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Readers Union Limited

Report and Accounts

30 June 2000



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Readers Union Limited

Registered No: 843946

DIRECTORS

N A Page
J R Townsend
S N McRae
J D Gaisford

SECRETARY

J D Gaisford

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
GIR OAA

SOLICITORS

Foot, Anstey & Sargent
21 Derry's Cross
Plymouth
Devon
PL1 2SW

REGISTERED OFFICE

Brunel House
Newton Abbot
Devon
TQ12 4PU

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2000.

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 £662,000. The directors do not recommend a final ordinary dividend, leaving a profit of £662,000 to be taken to reserves.

DIRECTORS AND THEIR INTERESTS

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

N A Page

J R Townsend

S N McRae

L Godwin (resigned as director 7 April 2000)

J D Gaisford (appointed as director and secretary on 27 January 2000)

P D Macklin resigned as director and secretary on 7 July 1999. N A Page was appointed secretary on 7 July 1999 and resigned on 27 January 2000.

The directors who held office at the end of the financial year had no interest in the share capital of the company. Their interests in the ultimate holding company D & C Group Limited are disclosed in the accounts of that company.

AUDITORS

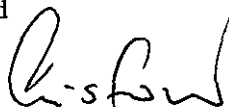
A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

J D Gaisford

Director

14 August 2000



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 page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

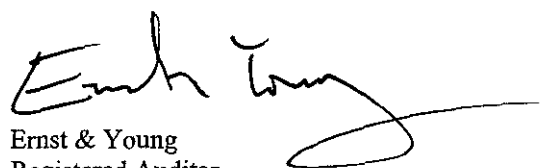
Basis of opinion

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Exeter
14 August 2000

Readers Union Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2000

	Notes	2000 £'000	1999 £'000
TURNOVER	2	10,985	11,539
Cost of sales		7,782	8,259
GROSS PROFIT		3,203	3,280
Distribution costs		1,025	1,024
Administrative expenses		1,529	1,705
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	649	551
Tax on profit on ordinary activities	6	(13)	133
PROFIT FOR THE FINANCIAL YEAR		662	418
Proposed dividend		-	-
RETAINED PROFIT FOR YEAR	14	662	418

The above results related to continuing activities.

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

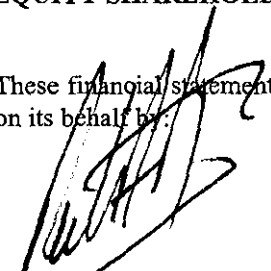
Readers Union Limited

BALANCE SHEET

at 30 June 2000

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	7	131	171
CURRENT ASSETS			
Stocks	8	1,116	1,993
Debtors	9	1,985	1,894
Cash at bank and in hand		599	67
		3,700	3,954
CREDITORS: amounts falling due within one year	10	2,630	3,582
NET CURRENT ASSETS		1,070	372
TOTAL ASSETS LESS CURRENT LIABILITIES		1,201	543
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	11	4	8
		1,197	535
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	1,197	535
EQUITY SHAREHOLDERS' FUNDS	14	1,197	535

These financial statements were approved by the board of directors on 14 August 2000 and were signed on its behalf by:


N A Page
Director
14 August 2000

NOTES TO THE ACCOUNTS

at 30 June 2000

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 D&C Group Limited.

Depreciation and tangible fixed assets

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Leased assets

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

Pension costs

The company contributes to a group personal pension plan at rates between 3% and 12% depending upon the length of the employee's service. The contributions payable are charged to the profit and loss during the year.

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.

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 is derived from book club sales in the UK and is exclusive of value added tax and trade discounts.

NOTES TO THE ACCOUNTS

at 30 June 2000

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	10	10
Operating lease rentals – plant and machinery	120	138
Depreciation of owned tangible fixed assets	75	70
	<u>75</u>	<u>70</u>

4 DIRECTORS' EMOLUMENTS

	2000 £'000	1999 £'000
Emoluments	52	69
	<u>52</u>	<u>69</u>
	2000 No.	1999 No.
Number of directors accruing benefits under the group personal pension scheme	2	1
	<u>2</u>	<u>1</u>

5 STAFF COSTS

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

	2000 No.	Number of employees 1999 No.
Administration	38	35
Editorial and marketing	13	14
Distribution	23	25
	<u>74</u>	<u>74</u>

The aggregate payroll costs of these persons were as follows:

	2000 £'000	1999 £'000
Wages and salaries	1,181	1,129
Social security costs	108	101
Other pension costs	43	50
	<u>1,332</u>	<u>1,280</u>

NOTES TO THE ACCOUNTS

at 30 June 2000

6 TAXATION

	2000 £'000	1999 £'000
Based on the profit for the year:		
UK corporation tax	-	132
(Over)/under provision in respect of prior year	(13)	1
	<u>(13)</u>	<u>133</u>

7 TANGIBLE FIXED ASSETS

	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 July 1999	523	445	16	984
Additions	29	24	-	53
Disposals	(10)	-	(16)	(26)
At 30 June 2000	<u>542</u>	<u>469</u>	<u>-</u>	<u>1,011</u>
Depreciation:				
At 1 July 1999	464	344	5	813
Charge for year	34	38	3	75
Disposals	-	-	(8)	(8)
At 30 June 2000	<u>498</u>	<u>382</u>	<u>-</u>	<u>880</u>
Net book value:				
At 30 June 2000	<u>44</u>	<u>87</u>	<u>-</u>	<u>131</u>
At 30 June 1999	<u>59</u>	<u>101</u>	<u>11</u>	<u>171</u>

The net book value of computer equipment above includes an amount of £11,000 (1999 - £14,000) in respect of assets held under finance leases and hire purchase contracts.

8 STOCKS

	2000 £'000	1999 £'000
Finished goods and goods for resale	<u>1,116</u>	<u>1,993</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

Readers Union Limited

NOTES TO THE ACCOUNTS at 30 June 2000

9 DEBTORS

	2000 £'000	1999 £'000
Trade debtors	1,922	1,847
Other debtors	36	39
Prepayments and accrued income	27	8
	<u>1,985</u>	<u>1,894</u>

10 CREDITORS: amounts falling due within one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts (note 11)	5	5
Payments received on account	50	48
Trade creditors	1,637	1,775
Amounts owed to group undertakings	723	1,448
Accruals and deferred income	184	150
Corporation tax	-	126
Other creditors and social security	31	30
	<u>2,630</u>	<u>3,582</u>

11 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000 £'000	1999 £'000
Amounts payable:		
Within one year	6	6
In two to five years	4	8
	<u>10</u>	<u>14</u>
Less: Finance charges allocated to future periods	(1)	(1)
	<u>9</u>	<u>13</u>
Finance leases are analysed as follows:		
Current obligations (note 10)	5	5
Non-current obligations	4	8
	<u>9</u>	<u>13</u>

NOTES TO THE ACCOUNTS

at 30 June 2000

12 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The nature of timing differences in existence at 30 June 2000 is such that an asset arises for the purposes of deferred taxation. On the grounds of prudence, this asset is not recognised in these accounts (1999 - nil).

13 CALLED UP SHARE CAPITAL

	2000 £	Authorised, allotted, called up and fully paid 1999 £
Ordinary shares of £1 each	100	100

14 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	2000 £'000	1999 £'000
Profit for the financial year	662	418
Opening shareholders' funds	535	117
Closing shareholders' funds	1,197	535

15 OTHER FINANCIAL COMMITMENTS

At 30 June 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 £'000	Plant and machinery 1999 £'000
Operating leases which expire:		
Within one year	4	127
Within two to five years	37	-

16 CONTINGENT LIABILITY

The company has guaranteed the overdraft of its ultimate holding company, and there exists a right of set off between the companies. The amount outstanding at the year end was nil (1999 : £30,000). The company has given an undertaking to provide financial support to the group companies David & Charles Limited and Godsfield Press Limited for a period of at least the following twelve months. The company has also provided a guarantee with the parent undertaking D & C Group Limited, for the invoice discounting liability of David & Charles Limited with GMAC Commercial Credit Limited. At the balance sheet date, the invoice discounting liability of David & Charles Limited was £1,034,000.

NOTES TO THE ACCOUNTS

at 30 June 2000

17 RELATED PARTIES

The company's ultimate parent undertaking is D&C Group 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.