

COMPANY NUMBER: 52790

REED PUBLISHING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1998



DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 1998.

TRADING RESULTS AND DIVIDENDS

The Company has not traded throughout the year. There was no profit before taxation for the year (31.12.97: £25,000,000). No dividends were paid during the year (31.12.97: £25,000,000) and the Directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITIES

The Company has carried on the activities of a holding company and the Directors do not anticipate any changes in these activities. The Company was a wholly-owned subsidiary throughout the year and accordingly group accounts have not been prepared.

YEAR 2000 AND EURO

The Reed Elsevier plc Year 2000 compliance programme has been set up to address the internal and external risks to computer operations, business processes and products arising from the millennium date change. The first phase of the programme, being the identification and risk analysis of issues, was largely completed in 1997. Activity in 1998 focused on the remediation and testing of non-compliant systems and a significant proportion of this work was successfully completed during the year. The remaining remediation and testing work on business critical systems is well advanced and is now substantially complete. Reed Elsevier plc is committed to taking all reasonable and practicable steps to ensure that the Company's business does not suffer any serious disruption as a result of the millennium date change. The costs of implementing the Year 2000 compliance programme are borne by other group undertakings.

The Directors consider that the business of the Company will not be materially affected by the introduction of the euro by the 11 European countries participating in European Economic and Monetary Union (EMU).

DIRECTORS

The following have served as Directors since 1 January 1998:

Formpart (No 3) Limited

Formpart (No 4) Limited

DIRECTORS' INTERESTS

No Director was beneficially interested at any time in the share capital of the Company or other group companies.

DIRECTORS' REPORT CONTINUED

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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

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 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.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
25, Victoria Street
London SW1H 0EX



For and on behalf of Formpart (No 2) Limited.,
Secretary

27 October 1999

AUDITORS' REPORT TO THE MEMBERS OF REED PUBLISHING LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Report and Financial Statements as described on page 3. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company or other members of the group is not disclosed.

Basis of audit 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 circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 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 affairs of the Company as at 31 December 1998 and of the result of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

29 October 1999

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31 DECEMBER 1998**

	<u>Note</u>	Year ended 31 December 1998 £'000	Year ended 31 December 1997 £'000
Continuing operations			
Investment income	2	-	25,000
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<hr/> -	<hr/> 25,000
Tax on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<hr/> -	<hr/> 25,000
Dividends paid	5	-	(25,000)
RETAINED PROFIT FOR THE THE FINANCIAL YEAR	10	<hr/> <hr/> -	<hr/> <hr/> -

RECONCILIATION OF SHAREHOLDERS' FUNDS

Balance brought forward	421,942	94,942
Retained profit for the year	-	-
Shares issued during the year	-	327,000
Balance carried forward	<hr/> <hr/> 421,942	<hr/> <hr/> 421,942

The Company had no recognised gains or losses this year or during the prior year other than those reflected in the profit and loss account. There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 7 to 9 form part of these accounts.

BALANCE SHEET AT 31 DECEMBER 1998

	<u>Note</u>	31.12.98 £'000	31.12.97 £'000
FIXED ASSETS			
Investments	6	410,671	410,671
CURRENT ASSETS			
Debtors	7	11,271	152,159
CREDITORS			
(amounts falling due within one year)	8	-	(140,888)
NET CURRENT ASSETS		<u>11,271</u>	<u>11,271</u>
NET ASSETS		<u>421,942</u>	<u>421,942</u>
CAPITAL AND RESERVES			
Called up share capital	9	77,945	77,945
Share premium account	10	341,425	341,425
Capital reserve (non-distributable)	10	700	700
Profit and loss account	10	1,872	1,872
EQUITY SHAREHOLDERS' FUNDS	10	<u>421,942</u>	<u>421,942</u>

These financial statements were approved by the Board of Directors on 27 October 1999.

Signed on behalf of the Board of Directors



For and on behalf of Formpart (No. 3) Limited,
Director

The notes on pages 7 to 9 form part of these accounts.

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1. Accounting policies

Compliance with accounting standards

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

Investments

Fixed asset investments are stated at cost less any provision for impairment in value.

2. Investment income

	Year ended 31.12.98 £'000	Year ended 31.12.97 £'000
Dividend from subsidiary undertaking	<u>-</u>	<u>25,000</u>

3. Operating profit and profit on ordinary activities before taxation

The Directors receive no emoluments in respect of their services to the Company. The auditors' remuneration is borne by another group company. The Company has no employees.

4. Tax on profit on ordinary activities

There is no taxation charge (31.12.97: £nil) as there was no profit or loss for the year and the investment income in 1997 was received under group income elections.

5. Dividends paid

	Year ended 31.12.98 £'000	Year ended 31.12.97 £'000
Interim ordinary dividend of £nil per share (31.12.97: 32.1p)	<u>-</u>	<u>(25,000)</u>

6. Fixed asset investments

	Shares in group undertakings		
	Cost	Provisions	Net book value
	£'000	£'000	£'000
At 31 December 1997	416,754	(6,083)	410,671
Disposals	(323)	323	-
At 31 December 1998	416,431	(5,760)	410,671

Principal subsidiary undertakings

<u>Name of company</u>	Country of incorporation and operation	Proportion of equity capital held	
		Direct	Indirect
<u>Publishing</u>			
Reed Business Information Limited	England	100%	
The ICIS-LOR Group Limited	England		100%
<u>Dormant</u>			
Butterworth & Co (Publishers) Ltd	England	100%	
Datacross Services Limited	England	100%	
Inquiry Management Systems Limited	England	100%	
Reed Information Services Limited	England	100%	
The Estates Gazette, Limited	England		100%

In the opinion of the Directors the aggregate value of the Company's interest in its subsidiaries is not less than the aggregate amount at which it is stated in the balance sheet.

7. Debtors

	31.12.98 £'000	31.12.97 £'000
Amounts owed by subsidiary undertakings	10,740	10,740
Amounts owed by immediate parent undertaking	531	-
Amounts owed by fellow subsidiary undertaking	-	141,419
	<u>11,271</u>	<u>152,159</u>

8. Creditors (amounts falling due within one year)

	31.12.98 £'000	31.12.97 £'000
Amounts owed to immediate parent undertaking	-	140,888

9. Called up share capital

	Authorised Number	£'000	Issued and fully paid Number	£'000
<u>Ordinary shares of £1 each</u>				
At 31 December 1997	84,667,868	84,668	77,945,141	77,945
At 31 December 1998	84,667,868	84,668	77,945,141	77,945

10. Shareholders' funds

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 31 December 1997	77,945	341,425	700	1,872	421,942
Retained profit for the year	-	-	-	-	-
At 31 December 1998	77,945	341,425	700	1,872	421,942

11. Group accounts and cash flow statement

The Company is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member state of the European Union and the parent undertaking prepares group accounts. Accordingly these financial statements present information about this company as an individual undertaking and not as a group. Similarly, a cash flow statement is not required under Financial Reporting Standard 1(Revised).

12. Ultimate parent company

The Company's ultimate parent undertaking and controlling entity is Reed Elsevier plc, a company registered in England and Wales. Copies of the consolidated accounts of Reed Elsevier plc may be obtained from its registered office at 25 Victoria Street, London SW1H 0EX. Reed Elsevier plc is jointly owned by Reed International P.L.C. (a company registered in England and Wales) and Elsevier NV (a company incorporated in the Netherlands).

13. Related party transactions

The Company has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) not to disclose transactions with entities that are part of the Reed Elsevier plc group as the consolidated financial statements of Reed Elsevier plc, in which the Company is included, are publicly available.

The fellow associated undertakings of the Company's ultimate parent undertaking are Elsevier Reed Finance BV and its subsidiaries. Elsevier Reed Finance BV is incorporated in the Netherlands and jointly owned by Reed International P.L.C. and Elsevier NV. The Elsevier Reed Finance BV group provides a range of treasury services to the Reed Elsevier plc group.