiring between two and five years inclusive	105,617	82,576
Expiring in over five years	686,509	584,772
	<u>792,126</u>	<u>667,348</u>

The company's annual operating lease commitments in respect of land and buildings amount to £387,100 on leases, all of which expire after more than five years.

- (b) The group has a contractual obligation to pay royalties at future dates of £10,105,891 (1992: £6,987,788).
- (c) The company has a contractual obligation to pay royalties at future dates of £9,980,234 (1992: £6,743,280).
- (d) The company has a contractual obligation to pay £1,000,000 in April 1994 in respect of a licence fee agreement.

- (e) The company has also issued an undertaking to support the operation of its Australian and New Zealand subsidiaries for the next twelve months.

28 Reconciliation of movements in shareholders' funds

	1993 £	1992 £
Profit for the financial year	3,921,841	3,842,778
Dividends	(1,000,000)	(1,000,000)
Other recognised (losses)/gains for the year	11,516	45,858
Net addition to shareholders' funds	2,933,357	2,888,636
Opening shareholders' funds	8,516,078	5,627,442
Closing shareholders' funds	11,449,435	8,516,078

29 Ultimate and immediate parent companies

The company's immediate parent company is Bantam, Doubleday, Dell Publishing (UK) Limited. Copies of the entity accounts of Bantam, Doubleday, Dell Publishing (UK) Limited may be obtained from its registered office at 61-63 Uxbridge Road, London W5 5SA.

The directors regard Bertelsmann AG, a company registered in Germany, as the ultimate parent company. Copies of the consolidated financial statements of Bertelsmann AG may be obtained from its registered office at Postfach 5555, Guetersloh 100, Germany.