



DISCOPY LABS LIMITED

Report and Financial Statements

31 December 1995

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





REPORT AND FINANCIAL STATEMENTS

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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 1995.

ACTIVITIES

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

REVIEW OF THE BUSINESS

The company experienced a progressive fall in demand for its services during the year and reached agreement in December 1995 to sell the whole of its business, effective January 1996.

As at the end of February 1996 the company had ceased production and had no employees.

FIXED ASSETS

Details of movements in fixed assets are given in note 6 to the accounts.

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

On 1 February 1996 Touche Ross & Co changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche 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

7 March 1996

**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 11 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 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

8 March 1996


DISCOPY LABS LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 1995

	Note	Year ended 31 December 1995 £	Eight months ended 31 December 1994 £
TURNOVER - discontinued operations		2,951,927	2,746,338
Cost of sales		(2,097,681)	(2,157,110)
		<hr/>	<hr/>
GROSS PROFIT		854,246	589,228
		<hr/>	<hr/>
Distribution costs		(51,681)	(43,905)
Administrative expenses	4	(715,561)	(521,109)
		<hr/>	<hr/>
		(767,242)	(565,014)
		<hr/>	<hr/>
OPERATING PROFIT - discontinued operations		87,004	24,214
Loss on disposal of discontinued operations		(291,164)	-
Other interest receivable and similar income		6,146	2,276
Interest payable and similar charges	3	(14,579)	(8,916)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	4	(212,593)	17,574
Tax on (loss)/profit on ordinary activities	5	(24,442)	(3,651)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED (FROM)/TO RESERVES		(237,035)	13,923
		<hr/>	<hr/>

The company has no recognised gains and losses other than the loss for the financial year.
Accordingly no statement of total recognised gains and losses has been prepared.

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 1995

	Note	31 December 1995 £	31 December 1994 £
FIXED ASSETS			
Tangible assets	6	39,985	130,102
CURRENT ASSETS			
Stocks	7	310,766	481,441
Debtors	8	268,149	541,931
Cash at bank and in hand		106,660	97,464
		<u>685,575</u>	<u>1,120,836</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Obligations under hire purchase contracts		-	8,843
Trade creditors		34,280	176,348
Other creditors including taxation and social security	9	292,665	77,121
Accruals and deferred income		27,848	11,093
Amounts owed to parent company		518,929	539,534
		<u>(873,722)</u>	<u>(812,939)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(188,147)</u>	<u>307,897</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(148,162)</u>	<u>437,999</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	-	(349,126)
		<u>(148,162)</u>	<u>88,873</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	(148,262)	88,773
TOTAL EQUITY SHAREHOLDER'S FUNDS		<u>(148,162)</u>	<u>88,873</u>

These financial statements were approved by the Board of Directors on 7/3/96

Signed on behalf of the Board of Directors

I Linkins, director

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1995**1. ACCOUNTING POLICIES**

The financial statements have been prepared 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 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.

Intangible fixed assets

Purchased goodwill is written off direct to reserves in the year in which it arises.

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 1995

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

EMPLOYEES

The average number employed by the company including directors was:

	Year ended 31 December 1995 No.	Eight months ended 31 December 1994 No.
Administration and sales	6	8
Production and outwork	38	28
	<hr/> 44	<hr/> 36

The costs incurred in respect of these employees were:

	£	£
Wages and salaries	324,072	283,860
Social security costs	22,493	21,292
	<hr/> 346,565	<hr/> 305,152

DIRECTORS

No directors' remuneration was paid during the year (Eight months ended 31 December 1994 - £Nil).

3. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
Bank loans, overdrafts and other loans repayable within five years	1,982	1,402
Finance charges - hire purchase contracts	12,597	7,514
	<hr/> 14,579	<hr/> 8,916

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£	£
(Loss)/profit on ordinary activities before taxation is arrived at after charging:		
Depreciation of owned assets	69,592	35,188
Depreciation of assets held under HP contracts	20,931	16,056
Auditors' remuneration	3,166	3,500
Hire of plant and machinery	33,768	14,200
Other operating leases	73,934	48,931
	<hr/>	<hr/>


NOTES TO THE ACCOUNTS

Year ended 31 December 1995

	Year ended 31 December 1995 £	Eight months ended 31 December 1994 £	
5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES			
UK corporation tax at 33% (Year ended 31 December 1994 - 33%) based on the (loss)/profit for the year	24,112	9,400	
Deferred taxation	-	(2,614)	
Adjustment in respect of prior year	330	(3,135)	
	<u>24,442</u>	<u>3,651</u>	
6. TANGIBLE FIXED ASSETS			
	Plant & machinery (incl. motor vehicles) £	Equipment, fixtures & fittings £	Total £
COST			
At 1 January 1995	211,494	71,573	283,067
Additions	-	714	714
Disposals	-	(840)	(840)
	<u>211,494</u>	<u>71,447</u>	<u>282,941</u>
At 31 December 1995			
DEPRECIATION			
At 1 January 1995	128,935	24,030	152,965
Charge for year	63,318	27,205	90,523
Disposals	-	(532)	(532)
	<u>192,253</u>	<u>50,703</u>	<u>242,956</u>
At 31 December 1995			
NET BOOK VALUE			
At 31 December 1995	<u>19,241</u>	<u>20,744</u>	<u>39,985</u>
At 31 December 1994	<u>82,559</u>	<u>47,543</u>	<u>130,102</u>

The net book value of assets held under hire purchase contracts is as follows:

	31 December 1995 £	31 December 1994 £
Plant and machinery	-	16,951
Equipment, fixtures and fittings	-	9,196
	<u>-</u>	<u>9,196</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1995
7. STOCKS

	31 December 1995 £	31 December 1994 £
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Raw materials and consumables	310,766	481,441
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8. DEBTORS

	£	£
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Trade debtors	170,579	320,786
Prepayments and accrued income	38,511	47,657
Amounts owed by parent company	56,646	159,445
Other debtors	2,413	14,043

9. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	£	£
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This heading includes:

Taxation and social security	30,770	65,716
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10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£	£
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Amounts owed to parent company	-	345,000
Hire purchase	-	4,126



NOTES TO THE ACCOUNTS
Year ended 31 December 1995

11. SHARE CAPITAL	31 December 1995 £	31 December 1994 £
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 Year ended 31 December 1995 £	Total Eight months ended 31 December 1994 £
At beginning of year	100	88,773	88,873	74,950
Retained (loss)/profit for the year	-	(237,035)	(237,035)	13,923
	—	—	—	—
At end of year	100	(148,262)	(148,162)	88,873
	—	—	—	—

13. FINANCIAL COMMITMENTS

Operating leases

The company had annual commitments under non-cancellable operating leases as at 31 December 1995 as set out below:

	Land and buildings £
Operating leases which expire: In over five years	73,400
	—

14. 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 13 and 14 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 1995

		Year ended 31 December 1995	Eight months ended 31 December 1994
	Note	£	£
TURNOVER		2,951,927	2,746,338
COST OF SALES			
Purchases		1,927,006	2,185,191
Change in stock		170,675	(28,081)
		<hr/>	<hr/>
		(2,097,681)	(2,157,110)
		<hr/>	<hr/>
GROSS PROFIT		854,246	589,228
DIRECT COSTS			
Carriage		51,681	43,905
Wages		269,695	216,830
		<hr/>	<hr/>
		(321,376)	(260,735)
OTHER INCOME			
Bank interest		6,146	2,276
OVERHEADS			
Property	1	167,201	107,684
Staffing	2	104,785	98,470
Travel		16,599	12,680
Finance	3	14,579	8,916
Administration	4	448,445	85,445
		<hr/>	<hr/>
		(751,609)	(313,195)
		<hr/>	<hr/>
(LOSS)/PROFIT BEFORE TAXATION		(212,593)	17,574
		<hr/>	<hr/>


OVERHEAD EXPENSES SCHEDULE

Year ended 31 December 1995

	Year ended 31 December 1995 £	Eight months ended 31 December 1994 £
1. PROPERTY		
Rent	73,934	48,931
Rates	19,528	13,304
Heat, light and power	10,217	7,348
Insurance	21,675	13,947
Repairs and maintenance	31,349	17,509
Cleaning/refuse disposal	10,498	6,645
	<u>167,201</u>	<u>107,684</u>
2. STAFFING		
Salaries and National Insurance	76,932	88,322
Consultancy	12,195	10,148
Provision for redundancy	15,658	-
	<u>104,785</u>	<u>98,470</u>
3. FINANCE		
Bank charges	1,982	1,402
Hire Purchase interest	12,597	7,514
	<u>14,579</u>	<u>8,916</u>
4. ADMINISTRATION		
Additional depreciation	30,506	-
Hire purchase costs	4,610	-
Leasing costs	33,768	14,200
Postage	9,154	5,404
Printing and stationery	8,094	4,712
Telephone	5,092	7,161
Advertising	261	-
Entertaining	5	51
Audit and accountancy	3,166	2,656
Legal	607	1,417
Bad debts	25,000	-
Depreciation	60,017	51,244
Loss on disposal of fixed assets	258	372
Sundries	607	(1,772)
Management fees	22,000	-
Employee loan written off	300	-
Provision for vacant property costs	245,000	-
	<u>448,445</u>	<u>85,445</u>