Becap Vivat Limited

Report and Financial Statements

For the 18 months ended 30 June 2012

Registered number 07184785

Directors and advisers

Directors
N I B Sanders
Pietersen Holdings Limited
Collingwood Holdings Limited

Company secretary
R M Warwick-Saunders

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Registered Office
1 Eversholt Street
London NW1 2DN

Directors' report

The directors present their report and the audited consolidated financial statements of the group for the period ended 30 June 2012

Principal activities and review of business

The group's principal activity during the period was publishing and the sale of magazines, books, compact discs and DVDs by direct mail to the general public and the sale of financial services products to Reader's Digest customers

The key performance indicators during the period were an operating loss of £17,318,000 after charging amortisation and depreciation of £1,647,000, an impairment of tangible fixed assets of £2,533,000 and an impairment of goodwill of £2,420,000 on turnover of £63,043,000 and loss before tax of £21,974,000

Throughout the period the directors explored ways of improving the profitability of the direct mail operations through investment in increased catalogue frequency and stock availability However subsequent to the period end it became apparent that this strategy was not producing the necessary turnaround in the division's profitability and that it would continue to incur significant and unsustainable losses As a result of this change in strategy the decision was taken to write down the value of the assets in the direct mail business and that loss is contained within these results

On 8 January 2013 Vivat Direct Limited a wholly owned subsidiary of the company submitted to the High Court of Justice a proposal for a Company Voluntary Arrangement (CVA) pursuant to Part 1 of the Insolvency Act 1986 The purpose of entering the CVA was to reach an agreement with creditors which would allow the Company to continue based around the magazine and associated partnership income and discontinue direct marketing activities

As a result 85 employees were made redundant on 4 January 2013 which includes two of the Company's directors, T G Bouzac and D J M Nethery They both resigned as directors on 8 January 2013

The CVA proposal was approved by 90% of creditors present or represented and voting in person or by proxy in the creditors' meeting held on 1 February 2013 The CVA proposal was also approved by the Licensed Insolvency Practitioner of BDO LLP in due course The company has made good progress in liquidating the assets of the direct marketing arm and expects to pay a dividend of £750,000 to CVA creditors in April 2013

The group's principal activity following the CVA is therefore now purely that of a magazine publisher with associated partnership income

Principal risks and uncertainties

Becap Vivat Limited manages the risks inherent in its activities The group seeks to mitigate exposure to all forms of risk, where practicable and to transfer risks to insurers where cost effective

The group faces the challenge of remaining competitive in its traditional markets, maintaining an active customer base and actively recruiting new customers through a number of channels

The group is exposed to transaction risk in respect of products purchased in a currency other than Sterling The group mitigates this risk by negotiating purchases in Sterling where practicable Receipts from our Eire customers provide a degree of natural hedge against the Euro purchases

To manage liquidity and cash flow risk the business maintains sufficient available funds for its daily operations Management actively monitors all funding requirements and will manage any finance arrangements needed to meet such requirements

Directors' report

Future developments

The directors believe that the company is well positioned to invest in growing the subscriber base and to maximise the value of the well recognised Reader's Digest brand in selling services to those subscribers

Results and dividends

The group's loss for the period is £21,974,000 after charging amortisation and depreciation of £1,647,000, an impairment of tangible fixed assets of £2,533,000 and an impairment of goodwill of £2,420,000 The directors do not recommend the payment of a dividend

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were

N I B Sanders (Appointed 8 September 2011)
Pietersen Holdings Limited (Appointed 8 April 2010)
Collingwood Holdings Limited (Appointed 8 April 2010)
S A Cooper (Appointed 4 June 2010, Resigned 28 July 2011)

The environment

The group takes steps to ensure that, where possible, consumables are recycled and active measures are taken to conserve energy In particular, the use of electronic storage and retrieval helps ensure minimal uses of paper and other resources

Post balance sheet events

On 8 January 2013 Vivat Direct Limited submitted to the High Court of Justice a proposal for a Company Voluntary Arrangement (CVA) pursuant to Part 1 of the Insolvency Act 1986 The purpose of entering a CVA is to reach an agreement with creditors which will allow the Company to continue based primarily but not exclusively around the magazine and move away from direct marketing activities

As a result 85 employees were made redundant on 4 January 2013 which includes 2 of the Company's directors, T G Bouzac and D J M Nethery They both resigned as directors on 8 January 2013

The CVA proposal was approved by 90% of creditors present or represented and voting in person or by proxy in the creditors' meeting held on 1 February 2013 The CVA proposal was also approved by its Licensed Insolvency Practitioner of BDO LLP in due course

On 4 July 2012 Becap Fund LP agreed to release the company from any and all liability to pay them the £5,000,000 in principal amount of "A" fixed rate secured loan stock 2010 and £7,975,858 in principal amount of "B" fixed rate secured loan stock 2010 constituted by the company pursuant to an "A" loan stock instrument and a "B" loan stock instrument, respectively both dated 16 November 2010 and amended and restated on 4 July 2011 together with any interest accrued on the Loan Stock up to and including 15 June 2012, being £3,732,745 which has not been paid in consideration for the allotment of 100 deferred shares of £1 each in the capital of the company at a premium of £167,086 03 per share being £16,708,603

Directors' report

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to the auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the financial period and is currently in force The group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors

Directors' report

Going concern

Following the cessation of direct marketing activities and the approval of the CVA, the Group has been restructuring the cost base to a level appropriate to support the ongoing magazine business, including a reduction in headcount, a move to new premises and reduced production and IT support costs This process is expected to be fully completed by June 2013

The directors have also received confirmation from BECAP Fund LP that it is not their current intention to require repayment of any of the debt facilities owed to it for a period of at least twelve months from the date of approval of these financial statements

As a result of the above, the directors forecast that in the twelve months following the date of approval of these financial statements the business will return to profitability, will generate positive cash contribution, and will have sufficient funds to meet its liabilities as and when they fall due The Directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis

By order of the Board

N I B Sanders
Director
27 March 2013

Independent auditors' report to the members of Becap Vivat Limited

We have audited the group and parent company financial statements (the "financial statements") of Becap Vivat Limited for the period ended 30 June 2012 which comprise the Group profit and loss Account, the Group and Company balance sheets, the Group cash flow statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's loss and cash flows for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Becap Vivat Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Alex Hookway (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

28 March 2013

Group profit and loss account

for the period ended 30 June 2012

Continuing operations	Note	18 months ended 30 June 2012 £'000	10 months ended 31 Dec 2010 £'000
Turnover	2	63,043	34,301
Cost of sales		(44,291)	(21,790)
Gross Profit		**18,752**	**12,511**
Selling and distribution expenses		(9,254)	(5,525)
Administrative expenses		(21,038)	(11,611)
Exceptional administrative expenses	4	(5,778)	(4,346)
Total administrative expenses		(26,816)	(15,957)
Operating Loss	3	**(17,318)**	**(8,971)**
Operating loss pre exceptional administrative expenses		(11,540)	(4,625)
Exceptional administrative expenses	4	(5,778)	(4,346)
Operating loss post exceptional administrative expenses		(17,318)	(8,971)
Loss on ordinary activities before interest and taxation		**(17,318)**	**(8,971)**
Interest receivable and similar income	7	2	7
Interest payable and similar charges	8	(4,658)	(304)
Loss on ordinary activities before taxation		(21,974)	(9,268)
Tax on loss on ordinary activities	9	0	0
Loss for the financial period	20	(21,974)	(9,268)

All amounts have been derived from continuing operations

The Group has no recognised gains or losses other than the loss for period and therefore no separate statement of total recognised gains or losses has been prepared

There is no material difference between the loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalent

Group balance sheet

as at 30 June 2012

	Note	30 June 2012 £'000	31 Dec 2010 £'000
Fixed assets			
Intangible assets	10	0	3,361
Tangible assets	12	176	1,701
		176	**5,062**
Current assets			
Stocks	13	639	1,427
Debtors (including £500,000 (2010 nil) due after one year)	14	4,498	8,136
Cash at bank and in hand		858	2,072
		5,995	**11,635**
Creditors: amounts falling due within one year	15	(18,041)	(12,207)
Net current liabilities		**(12,046)**	**(572)**
Total assets less current liabilities		**(11,870)**	**4,490**
Creditors: amounts falling due after more than one year	16	(19,292)	(13,304)
Provision for liabilities	17	(80)	(454)
Net liabilities		**(31,242)**	**(9,268)**
Capital and reserves			
Called up share capital	18	0	0
Profit and loss account	19	(31,242)	(9,268)
Total shareholders' deficit	20	**(31,242)**	**(9,268)**

The financial statements on pages 8 to 26 were approved by the board of directors on 27 March 2013 and were signed on its behalf by

N I B Sanders

Director

Becap Vivat Limited

Registered number 07184785

Company balance Sheet

as at 30 June 2012

	Note	30 June 2012 £'000	31 Dec 2010 £'000
Fixed asset investments			
Investment in subsidiary undertakings	11	24	24
Current assets			
Debtors	14	7,723	30
		7,723	**30**
Creditors. **amounts falling due within one year**	15	(7,671)	(3)
Net current assets		**52**	**27**
Total assets less current liabilities		76	51
Creditors. amounts falling due after more than one year	16	(24)	(24)
Net assets		**52**	**27**
Capital and reserves			
Called up share capital	18	0	0
Profit and loss account	19	52	27
Total shareholders' funds	20	**52**	**27**

The financial statements on pages 8 to 26 were approved by the board of directors on 27 March 2013 and were signed on its behalf by

N I B Sanders
Director
Becap Vivat Limited
Registered number 07184785

Group cash flow statement

as at 30 June 2012

	Note	18 months 2012 £	10 months 2010 £
Operating loss		(17,318)	(8,971)
Depreciation	12	706	132
Impairment of fixed assets	12	2,533	990
Amortisation	10	941	897
Impairment of goodwill	10	2,420	3,356
(Increase) / Decrease in stocks		788	653
Decrease / (Increase) in debtors		3,638	(4,130)
(Decrease) / Increase in provision for liabilities		(374)	454
(Decrease) / Increase in creditors		(1,836)	6,732
Net cash (outflow) / inflow from operating activities		**(8,502)**	**113**
Returns on investments and servicing of finance			
Interest received	7	2	7
		2	**7**
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	12	(1,714)	(2,773)
		(1,714)	**(2,773)**
Acquisitions and disposals			
Payments to acquire the trade and assets of Reader's Digest		0	(8,275)
		0	**(8,275)**
Cash outflow before use of liquid resources and financing		**(10,214)**	**(10,928)**
Financing			
New long term loans		2,000	13,000
New short term loan facility		7,000	0
		9,000	**13,000**
(Decrease) / Increase in cash		**(1,214)**	**2,072**

Reconciliation of net cash flow to movement in net debt

		18 months 2012 £	10 months 2010 £
(Decrease) / Increase in cash in the year / period		(1,214)	2,072
Cash inflow from increase in loans		(9,000)	(13,000)
Interest on loans (non-cash)		(4,658)	(304)
Change in net funds resulting from cash flows		**(14,872)**	**(11,232)**
Movement in net debt in the year / period			
Net debt at start of year / period		(11,232)	0
Net debt at end of year / period		**(26,104)**	**(11,232)**

Notes to the consolidated financial statements

For the period ended 30 June 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the period and across the group are set out below

Revenue recognition

Turnover comprises net revenues at the fair value of the consideration received after deducting returns and excludes value added tax Magazine turnover (both subscription and advertising) is taken into account by reference to the cover date and all other turnover by reference to the date of despatch of the goods

Turnover from the sale of financial services products comprises the fair value of commissions receivable excluding value added tax Turnover is taken into account by reference to the date of sale of the financial product on which the commission is earned

Intangible assets and goodwill

Intangible fixed assets purchased separately from a business are capitalised at cost Intangible fixed assets acquired as part of a business combination are capitalised at their fair value at the acquisition date

Intangible fixed assets with limited useful economic lives (up to 20 years) are amortised on a straight line basis over those lives Intangible fixed assets with indefinite useful economic lives are not amortised Goodwill is amortised on a straight line basis over its useful economic life of 7 years

The carrying value of intangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	life of lease
Equipment and computers	-	3 to 5 years
Software	-	3 to 10 years
Fixtures and fittings	-	3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the consolidated financial statements

For the period ended 30 June 2012

Investments

Fixed asset investments are recognised and carried on the balance sheet at cost less any impairment in value

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is determined on a first-in, first-out method Carrying value is stated after making provision for slow moving and obsolete stock

Promotional costs

Internal promotional costs are charged to cost of sales when they are incurred, whereas external promotional costs are capitalised and charged to cost of sales according to the product type as follows

- Magazine costs are charged in full as at the mail date for new activity and as incurred in respect of renewal activity
- Condensed books and series books are charged 66% in the month of the main shipment of the first paid books and the balance in the month of the second paid book
- Single sales promotion costs are matched to the timing of revenue
- Premiums are expensed as incurred

No promotion costs are deferred longer than 3 months

Product development costs

External and internal product development costs are charged to cost of sales when they are incurred

Deferred income - unexpired subscriptions

Prepaid magazine subscriptions are credited to deferred income and released to the profit and loss account in equal instalments over the period of the subscription

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the consolidated financial statements

For the period ended 30 June 2012

Interest receivable and interest payable

Interest receivable and interest payable is recognised in the profit and loss account as it accrues

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

Leasing agreements

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Dilapidations

The group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term Provision for such costs are made where a legal obligation is identified and the liability can be reasonably quantified

Going concern

Following the cessation of direct marketing activities and the approval of the CVA, the Group has been restructuring the cost base to a level appropriate to support the ongoing magazine business, including a reduction in headcount, a move to new premises and reduced production and IT support costs This process is expected to be fully completed by June 2013

The directors have also received confirmation from BECAP Fund LP that it is not their current intention to require repayment of any of the debt facilities owed to it for a period of at least twelve months from the date of approval of these financial statements

As a result of the above, the directors forecast that in the twelve months following the date of approval of these financial statements the business will return to profitability, will generate positive cash contribution, and will have sufficient funds to meet its liabilities as and when they fall due The Directors have therefore concluded it is appropriate to prepare the financial statements on a going concern basis

Notes to the consolidated financial statements

For the period ended 30 June 2012

2. Turnover

	18 months 2012 £'000	10 months 2010 £'000
By activity		
Reader's Digest Magazine	11,788	7,100
Book and home entertainment products	49,993	25,752
Sale of financial services products	1,159	927
Computer data services	35	51
Direct marketing services	68	471
	63,043	34,301
By geographical market		
United Kingdom	62,762	33,935
Outside United Kingdom	281	366
	63,043	34,301

All turnover originated in the United Kingdom

3. Operating loss

Operating loss is stated after charging

	18 months 2012 £'000	10 months 2010 £'000
Wages and salaries	9,701	3,797
Social security costs	923	434
Other pension costs (note 22)	298	154
Total staff costs	**10,922**	**4,385**
Operating lease charges		
– Plant and machinery	20	8
– Land and buildings	312	652
Services provided by the company's auditor		
– Fees payable for the audit	162	107
– Fees payable for other services (tax compliance)	5	5
Depreciation of owned tangible fixed assets (note 12)	706	132
Impairment of tangible fixed assets (note 12)	2,533	990
Amortisation of goodwill (note 10)	941	897
Impairment of goodwill (note 10)	2,420	3,356
Restructuring costs (note 4)	825	0

Notes to the consolidated financial statements

For the period ended 30 June 2012

4. Exceptional administrative expenses

Exceptional administrative expenses represent the impairment of goodwill of £2,420,000, impairment of tangible assets of £2,533,000 and redundancy costs of £825,000 incurred for the restructuring of the business in August 2011

5. Directors' emoluments

	18 months 2012 £'000	10 months 2010 £'000
Aggregate emoluments	411	400
Benefits in kind	1	1
Aggregate value of group contributions paid in respect of money purchase benefits	34	15
Sums paid to third parties for directors' services	236	0

	2012 Number	2010 Number
Number of directors accruing benefits under money purchase pension schemes	4	3

The value of the compensation received by former directors for loss of office amounted to £128,000

Highest paid director

	18 months 2012 £'000	10 months 2010 £'000
Total amount of emoluments and amounts receivable under long-term incentive schemes	213	115
Benefits in kind	1	1
Group contributions paid in respect of defined contribution pension scheme	10	5

Notes to the consolidated financial statements

For the period ended 30 June 2012

6. Employee information

The average monthly number of employees (including executive directors) employed by the company during the period was

	18 months 2012 Number	10 months 2010 Number
By activity		
Production	31	33
Selling and distribution	52	11
Administration	50	49
	133	93

The average number of employees included 3 directors (2010 3 directors) on service contracts

7. Interest receivable and similar income

	18 months 2012 £'000	10 months 2010 £'000
Interest receivable on bank deposits	2	2
Interest receivable on deposits held by third parties	0	5
	2	7

8. Interest payable and similar charges

	18 months 2012 £'000	10 months 2010 £'000
Interest payable on loan notes issued to BECAP Fund LP	3,988	304
Interest payable on short term loan facility to BECAP Fund LP	670	0
	4,658	304

Notes to the consolidated financial statements

For the period ended 30 June 2012

9. Tax on loss on ordinary activities

	18 months 2012 £'000	10 months 2010 £'000
Current tax		
- UK corporation tax on the loss for the year/ period	0	0
	0	0
Deferred tax		
- Origination and reversal of timing differences	0	0
- Changes in the rate of UK corporation tax	0	0
Total deferred tax	0	0
Tax on loss on ordinary activities	**0**	**0**

Factors affecting tax charge for the period
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 26% (2010 28%)
The differences are explained below

	18 months 2012 £'000	10 months 2010 £'000
Loss on ordinary activities before tax	(21,974)	(9,268)
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 26% / 28%	(5,713)	(2,595)
Effects of		
Expenses not deductible for tax purposes	201	128
Deferred tax unrecognised	5,512	2,467
Current tax charge for the year/ period	**0**	**0**

The group has an estimated deferred tax asset of £7,979,000 (2010 £2,467,000) relating to tax losses carried forward This has not been recognised as it is not considered more likely than not that they will be utilised in the near future

With effect from 1 April 2011 the main rate of UK Corporation tax was reduced to 26% The Finance Act 2012 reduced the main rate of corporation tax from 26% to 24% from 1 April 2012 and from 24% to 23% from 1 April 2013 Consequently the applicable rate of taxation for this period is 26%, as disclosed above

A further change to the UK corporation tax main rate was announced in the Finance Bill 2013 The main rate of corporation tax is to reduce to 21% from 1 April 2014 This change has not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements The proposed reduction is expected to be enacted in 2013

Notes to the consolidated financial statements

For the period ended 30 June 2012

10. Intangible fixed assets

Group	**Goodwill £'000**
Cost or valuation	
At 31 December 2010	7,614
Additions	0
Disposals	0
At 30 June 2012	**7,614**
Accumulated amortisation and impairment	
At 31 December 2010	4,253
Charge for period	941
Impairment for the period	2,420
Disposals	0
At 30 June 2012	**7,614**
Net book value	
At 30 June 2012	**0**
At 31 December 2010	3,361

11. Investment

Company	**Investment in subsidiary undertakings £'000**
Cost	
At start of year	24
Management share issue	0
At 30 June 2012	**24**

The details of the company's subsidiary undertakings as at 30 June 2012 are as follows

Notes to the consolidated financial statements

For the period ended 30 June 2012

11 Investment (Continued)

Direct subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	% owned
Direct Midco Limited	United Kingdom	Holding company	Ordinary	100

Indirect subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	% owned
Vivat Finance Limited	United Kingdom	Earning commission on the sale of financial products	Ordinary	100
Vivat Direct Limited	United Kingdom	Publishing and direct marketing	Ordinary	100
Direct Marketing Partners Limited	United Kingdom	Publishing and direct marketing	Ordinary	100

Legally the company owns 91% (2010 85%) of Direct Midco Limited at 30 June 2012 (and therefore the group below Direct Midco Limited) with the remaining shares owned by employees These are not accounted for as a minority interest due to the ownership conditions of, and restrictions on, these employee shares Accordingly, the shares held by employees constitute cash settled share-based payments and fall within the scope of FRS20

The directors believe that the carrying value of the investment is supported by their underlying net assets

Notes to the consolidated financial statements

For the period ended 30 June 2012

12 Tangible fixed assets

Group	Software £'000	Equipment and Computers £'000	Leasehold Improvements £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation					
At 31 December 2010	2,040	192	591	0	2,823
Additions	1,600	31	75	8	1,714
Disposals	0	0	0	0	0
At 30 June 2012	3,640	223	666	8	4,537
Accumulated depreciation and impairment					
At 31 December 2010	1,022	70	30	0	1,122
Charge for year	162	82	460	2	706
Impairment for the period	2,456	71	0	6	2,533
Disposals	0	0	0	0	0
At 30 June 2012	3,640	223	490	8	4,361
Net book value					
At 30 June 2012	0	0	176	0	176
At 31 December 2010	1,018	122	561	0	1,701

13. Stocks

	Group 2012 £'000	Group 2010 £'000
Raw materials and consumables	0	121
Work in progress	13	0
Finished goods and goods for resale	626	1,306
	639	1,427

Notes to the consolidated financial statements

For the period ended 30 June 2012

14. Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2010 £'000	Company 2010 £'000
Trade debtors (after provision for doubtful debt)	2,780	0	7,047	0
Taxation and social security	105	0	82	0
Amounts owed by group undertakings	0	7,723	0	30
Other debtors	529	0	305	0
Prepayments and accrued income	1,084	0	702	0
	4,498	**7,723**	**8,136**	**30**

Other debtors include £500,000 (2010 nil) for a deposit held on account The deposit will be held for a period greater than one year

15. Creditors amounts falling due within one year

	Group 2012 £'000	Company 2012 £'000	Group 2010 £'000	Company 2010 £'000
Trade creditors	3,619	0	3,981	3
Taxation and social security	204	0	0	0
Accruals and deferred income	6,548	1	8,226	0
Short term loan facility	7,670	7,670	0	0
	18,041	**7,671**	**12,207**	**3**

Interest is charged on the short term loan facility at 12% per annum

Notes to the consolidated financial statements

For the period ended 30 June 2012

16. Creditors: amounts falling due after more than one year

	Group 2012 £'000	Company 2012 £'000	Group 2010 £'000	Company 2010 £'000
Fixed Rate Secured "A" loan stock 2010 / 2015	8,871	0	6,639	0
Fixed Rate Secured "B" loan stock 2010 / 2015	10,397	0	6,641	0
Long Term Loans	24	24	24	24
	19,292	24	13,304	24

Maturity of financial liabilities	2012 £'000	2012 £'000	2010 £'000	2010 £'000
In more than two years, but not more than five years	19,292	24	13,304	24

As at 30 June 2012 and 31 December 2010 the secured "A" loan stock instrument dated 16 November 2010 between Vivat Direct Limited and Becap Vivat Limited and the secured "B" Loan Stock Instrument dated 16 November 2010 between Vivat Direct Limited and Becap Vivat Limited were both secured on the properties and other assets of Vivat Direct Limited and Vivat Finance Limited (the "Chargors") under a composite guarantee and debenture dated 16 November 2010 between Chargors and Becap Vivat Limited

Interest is charged on "A" loan stock at 17 43% per annum from 16 November 2010 until 31 December 2011 when the rate reverts to 11% for the remainder of the term to 2015

Interest is charged on "B" loan stock at 20 59% per annum from 16 November 2010 until 31 December 2011 when the rate reverts to 13% for the remainder of the term to 2015

The "A" loan stock and "B" loan stock balance of £19,268,000 (2010 £13,280,000) includes an additional drawdown of £2,000,000 and interest accrued in the period of £3,988,000 (2010 £304,000)

Notes to the consolidated financial statements

For the period ended 30 June 2012

17. Provision for liabilities

Group

	Dilapidations Provision £'000	Litigation Provision £'000	Total Provision £'000
At 31 December 2010	80	374	454
Utilised during the year	0	(374)	(374)
At 30 June 2012	**80**	**0**	**80**

In 2010 a provision for dilapidations of £80,000 was established as an estimate of the associated repair cost in respect of the office lease held by the company An associated asset has been capitalised as leasehold improvements and is being amortised over the life of the lease and charged to the profit and loss account

A provision of £374,000 was established in the prior period as an estimate of the potential legal costs associated with employment issues These employment issues have been settled and no further provision has been made in the period

18. Called up share capital

Group and company	2012 £	2010 £
Allotted and fully paid		
1 ordinary share of £1 00 each	1	1

19 Profit and loss account

	Group 2012 profit and loss account £'000	Company 2012 profit and loss account £'000	Group 2010 profit and loss account £'000	Company 2010 profit and loss account £'000
At start of year / period	(9,268)	27	0	0
Profit / (Loss) for the financial year / period	(21,974)	25	(9,268)	27
At end of year / period	**(31,242)**	**52**	**(9,268)**	**27**

Notes to the consolidated financial statements

For the period ended 30 June 2012

20. Reconciliation of movements in shareholders' (deficit) / funds

	Group 2012 £'000	Company 2012 £'000	Group 2010 £'000	Company 2010 £'000
Profit / (Loss) for the financial year / period	(21,974)	25	(9,268)	27
Net change in shareholders' (deficit) / funds	(21,974)	25	(9,268)	27
Opening shareholders' (deficit) / funds	(9,268)	27	0	0
Closing shareholders' (deficit) / funds	(31,242)	52	(9,268)	27

21. Commitments

Annual commitments under non-cancellable operating leases are as follows

	2012		2010	
Group	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Operating leases which expire				
Within one year	15	0	0	0
Between two and five years	0	0	43	13
Over five years	0	0	215	0
	15	0	258	13

22. Pension commitments

The company operates a defined contributions scheme, which is open to all employees

Contributions of between 3% and 7% are made by the employee and are matched by the company The cost of the scheme during the period was £298,000 (2010 £154,000) Included in accruals is an amount of £33,000 (2010 £34,000) in relation to pension costs for June 2012

Notes to the consolidated financial statements

For the period ended 30 June 2012

23 Post balance sheet events

On 8 January 2013 Vivat Direct Limited submitted to the High Court of Justice a proposal for a Company Voluntary Arrangement (CVA) pursuant to Part 1 of the Insolvency Act 1986 The purpose of entering the CVA was to reach an agreement with creditors which would allow the Company to continue based around the magazine and associated partnership income and discontinue direct marketing activities

As a result 85 employees were made redundant on 4 January 2013 which includes two of the Company's directors, T G Bouzac and D J M Nethery They both resigned as directors on 8 January 2013

The CVA proposal was approved by 90% of creditors present or represented and voting in person or by proxy in the creditors' meeting held on 1 February 2013 The CVA proposal was also approved by the Licensed Insolvency Practitioner of BDO LLP in due course

On 4 July 2012 Becap Fund LP agreed to release the company from any and all liability to pay them the £5,000,000 in principal amount of "A" fixed rate secured loan stock 2010 and £7,975,858 in principal amount of "B" fixed rate secured loan stock 2010 constituted by the company pursuant to an "A" loan stock instrument and a "B" loan stock instrument, respectively both dated 16 November 2010 and amended and restated on 4 July 2011 together with any interest accrued on the Loan Stock up to and including 15 June 2012, being £3,732,745 which has not been paid in consideration for the allotment of 100 deferred shares of £1 each in the capital of the company at a premium of £167,086 03 per share being £16,708,603

24. Related party transactions

The group has taken advantage of the exemption available under FRS 8 not to disclose transactions with other members of the group which are wholly owned subsidiaries There were no further related party transactions in the period

25. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is BECAP Fund LP an entity incorporated in Guernsey Becap Vivat Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2012 Becap Vivat Limited is the only company preparing consolidated financial statements The consolidated financial statements of Becap Vivat Limited are available from 1 Eversholt Street, London NW1 2DN