

Diamond Comic Distributors

Annual report and accounts for the
year ended 31 December 2000

Registered number: 01510986



Directors and officers

Directors

Comic Exporters Inc

Comic Holdings Inc

Secretary

Richard Freeman & Co Secretaries Ltd

Registered office

13 Radnor Walk

Chelsea

London

SW3 4BP

Auditors

Arthur Andersen

17 Lansdowne Road

Croydon

CR9 2PL

Bankers

Barclays Bank

240 Whitechapel Road

London

E1 1BS

Solicitors

Richard Freeman & Co

13 Radnor Walk

Chelsea

London

SW3 4BP

Directors' report

For the year ended 31 December 2000

The directors present their annual report, together with the accounts and auditors report, for the year ended 31 December 2000.

Directors' responsibilities

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; and
- 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 maintaining 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.

Principal activity and business review

The principal activity of the company is book distribution.

The directors consider the results for the year to be satisfactory and expect the general level of activity to continue.

Results and dividends

A review of the operations of the company during the financial year and the results of those operations are as follows:

The net profit after providing for taxation amounted to £139,870 (1999: £309,874).

The directors do not recommend payment of a final dividend for the year. An interim dividend of £300,000 was paid during the year (1999 dividends: £300,000).

Directors' report (continued)

Directors

The directors who held office during the year and their beneficial interest in the issued share capital were as follows:

	Ordinary shares of £1 each	
	2000	1999
Comic Exporters Inc	50	50
Comic Holdings Inc	50	50

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by terms of payment.

The average number of days credit taken for trade purchases at 31 December 2000 was 41 days (1999: 52 days).

Charitable contributions

During the year the company made charitable contributions totalling £151 (1999: £88).

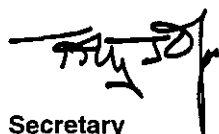
EMU issues

The company has instigated a programme to establish the scope of the risks posed to the company by the EMU issue, to address those risks and to ensure business continuity.

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

This report was approved by the Board on 18 July 2001.


Secretary

RICHARD FREEMAN & CO
SECRETARIES LIMITED
AUTHORISED SIGNATORY

13 Radnor Walk
Chelsea
London
SW3 4BP

Auditors' report

To the shareholders of Diamond Comic Distributors

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. 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 judgements 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 company's state of affairs at 31 December 2000 and of its results and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

17 Lansdowne Road
Croydon
CR9 2PL

18 July 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	2	8,871,348	8,503,043
Cost of sales		(7,784,348)	(6,883,251)
Gross profit		1,087,000	1,619,792
Other operating income	3	1,510,201	1,350,297
Distribution costs		(417,249)	(357,332)
Administrative expenses		(2,046,575)	(2,224,052)
Operating profit		133,377	388,705
Investment income	7	48,528	50,701
Interest payable and similar charges	8	-	(14,128)
Profit on ordinary activities before taxation	9	181,905	425,278
Tax on profit on ordinary activities	10	(42,035)	(115,404)
Profit on ordinary activities after taxation		139,870	309,874
Dividends	11	(300,000)	(300,000)
Retained (loss)/profit for the year	19	(160,130)	9,874

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than those included in the profit and loss account. The historical cost (loss)/profit for the year is the same as that reported above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	12	-	-
Tangible assets	13	185,260	240,901
Investments	14	158,514	145,833
		<u>343,774</u>	<u>386,734</u>
Current assets			
Stocks	15	619,708	641,263
Debtors	16	1,495,113	1,805,993
Cash at bank and in hand		500,360	510,249
		<u>2,615,181</u>	<u>2,957,505</u>
Creditors: amounts falling due within one year	17	<u>(1,782,529)</u>	<u>(2,007,683)</u>
Net current assets		<u>832,652</u>	<u>949,822</u>
Net assets		<u>1,176,426</u>	<u>1,336,556</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	19	1,176,326	1,336,456
Equity shareholders' funds	20	<u>1,176,426</u>	<u>1,336,556</u>

The accounts on pages 5 to 16 were approved by the Board on 18 July 2001.

Stephen A. Lepp
Charles P. ...

)
) Directors
)

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Net cash inflow from operating activities	22	500,389	232,034
Returns on investments and servicing of finance			
Bank interest received		20,176	16,326
Bank interest paid		-	(9,960)
Mortgage interest		-	(4,168)
Other interest received		28,352	34,375
Net cash inflow from returns on investment and servicing of finance		48,528	36,573
Taxation			
UK corporation tax paid		(115,404)	(80,266)
Corporation tax received		11,682	-
Net cash outflow from taxation		(103,722)	(80,266)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(51,362)	(251,678)
Amounts contributed to endowment policy		(12,681)	(12,681)
Sale of tangible fixed assets		7,000	306,886
Net cash (outflow)/inflow from capital expenditure and financial investment		(57,043)	42,527
Equity dividends paid		(300,000)	(300,000)
Net cash inflow/(outflow) before financing		88,152	(68,132)
Financing			
Repayment of loan		-	(332,000)
Net cashflow from financing		-	(332,000)
Increase/(decrease) in cash in the year	23	88,152	(401,132)

The accompanying notes are an integral part of this cash flow statement.

Notes to the accounts

For the year ended 31 December 2000

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

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

Turnover

Turnover represents sales at invoiced amounts less value added tax net of trade discounts given.

Goodwill

Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on the acquisition of trade and assets is capitalised and written off over the expected useful life not exceeding 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value.

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

Long leasehold buildings	- 40 years
Leasehold improvements	- 20 years
Fixtures, fittings, equipment and motor vehicles	- 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated by reference to direct costs attributable to the purchase of finished goods. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The amount capitalised is the present value of the minimum lease payable over the term of the lease. Lease payments are split between capital and interest using the actuarial method. The capital elements of future lease obligations are shown as amounts payable to the lessor while the interest is charged to the profit and loss account.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

All other leases are treated as operating leases where rentals are charged to the profit and loss account on a straight-line basis over the term of the lease, even if the payments are not made on such a basis.

Notes to the accounts (continued)

1 Accounting policies (continued)

Valuation of investments

Fixed asset investments are shown at cost less any provision for a permanent diminution in value.

Foreign currency

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet are reported at the rate of exchange prevailing at that date. Any gain or loss arising is taken as an exchange gain or loss in the profit and loss account.

Pension costs

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Deferred taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

2 Segmental analysis

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK.

	2000 £	1999 £
Analysis of turnover by destination		
- United Kingdom	6,803,064	6,290,676
- Overseas	2,068,284	2,212,367
	<u>8,871,348</u>	<u>8,503,043</u>
 3 Other operating income		
Sales agency fees	1,390,339	1,253,716
Other sundry income	119,862	96,581
	<u>1,510,201</u>	<u>1,350,297</u>

Notes to the accounts (continued)

4 Pension costs

The company operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £36,619 (1999:£ 34,202).

5 Staff costs

	2000 £	1999 £
Staff costs consist of:		
Wages and salaries (excluding directors' fees)	899,792	936,619
Social security costs	82,661	88,197
Other pension costs	36,619	34,202
	<u>1,019,072</u>	<u>1,059,018</u>

The average monthly number of employees was

Number	Number
<u>48</u>	<u>51</u>

6 Directors' remuneration

	£	£
Fees	<u>420,000</u>	<u>420,000</u>

The directors' remuneration shown above included the following in respect of the highest paid director:

Emoluments	<u>210,000</u>	<u>210,000</u>
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7 Investment income

Bank interest receivable	20,176	16,326
Interest receivable from overdue balances from customers	28,256	34,375
Other interest receivable	.96	-
	<u>48,528</u>	<u>50,701</u>

Notes to the accounts (continued)

8 Interest payable and similar charges

	2000 £	1999 £
Mortgage loan interest	-	14,128

Mortgage loan interest in 1999 includes £9,960 being a penalty for early settlement of the debt.

9 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

Auditors' remuneration for audit services	15,500	15,000
Operating lease rentals – land and buildings	124,009	65,482
Depreciation	90,451	68,413
Loss/(profit) on sale of fixed assets	9,554	(1,487)
Amortisation	-	2,376
Redundancy costs	9,545	4,581
Loss on foreign currencies	16,628	28,982

10 Tax on profit on ordinary activities

Corporation tax at 29.5% (1999: 32.5%)	53,717	115,404
Adjustment in respect of prior years	(11,682)	-
	42,035	115,404

11 Dividends

Interim paid		
Dividend £3,000 (1999: £3,000) per ordinary share	300,000	300,000

Notes to the accounts (continued)

12 Intangible fixed assets

Purchased
goodwill
£

Cost

1 January 1999 and 31 December 2000	47,477
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Accumulated amortisation

1 January 1999	47,477
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Amortisation for year	-
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31 December 2000	47,477
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Net book value

31 December 2000	-
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1 January 1999	-
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13 Tangible fixed assets

Fixtures,
fittings,
equipment
and
motor
vehicles
£

Cost

1 January 1999	378,025
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Additions	51,363
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Disposals	(26,918)
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31 December 2000	402,470
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Depreciation

1 January 1999	137,124
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Charge for year	90,451
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Disposals	(10,365)
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31 December 2000	217,210
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Net book value

31 December 2000	185,260
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1 January 1999	240,901
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Notes to the accounts (continued)

14 Fixed asset investments

	Endowment Fund £
1 January 1999	145,833
Additions	12,681
31 December 2000	158,514

15 Stocks

	2000 £	1999 £
Finished goods and goods for resale	619,708	641,263

There is no material difference between the balance sheet value of stocks and their replacement value.

16 Debtors: amounts due within one year

Trade debtors	1,394,494	1,695,089
Other debtors	38,382	47,998
Prepayments	62,237	62,906
	1,495,113	1,805,993

17 Creditors: amounts falling due within one year

Bank loans and overdrafts	-	98,041
Trade creditors	876,437	969,952
Amounts owed to related parties	564,408	624,425
Taxation and social security	138,780	99,707
Corporation tax	53,717	115,402
Other creditors	13,554	32,075
Accruals	135,633	68,081
	1,782,529	2,007,683

18 Called up share capital

	2000 £	1999 £
Authorised, allotted and fully paid		
100 ordinary shares of £1 each	100	100

Notes to the accounts (continued)

19 Profit and loss account

Retained profit as at 1 January 2000	1,336,456	1,326,582
(Loss)/profit for the year	<u>(160,130)</u>	<u>9,874</u>
Retained profit as at 31 December 2000	<u>1,176,326</u>	<u>1,336,456</u>

20 Reconciliation of movements in shareholders' funds

Profit on ordinary activities after taxation	139,870	309,874
Dividends	<u>(300,000)</u>	<u>(300,000)</u>
Net movement in shareholders' funds	(160,130)	9,874
Opening shareholders' funds	<u>1,336,556</u>	<u>1,326,682</u>
Closing shareholders' funds	<u>1,176,426</u>	<u>1,336,556</u>

21 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiry date:				
- within one year	-	-	-	-
- between 2 – 5 years	-	-	-	-
- after five years	113,764	-	63,765	-
	<u>113,764</u>	<u>-</u>	<u>63,765</u>	<u>-</u>

Guarantees

The company has issued a guarantee to HM Customs & Excise for £140,000 (1999: £140,000).

Notes to the accounts (continued)

22 Reconciliation of operating profits to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	133,377	388,705
Depreciation and amortisation	90,451	70,789
Loss/(profit) on sale of tangible fixed assets	9,554	(1,487)
Decrease/(increase) in stock	21,555	(161,433)
Decrease/(increase) in debtors	310,880	(221,539)
(Decrease)/increase in creditors	(65,428)	156,999
	<u>500,389</u>	<u>232,034</u>

23 Analysis and reconciliation of net funds

	1 January 2000 £	Cash flow £	31 December 2000 £
Cash at bank and in hand	510,249	(9,889)	500,360
Bank overdrafts	(98,041)	98,041	-
Net funds	<u>412,208</u>	<u>88,152</u>	<u>500,360</u>

	2000 £	1999 £
Increase/(decrease) in cash	88,152	(401,132)
Cash outflow from decrease in financing	-	332,000
Movement in net funds in year	88,152	(69,132)
Net funds at beginning of year	<u>412,208</u>	<u>481,340</u>
Net funds at end of year	<u>500,360</u>	<u>412,208</u>

24 Related parties

During the year the company made sales to Diamond Comic Distributors, Inc ("DCDI") of £1,012,938 (1999: £768,545) and purchased stock from them at a cost of £3,963,345 (1999: £3,711,422). Additionally, DCDI charged the company £8,108 (1999: £7,580) for the provision of management services. Balances between the two companies at the end of the year are shown in note 17 to the accounts.

During the year the company paid directors' fees to Comic Exporters Inc of £210,000 (1999: £210,000) and to Comic Holdings Inc of £210,000 (1999: £210,000).

These parties are related as they have common shareholders.

Notes to the accounts (continued)

25 Post balance sheet event

In March 2001, the company acquired Viz Comic Distributions for an expected consideration of £2,570,000.

The consideration is made up of:

- £150,000 cash on completion;
- £1,420,000 5% guaranteed redeemable unsecured loan stock on completion;
- a further £500,000 earn out to be paid upon Viz Comic Distributions' achievement of a turnover of £5,558,000 after provision of any bad and doubtful debts at the end of the first year of ownership;
- a further £500,000 earn out to be paid upon Viz Comic Distributions' achievement of a turnover of £5,558,000 after provision of any bad and doubtful debts, at the end of the second year of ownership.