



DISCOPY LABS LIMITED

Report and Financial Statements

31 December 1996

**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**





REPORT AND FINANCIAL STATEMENTS - 1996

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N E Alexander
I Linkins

SECRETARY

I Linkins

REGISTERED OFFICE

Beauford Court
30 Monmouth Street
Bath
Avon
BA1 2BW

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

BANKERS

Lloyds Bank PLC
18 High Street
Daventry
Northamptonshire
NN11 4HT



DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES

The principal activity of the company was the duplication and labelling of computer discs.

REVIEW OF THE BUSINESS

The company sold its business in January 1996 and ceased trading.

RESULTS AND DIVIDENDS

The results of the company for the year are set out in detail on page 5. The directors do not propose the payment of a dividend.

DIRECTORS

The directors had no beneficial interests in the shares of the company, which is a wholly-owned subsidiary of Future Publishing Ltd. The interests of the directors in shares of the ultimate parent company, Pearson plc are shown as follows:

I Linkins in the accounts of Future Publishing Ltd

N E Alexander in the accounts of Pearson New Entertainment Holdings Ltd

AUDITORS

A resolution for the appointment of Price Waterhouse as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

I Linkins
Secretary

5 June 1997



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 as at the end of the financial year and of the profit or loss of the company 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. 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.



Chartered Accountants

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

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DISCOPY LABS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

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 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 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 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

12 June 1997



PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER - discontinued operations		554,127	2,951,927
Cost of sales		(542,812)	(2,097,681)
		<hr/>	<hr/>
Gross profit		11,315	854,246
		<hr/>	<hr/>
Distribution costs		(12,549)	(51,681)
Administrative expenses		(138,761)	(715,561)
		<hr/>	<hr/>
		(151,310)	(767,242)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT - discontinued operations		(139,995)	87,004
Profit/(loss) on disposal of discontinued operations	3	245,000	(291,164)
Other interest receivable and similar income		1,584	6,146
Interest payable and similar charges	4	(100)	(14,579)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	106,489	(212,593)
Tax on profit/(loss) on ordinary activities	6	-	(24,442)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO/(FROM) RESERVES		106,489	(237,035)
		<hr/>	<hr/>

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

In January 1996 the trading assets and the business of the company were sold, as a consequence all the activities of the business relate to discontinued operations.

BALANCE SHEET

31 December 1996

	Note	£	1996 £	1995 £
FIXED ASSETS				
Tangible assets	7		-	39,985
CURRENT ASSETS				
Stocks	8	-	310,766	
Debtors	9	-	268,149	
Cash at bank and in hand		-	106,660	
		-	685,575	
CREDITORS - amounts falling due within one year				
Trade creditors		-	34,280	
Amounts owed to parent company		33,311	518,929	
Other creditors including taxation and social security	10	7,852	292,665	
Accruals and deferred income		510	27,848	
		(41,673)	(873,722)	
NET CURRENT LIABILITIES			(41,673)	(188,147)
TOTAL ASSETS LESS CURRENT LIABILITIES			(41,673)	(148,162)
CAPITAL AND RESERVES				
Called up share capital	11		100	100
Profit and loss account	12		(41,773)	(148,262)
Total equity shareholder's funds			(41,673)	(148,162)

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

I Linkins
Director



5 June 1997



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. ACCOUNTING POLICIES

The financial statements have been prepared on a going concern basis as there is continuing financial support from the immediate holding company, Future Publishing Limited, and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

These financial statements have been prepared in accordance with the historical cost convention.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities in the UK after deduction of trade discounts and value added tax.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Tangible fixed assets

Depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over the period of their estimated lives, which are considered to be:

Motor vehicles	4 years
Duplicators	3 years
Computer equipment	5 years
Fixtures, fittings and office equipment	10 years

Stocks and work in progress

Stock are stated at the lower of cost and net realisable value. For raw materials and consumable stores, cost is taken to be purchase price inclusive of freight and duty costs where applicable.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Rentals are charged to profit and loss in equal amounts over the lease term.



NOTES TO THE ACCOUNTS
Year ended 31 December 1996

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Employees

The average number employed by the company including directors was:

	1996 No.	1995 No.
Administration and sales	-	6
Production and outwork	-	38
	<u>-</u>	<u>44</u>

	£	£
The costs incurred in respect of these employees were:		
Wages and salaries	16,080	324,072
Social security costs	1,111	22,493
	<u>17,191</u>	<u>346,565</u>

Directors

No directors' remuneration was paid during the year (1995 - £Nil).

3. DISCONTINUED OPERATIONS

In 1995 a provision was made for vacant property costs associated with the closure of the business of £245,000. In 1996 this provision was no longer required and was therefore released.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank loans, overdrafts and other loans		
repayable within five years	100	1,982
Finance charges - hire purchase contracts	-	12,597
	<u>100</u>	<u>14,579</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996
5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £	1995 £
Profit/(loss) on ordinary activities before taxation is arrived at after charging/(crediting):		
Depreciation of owned assets	-	69,592
Depreciation of assets held under HP contracts	-	20,931
Auditors' remuneration	250	3,166
Hire of plant and machinery	16,859	33,768
Other operating leases	-	73,934
(Profit)/loss on sale of fixed assets	(3,515)	258
	<hr/>	<hr/>

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1996 £	1995 £
UK corporation tax at 33% (1995 - 33%) based on the profit/(loss) for the year	-	24,112
Adjustment in respect of prior year	-	330
	<hr/>	<hr/>
	-	24,442
	<hr/>	<hr/>

There is no tax credit for 1996 as all losses will be group relieved. The vacant property costs provision in note 3 was not allowable for tax purposes in 1995.

7 TANGIBLE FIXED ASSETS

	Plant and machinery (incl. motor vehicles) £	Equipment, fixtures and fittings £	Total £
Cost			
At 1 January 1996	211,494	71,447	282,941
Disposals	(211,494)	(71,447)	(282,941)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	-	-	-
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1996	192,253	50,703	242,956
Disposals	(192,253)	(50,703)	(242,956)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1996	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 1995	19,241	20,744	39,985
	<hr/>	<hr/>	<hr/>


NOTES TO THE ACCOUNTS
Year ended 31 December 1996

8	STOCKS	1996 £	1995 £		
	Raw materials and consumables	-	310,766		
9	DEBTORS	1996 £	1995 £		
	Trade debtors	-	170,579		
	Amounts owed by parent company	-	56,646		
	Other debtors	-	2,413		
	Prepayments and accrued income	-	38,511		
		-	268,149		
10.	OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY	1996 £	1995 £		
	This heading includes:				
	Taxation and social security	7,852	30,770		
11.	SHARE CAPITAL	1996 £	1995 £		
	Authorised				
	100 ordinary shares of £1 each	100	100		
	Allotted and fully paid				
	100 ordinary shares of £1 each	100	100		
12.	COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES				
		Issued share capital £	Profit and loss account £	Total 1996 £	Total 1995 £
	At beginning of year	100	(148,262)	(148,162)	88,873
	Retained profit/(loss) for the year	-	106,489	106,489	(237,035)
	At end of year	100	(41,773)	(41,673)	(148,162)
13.	ULTIMATE PARENT COMPANY				

The ultimate parent company is Pearson plc, a company registered in England and Wales. Copies of the group accounts may be obtained from Pearson plc, 3, Burlington Gardens, London, W1X 1LE.



ADDITIONAL INFORMATION

The additional information on pages 12 and 13 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.


DETAILED PROFIT AND LOSS ACCOUNT
 Year ended 31 December 1996

	Note	£	1996 £	£	1995 £
TURNOVER			554,127		2,951,927
COST OF SALES					
Purchases		232,046		1,927,006	
Change in stock		310,766		170,675	
			(542,812)		(2,097,681)
Gross profit			11,315		854,246
DIRECT COSTS					
Carriage		(12,549)		(51,681)	
Wages		(17,191)		(269,695)	
			(29,740)		(321,376)
OTHER INCOME					
Bank interest			1,584		6,146
OVERHEADS					
Property	1	(71,064)		(167,201)	
Staffing	2	(1,938)		(104,785)	
Travel		(2,967)		(16,599)	
Finance	3	(100)		(14,579)	
Administration	4	199,399		(448,445)	
			123,330		(751,609)
PROFIT/(LOSS) BEFORE TAXATION			106,489		(212,593)


OVERHEAD EXPENSES SCHEDULE
Year ended 31 December 1996

	1996	1995
	£	£
1. PROPERTY		
Rent	55,050	73,934
Rates	1,235	19,528
Heat, light and power	4,139	10,217
Insurance	2,586	21,675
Repairs and maintenance	5,853	31,349
Cleaning/refuse disposal	2,201	10,498
	<u>71,064</u>	<u>167,201</u>
2. STAFFING		
Salaries and National Insurance	-	76,932
Consultancy	1,938	12,195
Provision for redundancy	-	15,658
	<u>1,938</u>	<u>104,785</u>
3. FINANCE		
Bank charges	100	1,982
Hire Purchase interest	-	12,597
	<u>100</u>	<u>14,579</u>
4. ADMINISTRATION		
Additional depreciation	-	30,506
Hire purchase costs	-	4,610
Leasing costs	16,859	33,768
Postage	670	9,154
Printing and stationery	151	8,094
Telephone	1,070	5,092
Advertising	-	261
Entertaining	68	5
Audit and accountancy	1,000	3,166
Legal	5,211	607
Bad debts	2,702	25,000
Depreciation	-	60,017
(Profit)/loss on disposal of fixed assets	(3,515)	258
Sundries	13,589	607
Managment fees	-	22,000
Employee loan written off	-	300
Provision for vacant property costs	(245,000)	245,000
VAT written off	7,796	-
	<u>(199,399)</u>	<u>448,445</u>