

Readers Union Limited

Report and Accounts

30 June 1999



Readers Union Limited

Registered No: 843946

DIRECTORS

N A Page
J R Townsend
L Godwin
S N McRae

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
GIR OAA

SOLICITORS

Foot & Bowden
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 1999.

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 £418,000. The directors do not recommend a final ordinary dividend, leaving a profit of £418,000 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

P D Macklin was appointed director and secretary on 1 September 1998 and resigned on 7 July 1999. N A Page was appointed secretary on 7 July 1999.

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.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year. Such systems will require modification or replacement in order to avoid malfunction in the Year 2000 and beyond. The operation of our business depends not only on our own computer systems, but also on those of our suppliers and customers. This could expose the company to risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company has carried out extensive reviews of all its systems and sought reassurance from all of its major suppliers. Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will be experienced. However, the Board believes that it is well on the way to achieving an acceptable state of readiness and is ensuring that there will be adequate resources in place to deal with any issues that might arise.

The considerable costs of dealing with Year 2000 issues will be subsumed into the recurring activities of the departments involved, and the directors do not envisage that any material additional costs will be incurred.

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

N A Page
Director

18 October 1999

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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

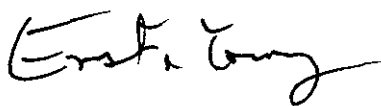
Basis of opinion

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 1999 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

25 October 1999

Readers Union Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 June 1999

	Notes	1999 £'000	1998 £'000
TURNOVER	2	11,539	10,183
Cost of sales		8,259	7,304
GROSS PROFIT		3,280	2,879
Distribution costs		1,024	949
Administrative expenses		1,705	1,466
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	551	464
Tax on profit on ordinary activities	6	133	107
PROFIT FOR THE FINANCIAL YEAR		418	357
Proposed dividend		-	600
RETAINED PROFIT/(LOSS) FOR YEAR	14	418	(243)

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

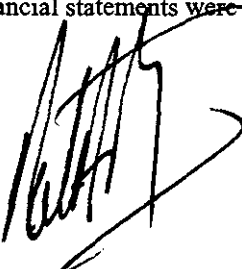
BALANCE SHEET

at 30 June 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	7	171	151
CURRENT ASSETS			
Stocks	8	1,993	1,447
Debtors	9	1,894	1,583
Cash at bank and in hand		67	709
		3,954	3,739
CREDITORS: amounts falling due within one year	10	3,582	3,773
NET CURRENT ASSETS/(LIABILITIES)		372	(34)
TOTAL ASSETS LESS CURRENT LIABILITIES		543	117
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	11	8	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	-	-
		8	-
		535	117
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	535	117
EQUITY SHAREHOLDERS' FUNDS	14	535	117

These financial statements were approved by the board of directors on 18/6/99 and were signed on its behalf by:

N A Page
Director



NOTES TO THE ACCOUNTS

at 30 June 1999

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

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.

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 are 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.

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.

Readers Union Limited

NOTES TO THE ACCOUNTS at 30 June 1999

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	10	10
Operating lease rentals	138	132
Depreciation and other amounts written off owned tangible fixed assets	70	93

4 DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Emoluments	69	31

	1999 No.	1998 No.
Number of directors accruing benefits under the group personal pension scheme	1	1

5 STAFF COSTS

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

	1999 No.	Number of employees 1998 No.
Administration	35	31
Editorial/marketing	14	13
Distribution	25	16
	74	60

The aggregate payroll costs of these persons were as follows:

	1999 £'000	1998 £'000
Wages and salaries	1,129	870
Social security costs	101	73
Other pension costs	50	-
	1,280	943

Readers Union Limited

NOTES TO THE ACCOUNTS at 30 June 1999

6 TAXATION

	1999 £'000	1998 £'000
Based on the profit for the year:		
UK corporation tax	132	153
Adjustment in respect of prior year	1	(20)
Deferred taxation	-	(26)
	<u>133</u>	<u>107</u>

7 TANGIBLE FIXED ASSETS

	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 July 1998	478	431	16	925
Additions	45	49	-	94
Disposals	-	(35)	-	(35)
At 30 June 1999	<u>523</u>	<u>445</u>	<u>16</u>	<u>984</u>
Depreciation:				
At 1 July 1998	436	337	1	774
Charge for year	28	38	4	70
Disposals	-	(31)	-	(31)
At 30 June 1999	<u>464</u>	<u>344</u>	<u>5</u>	<u>813</u>
Net book value:				
At 30 June 1999	<u>59</u>	<u>101</u>	<u>11</u>	<u>171</u>
At 30 June 1998	<u>42</u>	<u>94</u>	<u>15</u>	<u>151</u>

The net book value of computer equipment above includes an amount of £14,000 (1998 - £Nil) in respect of assets held under finance leases and hire purchase contracts.

8 STOCKS

	1999 £'000	1998 £'000
Finished goods and goods for resale	<u>1,993</u>	<u>1,447</u>

Readers Union Limited

NOTES TO THE ACCOUNTS

at 30 June 1999

9 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	1,847	1,514
Other debtors	39	43
Prepayments and accrued income	8	26
	<u>1,894</u>	<u>1,583</u>

Included within prepayments and accrued income is £Nil (1998 - £26,000) relating to deferred pension costs.

10 CREDITORS: amounts falling due within one year

	1999 £'000	1998 £'000
Obligations under finance leases and hire purchase contracts (note 11)	5	-
Payments received on account	48	55
Trade creditors	1,775	1,389
Amounts owed to group undertakings	1,448	1,824
Accruals and deferred income	150	352
Corporation tax	126	153
Other creditors and social security	30	-
	<u>3,582</u>	<u>3,773</u>

11 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1999 £'000	1998 £'000
Amounts payable:		
Within one year	6	-
In two to five years	8	-
	<u>14</u>	<u>-</u>
Less: Finance charges allocated to future periods	1	-
	<u>13</u>	<u>-</u>
Finance leases are analysed as follows:		
Current obligations	5	-
Non-current obligations	8	-
	<u>13</u>	<u>-</u>

NOTES TO THE ACCOUNTS

at 30 June 1999

12 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The nature of timing differences in existence at 30 June 1999 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 (1998 - Nil).

13 CALLED UP SHARE CAPITAL

	1999 £	Authorised, Allotted, Called up and Fully paid 1998 £
Ordinary shares of £1 each	100	100

14 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	1999 £'000	1998 £'000
Profit for the financial year	418	357
Dividends	-	(600)
Net addition/(reduction) to shareholders' funds	418	(243)
Opening shareholders' funds	117	360
Closing shareholders' funds	535	117

15 PENSION COMMITMENTS

The company operated a funded pension scheme, The Pension and Life Assurance Plan of David & Charles Limited, which provided 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 1998, was as follows:

Main assumptions:

Rate of return on investments	8% per annum
Rate of salary increases	7% per annum
Rate of pension increases	3¾% per annum
Market value of scheme's assets (£'000)	3,242
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.	144%

NOTES TO THE ACCOUNTS

at 30 June 1999

15 PENSION COMMITMENTS (continued)

The scheme was terminated on 31 March 1999 with no further obligation falling on the company to contribute to this scheme.

The company now operates a group personal pension plan for employees. The employer contributes at rates between 3% and 12% depending upon the length of the employee's service.

16 OTHER FINANCIAL COMMITMENTS

At 30 June 1999 the company had annual commitments under non-cancellable operating leases as follows:

	<i>1999</i>	<i>Plant and machinery 1998</i>
	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:		
Within one year	127	123

17 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 £30,000.

18 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.