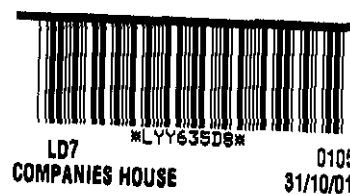


MARSTON BOOK SERVICES LIMITED

Report and Accounts

31 December 2000

1186721



Marston Book Services Limited

Registered No. 1186721

DIRECTORS

P J Holloran - Chairman

R Clayton

W G Cooper

SECRETARY

W G Cooper

AUDITORS

Ernst & Young LLP

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

REGISTERED OFFICE

160 Milton Park

Abingdon

Oxfordshire

OX14 4SD

Marston Book Services Limited

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and the audited accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £721,571 (1999 - £307,340).

The directors do not recommend the payment of an ordinary dividend (1999 - £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the warehousing and fulfilment of books and journals on behalf of a number of publishing clients. The company added to its client list during the year. In September 2000 the company acquired the distribution operation of Lion Publishing Plc. The company intends to seek new clients for its services and anticipates growth in the next financial year.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

P J Holloran - Chairman

R Clayton

W G Cooper (appointed 30 November 2000)

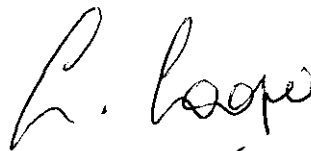
M R Jebb (resigned 15 November 2000)

None of the directors has any interest in the share capital of the company. Mr Holloran and Mr Clayton are directors of Viola Media Services Limited, the parent undertaking. Their interests in the share capital of that company are disclosed in its annual report.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



W G Cooper
Secretary

29 October 2001

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 shareholders of Marston Book Services Limited

We have audited the accounts on pages 5 to 14, which have been prepared under the historical cost convention, and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

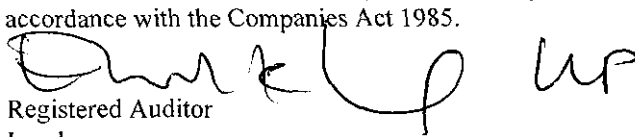
Basis of opinion

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 judgments 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 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
London

31 October 2001

Marston Book Services Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	5,808,277	4,854,871
Administrative expenses		4,966,503	4,496,960
OPERATING PROFIT	3	841,774	357,911
Interest receivable	4	197,075	83,965
Interest payable	5	(2,968)	(3,355)
		194,107	80,610
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,035,881	438,521
Tax on profit on ordinary activities	6	314,310	131,181
RETAINED PROFIT FOR THE FINANCIAL YEAR		721,571	307,340

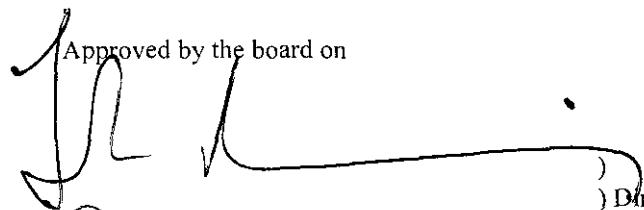
There are no recognised gains or losses other than the profit attributable to shareholders of the company of £721,571 in the year ended 31 December 2000 and £307,340 in the year ended 31 December 1999.

Marston Book Services Limited

BALANCE SHEET at 31 December 2000

	Notes	2000 £	1999 re-stated £
FIXED ASSETS			
Tangible assets	8	663,916	685,200
CURRENT ASSETS			
Debtors	9	2,049,484	1,614,999
Cash at bank and in hand	10	1,350,367	638,570
		3,399,851	2,253,569
CREDITORS: amounts falling due within one year	11	2,158,647	1,755,074
NET CURRENT ASSETS		1,241,204	498,495
TOTAL ASSETS LESS CURRENT LIABILITIES		1,905,120	1,183,695
CREDITORS: amounts falling due after more than one year	18	40,024	32,217
PROVISIONS FOR LIABILITIES AND CHARGES	12	2,304	10,257
		1,862,792	1,141,221
CAPITAL AND RESERVES			
Called up share capital	13	250,000	250,000
Profit and loss account	14	1,612,792	891,221
Equity Shareholders' funds		1,862,792	1,141,221

Approved by the board on

) Directors



29 October 2001

Marston Book Services Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2000

	<i>Notes</i>	<i>2000</i> £	<i>1999</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	925,458	499,093
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(2,968)	(3,355)
Interest received		197,075	83,965
		194,107	80,610
TAXATION			
UK corporation tax paid		(180,079)	(68,569)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(239,541)	(54,878)
Receipts from sales of tangible fixed assets		11,852	10,000
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(227,689)	(44,878)
INCREASE IN CASH	10	711,797	466,256

NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Client accounts

The company acts as an agent in the warehousing and sales fulfilment of books and journals on behalf of publishing clients. Accordingly, as it does not take title to the publications and operates client bank accounts to receive monies from the publishers' customers and to pay the publishing clients, these financial statements only reflect the fees and other income derived by the company from these activities and not the gross amounts received, receivable and payable in respect of its agency activities. This is a change in the presentation previously adopted to reflect more properly the company's activities, following the introduction of client bank accounts.

Depreciation

Depreciation is provided on a straight line basis at rates calculated to write off the cost of fixed assets over their useful lives as follows:

Plant and equipment	-	3 to 5 years
Motor vehicles	-	3 years
Leasehold improvements and warehouse fittings	-	5-15 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at a contracted rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates and contributes to a Group Personal Pension scheme for its employees.

Marston Book Services Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

2. TURNOVER

Turnover represents the value of services provided to customers during the year in the ordinary course of business, exclusive of value added tax.

Turnover is attributable to one continuing activity, the warehousing and fulfilment of books and journals in the United Kingdom.

3. OPERATING PROFIT

(a) Profit on ordinary activities before taxation is after charging:		2000	1999
		£	£
Auditors' remuneration	- audit services	13,000	12,500
	- non audit services	-	5,000
Depreciation	- own assets	237,697	338,122
	- assets held under hire purchase agreements	11,276	11,276
Operating lease rentals	- equipment	65,359	81,148
Operating lease rentals	- land and buildings	520,161	554,407

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	2000	1999
	£	£
Operating profit	841,774	357,911
Depreciation charges	248,973	349,398
Increase in debtors	(434,484)	(391,993)
Increase in creditors	269,195	183,777
Net cash inflow from operating activities	925,458	499,093

4. INTEREST RECEIVABLE

	2000	1999
	£	£
Bank	194,976	80,300
Other	2,099	3,665
	197,075	83,965

5. INTEREST PAYABLE

	2000	1999
	£	£
Bank loans/overdrafts	-	818
Other	2,968	2,537
	2,968	3,355

Marston Book Services Limited

NOTES TO THE ACCOUNTS at 31 December 2000

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
Corporation tax for the period	321,342	179,157
Deferred taxation (note 12)	(7,953)	(44,547)
Under/(over) provision for corporation tax in previous years	921	(3,429)
	<u>314,310</u>	<u>131,181</u>

7. DIRECTORS AND EMPLOYEES

(a) Employee costs:

	2000	1999
	£	£
Wages and salaries	1,484,749	1,633,590
Social security costs	138,927	126,893
Other pension costs	81,226	100,538
	<u>1,704,902</u>	<u>1,861,021</u>

(b) Average number of employees:

	2000	1999
	No.	No.
Administration	1	3
Book distribution	91	96
	<u>92</u>	<u>99</u>

(c) Directors' remuneration:

	2000	1999
	£	£
Emoluments	63,895	130,886
Pension contributions	4,536	17,840
	<u>68,431</u>	<u>148,726</u>

Marston Book Services Limited

NOTES TO THE ACCOUNTS at 31 December 2000

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Plant and equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2000	63,417	1,948,600	87,869	2,099,886
Additions	-	239,541	-	239,541
Disposals	-	-	(27,270)	(27,270)
At 31 December 2000	63,417	2,188,141	60,599	2,312,157
Depreciation:				
At 1 January 2000	15,524	1,323,145	76,017	1,414,686
Provided during the year	4,522	244,451	-	248,973
Disposals	-	-	(15,418)	(15,418)
At 31 December 2000	20,046	1,567,596	60,599	1,648,241
Net book value:				
At 31 December 2000	43,371	620,545	-	663,916
At 1 January 2000	47,893	625,455	11,852	685,200

9. DEBTORS

	2000	1999
	£	£
Trade debtors	1,593,259	1,220,181
Other debtors	146,073	88,714
Prepayments and accrued income	310,152	306,104
	2,049,484	1,614,999

10. ANALYSIS OF CHANGES IN NET FUNDS

	<i>At 1 January 2000</i>	<i>Cash flows</i>	<i>At 31 December 2000</i>
	£	£	£
Cash at bank and in hand	638,570	711,797	1,350,367

Marston Book Services Limited

NOTES TO THE ACCOUNTS at 31 December 2000

11. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Trade creditors	1,144,970	706,678
Obligations under finance leases and hire purchase contracts (note 18)	17,118	8,055
Amounts owed to parent undertaking	166,862	55,760
Corporation tax	321,342	179,157
Other taxation and social security	384,388	319,992
Accruals and deferred income	123,967	485,432
	<u>2,158,647</u>	<u>1,755,074</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	2000	1999
	£	£
At 1 January	10,257	54,804
Transferred to profit and loss account	(7,953)	(44,547)
At 31 December	<u>2,304</u>	<u>10,257</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2000	1999	2000	1999
	£	£	£	£
Capital allowances in advance of depreciation	<u>2,304</u>	<u>10,257</u>	<u>-</u>	<u>-</u>

13. SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	2000	1999
	£	£
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Marston Book Services Limited

NOTES TO THE ACCOUNTS at 31 December 2000

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1999	250,000	583,881	833,881
Profit for the year	-	307,340	307,340
At 31 December 1999	250,000	891,221	1,141,221
Profit for the year	-	721,571	721,571
At 31 December 2000	250,000	1,612,792	1,862,792

15. CAPITAL COMMITMENTS

	<i>2000 £</i>	<i>1999 £</i>
Authorised but not contracted for	264,050	372,000

16. PENSION COMMITMENTS

The company contributes to a Group Personal Pension scheme for its employees.

17. FINANCIAL COMMITMENTS

The following annual amounts were payable under non-cancellable operating leases in existence at 31 December 2000:

	<i>Land and buildings</i>	
	<i>2000 £</i>	<i>1999 £</i>
Operating leases which expire in one year	110,800	75,000
Operating leases which expire in two to five years	113,500	-
Operating leases which expire in over five years	446,750	435,805
	<i>Plant and machinery</i>	
	<i>2000 £</i>	<i>1999 £</i>
Operating leases which expire in one year	13,960	30,004
Operating leases which expire in two to five years	52,773	36,672

Marston Book Services Limited

NOTES TO THE ACCOUNTS at 31 December 2000

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000	1999
	£	£
Amounts payable		
Within one year	20,875	10,606
In two to five years	49,788	42,425
In five to seven years	-	-
	<u>70,663</u>	<u>53,031</u>
Less finance charges allowed to future periods	13,521	12,759
	<u>57,142</u>	<u>40,272</u>

Finance leases and hire purchase contracts are analysed as follows:

Current obligations	17,118	8,055
Non-current obligations	40,024	32,217
	<u>57,142</u>	<u>40,272</u>

19. TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the exemption under FRS 8, as a wholly owned subsidiary, not to disclose its transactions with its parent undertaking.

20. PARENT UNDERTAKING

The company is a wholly owned subsidiary of Viola Media Services Limited. The company's accounts are available from 160 Milton Park, Abingdon, Oxfordshire OX14 4SD.