

THE LEISURE CIRCLE LIMITED

FINANCIAL STATEMENTS

For the 52 Weeks Ended 26th June 1999

Reg. No. 1295669

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THE LEISURE CIRCLE LIMITED

Directors' Report for the 52 Weeks Ended 26th June 1999

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditors' Report for the period ended 26th June 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company did not trade during the period and is not expected to trade during the next period. Other operating income arose from the Company's 1% share in The Leisure Circle Partnership profits.

RESULTS AND DIVIDENDS

The profit for the period was £539 (1998: £3,380). No dividend is proposed.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period were:-

Dr M. Herriger	(German)	Resigned 17 July 1998
Mr M. Wilhelm	(German)	
Mr A. Schmidt	(German)	
Mr P A Roe	(British)	Appointed 13 October 1998

The Directors do not have any share interests required to be disclosed under Section 261(5) of the Companies Act 1985.

AUDITOR

A resolution to re-appoint KPMG as the Company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Registered office changed to 87 Newman Street, London, W1P 4EN on 19 October 1998.



Stephen Rand
Secretary

THE LEISURE CIRCLE 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 judgements 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 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 financial statements comply with the Companies Act 1985. They have a 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.

Report of the Auditors

To The Members of THE LEISURE CIRCLE LIMITED

We have audited the financial statements on pages 4 to 8.

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 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 26th June 1999 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
Bristol.

20 November 1999

THE LEISURE CIRCLE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 26th JUNE 1999

	Notes	1999 52 Weeks ended 26 June 1999 £	1999 52 Weeks ended 27 June 1998 £
Other operating income (net)	2	539	3,380
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		539	3,380
Tax on profit on ordinary activities	5	0	0
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		539	3,380
ACCUMULATED PROFIT, brought forward		488,825	485,445
		<hr/>	<hr/>
ACCUMULATED PROFIT, carried forward		489,364	488,825
		<hr/>	<hr/>

All activities are continuing.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit attributable to the shareholders and the accumulated profits for the period stated above, and their historical cost equivalents.

The notes on pages 6 to 8 form part of the financial statements.

THE LEISURE CIRCLE LIMITED

BALANCE SHEET AS AT 26th JUNE 1999

	Notes	26 June 1999 £	27 June 1998 £
FIXED ASSETS			
Investments	1c	27,056	27,056
CURRENT ASSETS			
Debtors	6	1,463,601	1,463,062
CREDITORS:			
Amounts falling due within one year	7	(716)	(716)
		<hr/>	<hr/>
Net Current Assets		1,462,885	1,462,346
Total assets less current liabilities		1,489,941	1,489,402
Provisions for liabilities and charges	8	(577)	(577)
		<hr/>	<hr/>
Net Assets		<u>1,489,364</u>	<u>1,488,825</u>
CAPITAL AND RESERVES			
Called-Up Share Capital	9	1,000,000	1,000,000
Profit and Loss Account		489,364	488,825
		<hr/>	<hr/>
Shareholder's Equity	12	<u>1,489,364</u>	<u>1,488,825</u>

The accounts were approved by the Board of Directors on 20 November 1999.

Directors

Alan Roe

Andreas Schmidt

The notes on pages 6 to 8 form part of the financial statements.

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE 52 WEEKS ENDED 26th JUNE 1999

1) ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below:-

a) Basis of accounting

The financial statements have been prepared in accordance with applicable UK Accounting Standards and are prepared under the historical cost convention.

Under Financial Reporting Standard Number 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

b) Turnover - The Company did not trade during the period.

c) Investments

Investments are stated at cost and comprise mainly the Company's contribution to the capital of the Leisure Circle Partnership, a partnership formed in the United Kingdom and carried on with another subsidiary of Bertelsmann A.G. The Company's share of the Partnership profits and losses is included in other operating income.

d) Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from interest receivable.

2) OTHER OPERATING INCOME (NET)

Other operating income of £539 arose from the Company's 1% share in The Leisure Circle Partnership (1998: £3,380).

3) STAFF COSTS

a) The Company had no employees during 1999 (1998: Nil).

b) Directors' Emoluments

No Director of the Company received remuneration during 1999 (1998: Nil).

No pension contributions were paid in the U.K. on behalf of any Director during the year.

4) AUDITORS' REMUNERATION

The audit fee of £1,000 is borne by a third party with which there is a service agreement and is not recharged to the company.

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE 52 WEEKS ENDED 26th JUNE 1999 (continued)

5) TAX ON PROFIT ON ORDINARY ACTIVITIES

For tax purposes, the trading profit for the 52 weeks has been offset against prior years accumulated tax losses brought forward.

United Kingdom corporation tax at 24% (1998: 24%) is charged on the Company's share of interest receivable and rent.

		52 weeks ended 26 June 1999 £	52 weeks ended 27 June 1998 £
Current year	KPMG to advise	*	*
Prior years		-	-
Deferred		-	-
		<u>0</u>	<u>0</u>

6) DEBTORS

	52 weeks ended 26 June 1999 £	52 weeks ended 27 June 1998 £
Amounts falling due within one year; Amounts owed by The Leisure Circle Partnership	<u>1,463,601</u>	<u>1,463,062</u>

7) CREDITORS

	52 weeks ended 26 June 1999 £	52 weeks ended 27 June 1998 £
Amounts falling due within one year; Corporation tax	<u>716</u>	<u>716</u>

8) PROVISIONS FOR LIABILITIES AND CHARGES

	52 weeks ended 26 June 1999 £	52 weeks ended 27 June 1998 £
Deferred taxation		
At 27 June 1998	577	577
Profit and loss account	-	-
At 28 June 1999	<u>577</u>	<u>577</u>

9) CALLED-UP SHARE CAPITAL

	52 weeks ended 26 June 1999 £	52 weeks ended 27 June 1998 £
Authorised, issued and fully paid 1,000,000 share of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE 52 WEEKS ENDED 28th JUNE 1999 (Continued)

10) GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital Commitments

There were no capital commitments at the end of the period (1998: Nil).

b) Other Commitments

The ultimate holding company has undertaken to discharge any outstanding obligations or liabilities arising out of the business previously carried on by the Company.

11) ULTIMATE HOLDING COMPANY

The Company is a wholly-owned subsidiary of BGJ Enterprises, Inc incorporated in U.S.A. The Company's ultimate holding company is Bertelsmann A.G. incorporated in Germany.

The financial statements of Bertelsmann AG are available on request from The Public Relations Department, Carl Bertelsmann Strasse 270, 33311, Gutersloh, Germany.

12) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 26 June 1999	52 weeks ended 27 June 1998
Opening shareholders' funds	1,488,825	1,485,445
Profit for the financial period	539	3,380
	<hr/>	<hr/>
Closing shareholders' funds	<u>1,489,364</u>	<u>1,488,825</u>