

# **Readers Union Limited**

## **Directors' report and financial statements**

**30 June 1995**

Registered number 843946



# Readers Union Limited

## Directors' report and financial statements

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# Readers Union Limited

## Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 1995.

### Principal activities

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

### Business review

The results for the year are summarised below:

	£000
Turnover	<u>12,598</u>
Loss on ordinary activities before taxation	(352)
Taxation	<u>320</u>
Loss on ordinary activities after taxation	<u>(32)</u>

### Dividend

The directors do not recommend the payment of a dividend for the year ended 30 June 1995.

### Significant changes in fixed assets

The movements in fixed assets are set out in note 6 to the financial statements.

### Directors and directors' interests

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

TK Stubbs	(resigned 24 July 1995)
KE Holland	
NA Page	
CA Sage	

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.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

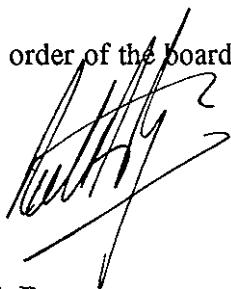
# Readers Union Limited

## Directors' report *(continued)*

### Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



NA Page  
Secretary

Brunel House  
Forde Road  
Newton Abbot  
Devon  
TQ12 4PU

25 August 1995

# Readers Union Limited

## Statement of directors' responsibilities

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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 have general responsibility 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.



Phoenix House  
Notte Street  
Plymouth  
Devon PL1 2RT

## Auditors' report to the members of Readers Union Limited

We have audited the financial statements on pages 5 to 12.

### *Respective responsibilities of directors and auditors*

As described on page 3 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 judgments 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 30 June 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG  
Chartered Accountants  
Registered Auditors

29 AUGUST 1995



# Readers Union Limited

## Profit and loss account for the year ended 30 June 1995

	<i>Note</i>	1995 £000	1994 £000
<b>Turnover</b>		<b>12,598</b>	<b>12,705</b>
<b>Cost of sales</b>		<b>(10,158)</b>	<b>(10,838)</b>
<b>Gross profit</b>		<b>2,440</b>	<b>1,867</b>
Fulfilment costs		(1,460)	(1,252)
Distribution costs		(994)	(1,012)
Administrative expenses		(338)	(323)
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(352)</b>	<b>(720)</b>
Tax on loss on ordinary activities	5	320	104
<b>Loss for the financial year</b>		<b>(32)</b>	<b>(616)</b>
Retained profit brought forward		1,236	1,852
<b>Retained profit carried forward</b>		<b>1,204</b>	<b>1,236</b>

There were no acquisitions or discontinued operations within the company during 1995 and 1994.

The company has no recognised gains or losses in either 1995 or 1994 other than the losses for these years.

A reconciliation of movements in shareholders' funds can be found in note 12 of these financial statements.

# Readers Union Limited

## Balance sheet at 30 June 1995

	Note	1995 £000	1994 £000
<b>Fixed assets</b>			
Tangible assets	6	464	410
<b>Current assets</b>			
Stocks	7	1,241	2,018
Debtors	8	2,224	2,455
Cash at bank and in hand		387	1
		<u>3,852</u>	<u>4,474</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,112)</u>	<u>(3,648)</u>
<b>Net current assets</b>		<u>740</u>	<u>826</u>
<b>Total assets less current liabilities</b>		<u>1,204</u>	<u>1,236</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account		<u>1,204</u>	<u>1,236</u>
		<u>1,204</u>	<u>1,236</u>

These financial statements were approved by the board of directors on 25 Aug 1995 and were signed on its behalf by:

  
NA Page  
Director



# Readers Union Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

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

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of an EC parent company.

#### *Turnover*

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of value added tax and trade discounts. Returns by customers are deducted from turnover in the year in which the returns are made.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives 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 using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Stocks*

Stocks of books have been valued at cost price less provisions for quantities which the directors estimate may not eventually be sold at full price. Certain books held in stock at the year end may be sold at prices below stock value as an inducement to new members to join the book clubs. This further reduction is regarded as a lead book subsidy of the year in which the offer is taken up.

#### *Recruitment and promotional expenditure*

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

# Readers Union Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leasing*

Expenditure on operating leases is charged to the profit and loss account as the rentals accrue.

#### *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.

#### *Taxation*

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### 2 Loss on ordinary activities before taxation

	1995 £000	1994 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Auditors' remuneration	11	11
Operating lease rentals	150	150
Depreciation and other amounts written off tangible fixed assets	148	117
Exceptional item - restructuring costs	(67)	549

The £67,000 credit is the release of last years unutilised restructuring provision.

### 3 Remuneration of directors

No remuneration was paid to the directors by the company during the year (1994: £nil). All directors were remunerated by higher group undertakings.

# Readers Union Limited

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	1995	1994
Administration	16	39
Editorial/marketing	12	15
Distribution	22	26
	<u>50</u>	<u>80</u>

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£000	£000
Wages and salaries	851	1,017
Social security costs	69	85
Other pension costs (see note 13)	13	38
	<u>933</u>	<u>1,140</u>

### 5 Taxation

	1995	1994
	£000	£000
Group relief @ 33%		
Surrender in respect of current year	120	73
Receivable in respect of prior year	200	31
	<u>320</u>	<u>104</u>

The taxation credit for the year 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.

# Readers Union Limited

## Notes (continued)

### 6 Tangible fixed assets

	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	433	293	98	824
Additions	91	70	28	189
Disposals	(39)	(72)	(26)	(137)
Group transfers in	-	190	(14)	176
At end of year	<u>485</u>	<u>481</u>	<u>86</u>	<u>1,052</u>
<i>Depreciation</i>				
At beginning of year	186	183	45	414
Charge for year	86	51	11	148
On disposals	(35)	(51)	(10)	(96)
Group transfers in	-	134	(12)	122
At end of year	<u>237</u>	<u>317</u>	<u>34</u>	<u>588</u>
<i>Net book value</i>				
At 30 June 1995	<u>248</u>	<u>164</u>	<u>52</u>	<u>464</u>
At 30 June 1994	<u>247</u>	<u>110</u>	<u>53</u>	<u>410</u>

### 7 Stocks

	1995 £000	1994 £000
Finished goods and goods for resale	<u>1,241</u>	<u>2,018</u>

### 8 Debtors

	1995 £000	1994 £000
Trade debtors	1,547	2,074
Amounts owed by group undertaking	329	141
Other debtors	54	-
Prepayments and accrued income	<u>294</u>	<u>240</u>
	<u>2,224</u>	<u>2,455</u>

Prepayments include £141,340 (1994: £108,624) in respect of pensions which will be recovered after more than one year.

# Readers Union Limited

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	1995 £000	1994 £000
Bank overdraft (secured)	-	925
Payments received on account	57	55
Trade creditors	1,280	1,627
Amounts owed to parent undertaking	1,575	444
Other creditors	-	7
Accruals and deferred income	200	590
	<u>3,112</u>	<u>3,648</u>

### 10 Provisions for liabilities and charges - deferred taxation

The nature of the timing differences in existence at 30 June 1995 and 1994 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.

### 11 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 12 Reconciliation of movements in shareholders' funds

	1995 £000	1994 £000
Loss for the financial year	(32)	(616)
Opening shareholders' funds	<u>1,236</u>	<u>1,852</u>
Closing shareholders' funds	<u>1,204</u>	<u>1,236</u>

### 13 Pension scheme

The company operates a funded pension scheme, The Pension and Life Assurance Plan of David & Charles plc, 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. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the aggregate method. The most recent valuation (in draft) was at 30 November 1993 and contributions of the employees have remained at 3%.

# Readers Union Limited

## Notes (continued)

### 13 Pension scheme (continued)

At 30 June 1995 the company had prepaid pension contributions amounting to £141,340 (1994: £108,624).

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment returns would be 9% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at a rate of 9% per annum. The draft actuarial valuation at 30 November 1993 showed that the market value of the scheme's assets was £2,099,900 and the present value of accrued benefits was £1,119,100.

### 14 Commitments and Guarantees

(i) At the end of the financial year the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:	Plant & machinery	
	1995	1994
	£000	£000
Within one year	113	-
In the second to fifth years inclusive	-	150
	<u>          </u>	<u>          </u>

(ii) 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 (1994: £nil).

### 15 Ultimate holding company and parent undertaking of a larger group

The company's ultimate holding company is The Reader's Digest Association Inc which is incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by The Reader's Digest Association Inc. The smallest group in which they are consolidated is that headed by David & Charles plc, a company incorporated in Great Britain and registered in England and Wales.

The consolidated accounts of David & Charles plc are available to the public and may be obtained from The Registrar of Companies, Companies House, Maindy, Cardiff CF4 3UZ.