

Readers Union Limited

Registered No: 843946

DIRECTORS

N A Page
P M Spence
J R Townsend
A J Newton

SECRETARY

N A Page

AUDITORS

Ernst & Young
Broadwalk House
Southernhay West
Exeter
EX1 1LF

BANKERS

Lloyds Bank plc
Newton Abbot Branch
41 Courtenay Street
Newton Abbot
Devon
TQ12 2QW

Girobank
Bridle Road
Bootle
Merseyside
G1R 0AA

SOLICITORS

Foot & Bowden
21 Derry's Cross
Plymouth
Devon
PL1 2SW

REGISTERED OFFICE

Brunel House
Newton Abbot
Devon
TQ12 4PU



Readers Union Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company consist of operating book clubs and mail order businesses.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £381,000. The directors recommend a final ordinary dividend amounting to £279,000, leaving a retained profit of £102,000.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

N A Page	
K E Holland	- resigned 21 January 1997
C A Sage	- resigned 5 September 1996
J R Townsend	- appointed 21 January 1997
A J Newton	- appointed 1 May 1997
P M Spence	- appointed 21 January 1997

The directors who held office at the end of the financial year had no interest in the share capital of the company or holding company.

AUDITORS

Ernst & Young were appointed auditors during the year and a resolution to reappoint them as auditors will be put to the members at the Annual General Meeting.

By order of the board



N A Page
Director
22 August 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts on the 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Readers Union Limited

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Exeter
22 August 1997

Readers Union Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 1997

	Notes	1997 £'000	1996 £'000
TURNOVER	2	9,106	9,328
Cost of sales		6,540	7,052
GROSS PROFIT		2,566	2,276
Fulfilment costs		1,125	1,318
Distribution costs		566	682
Administrative expenses		438	448
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	437	(172)
Tax on profit/(loss) on ordinary activities	6	56	(29)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		381	(143)
Proposed dividend		(279)	(650)
RETAINED PROFIT/(LOSS) FOR YEAR	13	102	(793)

The above results related to continuing activities.

The company had no recognised gains or losses other than the profit for the year.

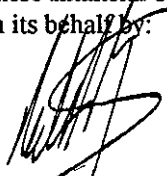
	£'000
Note of prior year adjustment:	
Total recognised gains and losses related to the year (as above)	381
Prior year adjustment (as explained in note 18)	(153)
Total gains and losses recognised	228

Readers Union Limited

BALANCE SHEET at 30 June 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	7	187	283
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	8	1,170	1,068
Debtors	9	1,556	1,849
Cash at bank and in hand		329	626
		<hr/>	<hr/>
		3,055	3,543
CREDITORS: amounts falling due within one year	10	2,856	3,568
		<hr/>	<hr/>
NET CURRENT ASSETS (LIABILITIES)		199	(25)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		386	258
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	26	-
		<hr/>	<hr/>
		360	258
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	360	258
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	13	360	258
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 22 August 1997 and were signed on its behalf by:



N A Page
Director

NOTES TO THE ACCOUNTS
at 30 June 1997

1 ACCOUNTING POLICIES

Accounting convention

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

Cash flow statement

No cash flow statement has been prepared as the company is a wholly owned subsidiary of David & Charles Limited.

Depreciation

Depreciation is provided on all tangible assets, at rates calculated to write off the costs, less estimated residual value, of each asset by equal annual instalments over its estimated useful life as follows:

Equipment and fittings	-	5 years
Motor vehicles	-	5 years
Mainframe computer equipment	-	4 years
Microcomputers	-	3 to 4 years

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All gains and losses on translation are taken to the profit and loss account.

Stocks

Stocks of books have been valued at the lower of cost and net realisable value, less provision for quantities which the directors estimate may not eventually be sold at full price.

Recruitment and promotional expenditure

All recruitment and promotional expenditure is expensed as it is incurred.

Leased assets

Expenditure under operating leases is charged to the profit and loss account in the year incurred.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods which are expected to benefit from the employees' service. Any differences between the charge to the profit and loss account and the contributions paid to the scheme is included as an asset or liability in the balance sheet.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Readers Union Limited

NOTES TO THE ACCOUNTS

at 30 June 1997

1 ACCOUNTING POLICIES

Related party transactions

Transactions with group companies have not been disclosed due to advantage being taken of the exemptions granted under Financial Reporting Standard No. 8.

2 TURNOVER

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of value added tax and trade discounts.

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £'000	1996 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging		
Auditors' remuneration	9	11
Operating lease rentals	103	113
Depreciation and other amounts written off tangible fixed assets	141	193
	<u>153</u>	<u>317</u>

4 REMUNERATION OF DIRECTORS

No remuneration was paid to the directors by the company during the year (1996 - £Nil). All directors were remunerated by higher group undertakings.

5 STAFF COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1997 No.	Number of employees 1996 No.
Administration	8	6
Editorial/marketing	9	7
Distribution	1	1
	<u>18</u>	<u>14</u>

The aggregate payroll costs of these persons were as follows:

	1997 £'000	1996 £'000
Wages and salaries	356	403
Social security costs	32	34
Other pension costs	-	4
	<u>388</u>	<u>441</u>

Readers Union Limited

NOTES TO THE ACCOUNTS at 30 June 1997

6 TAXATION

	1997 £'000	1996 £'000
Based on the profit/(loss) for the year:		
UK corporation tax at 33%	30	-
Surrender in respect of current year	-	(29)
Deferred taxation	26	-
	<u>56</u>	<u>(29)</u>

The taxation credit in 1996 includes the crystallisation of timing differences not previously recognised as it is company policy not to accrue for deferred tax assets unless their recovery is reasonably certain.

7 TANGIBLE FIXED ASSETS

	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 July 1996	474	390	28	892
Additions	17	48	-	65
Disposals	(1)	(1)	(14)	(16)
Group transfers	-	(1)	(14)	(15)
Reclassification	16	(16)	-	-
At 30 June 1997	<u>506</u>	<u>420</u>	<u>-</u>	<u>926</u>
Depreciation:				
At 1 July 1996	320	282	7	609
Charge for year	75	64	2	141
Disposals	-	(1)	(6)	(7)
Group transfers	-	(1)	(3)	(4)
Reclassification	37	(37)	-	-
At 30 June 1997	<u>432</u>	<u>307</u>	<u>-</u>	<u>739</u>
Net book value:				
At 30 June 1997	<u>74</u>	<u>113</u>	<u>-</u>	<u>187</u>
At 30 June 1996	<u>154</u>	<u>108</u>	<u>21</u>	<u>283</u>

8 STOCKS

	1997 £'000	1996 £'000
Finished goods and goods for resale	<u>1,170</u>	<u>1,068</u>

Readers Union Limited

NOTES TO THE ACCOUNTS

at 30 June 1997

9 DEBTORS

	1997 £'000	1996 £'000
Trade debtors	1,507	1,403
Amounts owed by group undertakings	-	320
Other debtors	21	46
Prepayments and accrued income	28	80
	<u>1,556</u>	<u>1,849</u>

10 CREDITORS: amounts falling due within one year

	1997 £'000	1996 £'000
Payments received on account	39	49
Trade creditors	972	1,058
Amounts owed to parent undertaking including proposed dividend	1,506	2,372
Accruals and deferred income	309	89
Corporation tax	30	-
	<u>2,856</u>	<u>3,568</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the year are as follows:

	£'000
At 1 July 1996	-
Charge for the year	26
At 30 June 1997	<u>26</u>

Deferred taxation provided in the accounts is as follows:

	1997 £'000	1996 £'000
Capital allowances in advance of depreciation	<u>26</u>	<u>-</u>

The nature of timing differences in existence at 30 June 1996 was such that an asset arose for the purposes of deferred taxation. On the grounds of prudence, this asset was not recognised in these accounts.

Readers Union Limited

NOTES TO THE ACCOUNTS at 30 June 1997

12 CALLED UP SHARE CAPITAL

	<i>Authorised, Allotted, Called up and Fully paid</i>	
	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100	100

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the financial year	381	(143)
Dividends	(279)	(650)
Net addition/(reduction) to shareholders' funds	102	(793)
Opening shareholders' funds (originally £411,000 before deducting prior year adjustment of £153,000)	258	1,051
Closing shareholders' funds	360	258

14 PENSION COMMITMENTS

The company operates a funded pension scheme. The Pension and Life Assurance Plan of David & Charles Limited, which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, under a contract with The Equitable Life Assurance Society.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent interim valuation, which was conducted as at 31 March 1995, was as follows:

Main assumptions:

Rate of return on investments	9% per annum
Rate of salary increases	8% per annum
Rate of pension increases	4½% per annum
Market value of scheme's assets (£'000)	2,538
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases.	188%

The company has continued to pay contributions at the rate of 5%.

NOTES TO THE ACCOUNTS
at 30 June 1997

15 OTHER FINANCIAL COMMITMENTS

At 30 June 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997 £'000	Plant and machinery 1996 £'000
Operating leases which expire: Within one year	39	85

16 CONTINGENT LIABILITY

The company has guaranteed the overdraft of its immediate parent company and there exists a right of set off between the two companies. The amount outstanding at the year end was £Nil (1996 - £Nil).

17 RELATED PARTIES

The company's immediate parent undertaking is David & Charles Limited, a company registered in England and Wales. It has included the company in its group accounts, copies of which are available from its registered office: Brunel House, Newton Abbot, Devon, TQ12 4PU.

The company's ultimate holding company is D&C Group Limited incorporated in England and Wales.

18 PRIOR YEAR ADJUSTMENT

In prior years the company has calculated its pension charge and balance sheet disclosures in accordance with Financial Accounting Standards Bulletin 87; this was to comply with the requirements of the company's previous holding company, which was registered in the United States, which, until 21 January 1997 was the company's ultimate holding company. The prior year adjustment reflects the adoption by the company of the requirements of Statement of Standard Accounting Practice 24, Accounting for Pension Costs.