

Company no: 518601

CHATTO AND WINDUS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1995



CHATTO AND WINDUS LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 1995.

Business Review

The principal activity of the company continues to be book publishing.

The turnover and results of the company for the year are set out in the attached financial statements.

Dividend

No dividend is proposed for the year. An amount of £76,206 has been transferred to reserves.

Directors

The following were directors during the year:

S MASTER	appointed 1 April 1995	Chairman
J BURNHAM	resigned 1 April 1995	
B FEATHERSTONE	resigned 1 April 1995	
AS McCONNELL		
A SAMUEL	resigned 1 April 1995	

None of the directors at 31 December 1995 had any interest in the shares of any group company at either the beginning or end of the year.

Auditors

Price Waterhouse have indicated their willingness to continue in office. A resolution concerning their re appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board


RL SMITH
Secretary

Random House
20 Vauxhall Bridge Road
LONDON
SW1V 2SA

29 April 1996

CHATTO AND WINDUS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the period to that date.

The directors are responsible for maintaining appropriate accounting records which disclose with reasonable accuracy the financial position of the company at any time and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that the accounts have been prepared using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also confirm that the accounts have been prepared following applicable UK accounting standards and on a going concern basis.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHATTO AND WINDUS LIMITED**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 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 the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

29 April 1996

Southwark Towers
32 London Bridge Street
LONDON, SE1 9SY

CHATTO AND WINDUS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1995

	Notes	1995 £	1994 £
TURNOVER	2	2,511,163	2,682,405
Changes in stocks of finished goods and work in progress		34,719	(117,787)
Raw materials and consumables		(959,599)	(976,558)
Other external charges		(1,655,540)	(1,646,799)
Staff costs	3	(121,151)	(142,451)
Depreciation	6	(3,018)	(5,973)
OPERATING LOSS		(193,426)	(207,163)
Profit on disposal of fixed assets		-	4,870
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(193,426)	(202,293)
Taxation on Loss on Ordinary Activities	5	269,632	63,000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12	76,206	(139,293)

Turnover is derived from continuing activities.

The company has no recognised gains or losses other than as disclosed in the Profit & Loss Account.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS


Profit/(loss) for the year	76,206	(139,293)
Shareholders' funds at 1 January 1995	(2,662,465)	(2,523,172)
Shareholders' funds at 31 December 1995	(2,586,259)	(2,662,465)

CHATTO AND WINDUS LIMITED

BALANCE SHEET As at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible fixed assets	6	5,784	8,802
CURRENT ASSETS			
Stocks	7	336,118	301,399
Advance royalties		1,205,315	905,014
Debtors	8	370,616	905,675
		<u>1,912,049</u>	<u>2,112,088</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
	9	<u>(4,148,092)</u>	<u>(4,780,355)</u>
NET CURRENT LIABILITIES		<u>(2,236,043)</u>	<u>(2,668,267)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,230,259)</u>	<u>(2,659,465)</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	10	(356,000)	(3,000)
		<u>(2,586,259)</u>	<u>(2,662,465)</u>
CAPITAL AND RESERVES			
Share Capital	11	88,000	88,000
Profit and loss account	12	(2,674,259)	(2,750,465)
EQUITY SHAREHOLDERS' FUNDS		<u>(2,586,259)</u>	<u>(2,662,465)</u>

Approved by the board on 29 April 1996.


AS McCONNELL Director

CHATTO AND WINDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

1. ACCOUNTING POLICIES

Basis of Preparation of Accounts

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

Turnover

Turnover comprises the sale of published books, net of returns, and related rights and representation fees receivable excluding value added tax.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Motor vehicles	25% per annum
----------------	---------------

Stocks

Stocks comprise finished goods and work in progress in respect of books.

Finished goods are stated at the lower of cost and net realisable value. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the profit and loss account in full on publication.

Work in progress is stated at cost.

Royalties

Royalty advances to authors which are not expected to be earned from future sales of books and rights are charged to the profit and loss account in the year of publication. Royalty advances to authors on unpublished titles are reviewed annually.

Deferred Taxation

Provision is made under the liability method for the corporation tax effect arising from all timing differences other than those which are expected with reasonable probability to continue to be deferred into the foreseeable future.

Pensions

The charges against profits for the company's contributions to the group pension scheme are calculated so as to spread the cost over the expected average remaining service lives of employees who are members of the scheme.

CHATTO AND WINDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

	1995 £	1994 £
2. TURNOVER		
The company's turnover arises from its principal activity of book publishing.		
Geographical analysis of turnover:		
UK and Eire	1,577,497	1,856,467
Rest of the World	933,666	825,938
	<u>2,511,163</u>	<u>2,682,405</u>

3. LOSS BEFORE TAX

The loss before tax is stated after charging:

Staff costs:		
Wages & salaries	99,536	120,744
Social security costs	9,382	10,895
Group pension scheme costs	12,233	10,812
	<u>121,151</u>	<u>142,451</u>

The average number of persons employed by the company, including executive directors, during the year was 4 (1994: 5).

Other:		
Directors' emoluments	<u>31,405</u>	<u>143,623</u>

4. DIRECTORS' EMOLUMENTS

The remuneration of the directors, excluding pension contributions, was as follows:

Chairman	nil	nil
Highest paid director	<u>£ 11,122</u>	<u>£ 42,006</u>

Directors received emoluments in the following bands:

	no.	no.
£ 0 - £ 5,000	2	3
£ 5,001 - £10,000	2	-
£10,001 - £15,000	1	-
£15,001 - £20,000	-	1
£30,001 - £35,000	-	2
£40,001 - £45,000	-	1

CHATTO AND WINDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

	1995 £	1994 £
5. TAX ON LOSS ON ORDINARY ACTIVITIES:		
Group relief receivable in respect of UK corporation tax losses surrendered		
-current year	159,000	-
-adjustment of prior years	463,632	-
Deferred tax movement		
-current year	(98,000)	63,000
-adjustment of prior years	(255,000)	-
	<u>269,632</u>	<u>63,000</u>

The company has unutilised tax losses carried forward which the directors estimate at £125,000 subject to agreement by the Inland Revenue.

6. TANGIBLE FIXED ASSETS	Cars £
Cost:	
at 1 January 1995 and at 31 December 1995	<u>12,071</u>
Depreciation:	
at 1 January 1995	3,269
Charge for the year	3,018
at 31 December 1995	<u>6,287</u>
Net Book Amounts:	
at 31 December 1995	<u>5,784</u>
at 31 December 1994	<u>8,802</u>

There were no capital commitments outstanding at the year end (1994: nil).

	1995 £	1994 £
7. STOCKS		
Work in progress	197,607	110,078
Finished books	138,511	191,321
	<u>336,118</u>	<u>301,399</u>

CHATTO AND WINDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

	1995 £	1994 £
8. DEBTORS		
Trade debtors	130,875	126,801
Group relief receivable	159,000	755,000
Prepayments	80,741	23,874
	<u>370,616</u>	<u>905,675</u>
9. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	1,111,587	1,271,920
Amounts owed to group undertakings	2,694,807	3,259,019
Accruals	341,698	249,416
	<u>4,148,092</u>	<u>4,780,355</u>
10. DEFERRED TAXATION		
The potential liability, and amount provided, for deferred taxation is as follows:		
Excess of capital allowances received over depreciation charged on fixed assets	-	-
Other short term timing differences	398,000	299,000
Unutilised tax losses	(42,000)	(296,000)
	<u>356,000</u>	<u>3,000</u>
11. CALLED UP SHARE CAPITAL		
Authorised:		
Ordinary shares of £1 each	<u>90,000</u>	<u>90,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>88,000</u>	<u>88,000</u>

CHATTO AND WINDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

12.	PROFIT AND LOSS ACCOUNT	£
	Balance at 1 January 1995	(2,750,465)
	Profit for the year	76,206
	Balance at 31 December 1995	<u>(2,674,259)</u>

13. COMMITMENTS

There are commitments to authors for the payment of royalty advances amounting to £1,493,170 at 31 December 1995 (1994: £1,701,636). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

14. PENSION FUND

The company is a member of the Random House UK Limited group pension scheme. This scheme is of the defined benefit type. The assets of the scheme are invested outside the group by the trustees acting on the advice of independent investment advisors. The pension costs have been assessed in accordance with the advice of a qualified actuary. Contributions to the scheme are based on pension costs across the group as a whole.

Particulars of the actuarial valuation of the scheme are contained in the accounts of Random House UK Limited.

15. PARENT UNDERTAKINGS

The company's ultimate parent company is Advance Publications Inc which is incorporated in the United States of America.

The parent of the smallest subgroup for which group accounts are prepared and of which the company is a member is The Conde Nast Publications Limited which is registered in England. Copies of the group accounts can be obtained from the Company Secretary at the registered office, Vogue House, Hanover Square, London W1R 0AD.

The parent company, Random House UK Limited, has indicated that it is its present intention to continue to support the activities of the company.