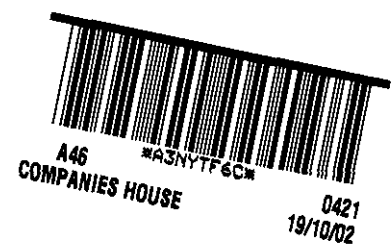


COMPANY NUMBER: 125354

BUTTERWORTH & CO. (PUBLISHERS) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2001



DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2001.

TRADING RESULTS AND DIVIDENDS

The Company did not trade during the year. There was no profit or loss before taxation (2000: profit £10,636,000). An interim dividend of £7,309,000 was paid during the year (2000: £nil) and the Directors propose that the retained loss of £7,309,000 (2000: profit £7,288,000) be transferred to reserves.

PRINCIPAL ACTIVITIES

The Company 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.

DIRECTORS

The following persons have served as Directors since 1 January 2001:

J Broadfoot	resigned 30 November 2001
P E Cheeseman	resigned 30 June 2001
A P Kinnear	resigned 20 July 2001
W J Last	
M E Piper	
S J Stout	resigned 9 March 2001
P Virik	appointed 9 March 2001, resigned 30 September 2002
J R Yates	
J Howis	appointed 9 October 2002

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

United Kingdom 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:

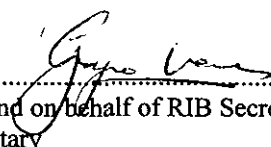
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 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 RIB Secretaries Limited,
Secretary

9th October 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUTTERWORTH & CO. (PUBLISHERS) LIMITED

We have audited the financial statements of Butterworth & Co. (Publishers) Ltd for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors' are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its result 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

17 October 2002

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> £'000	<u>2000</u> £'000
Investment income	2	-	11,302
Provisions against investments		-	(666)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	10,636
Tax on profit on ordinary activities	4	-	(3,348)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	7,288
Dividends paid	5	(7,309)	-
RETAINED (LOSS)/PROFIT	10	(7,309)	7,288

STATEMENT OF RETAINED RESERVES

Retained profit brought forward		7,309	21
Retained (loss)/profit		(7,309)	7,288
Retained profit carried forward	10	-	7,309

The activities of the Company are derived from continuing operations.

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. Consequently, a separate statement of total recognised gains and losses is not presented.

The notes on pages 7 to 10 form part of these accounts.

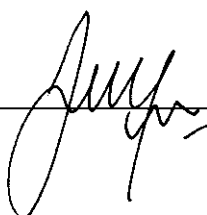
BALANCE SHEET AT 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> £'000	<u>2000</u> £'000
FIXED ASSETS			
Investments	6	936	936
CURRENT ASSETS			
Debtors	7	3,064	10,373
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	(3,348)	(3,348)
NET CURRENT ASSETS/(LIABILITIES)		<u>(284)</u>	<u>7,025</u>
NET ASSETS		<u>652</u>	<u>7,961</u>
CAPITAL AND RESERVES			
Called up share capital	9	625	625
Other reserves	10	27	27
Profit and loss account	10	-	7,309
SHAREHOLDERS' FUNDS	10	<u>652</u>	<u>7,961</u>
Shareholders' funds are attributable to:			
Equity shareholders		402	7,711
Non-equity shareholders		<u>250</u>	<u>250</u>
		<u>652</u>	<u>7,961</u>

These financial statements were approved by the Board of Directors on 9th October 2002.

Signed on behalf of the Board of Directors

J Howis,
Director



The notes on pages 7 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2001

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, where appropriate.

Taxation

Deferred taxation is provided in full for timing differences using the liability method. Deferred tax assets are only recognised to the extent that they are considered recoverable in the short term. Deferred taxation balances are not discounted.

2. Investment income

	<u>2001</u> £000	<u>2000</u> £000
Profit on disposal of subsidiary undertakings	-	11,302

3. Operating profit and profit on ordinary activities before taxation

The Directors receive no emoluments (2000: none) in respect of their services to the Company. The auditors' remuneration is borne by another group company for the current and preceding year. The Company has no employees (2000: nil).

4. Tax on profit on ordinary activities

	<u>2001</u> £000	<u>2000</u> £000
Current tax	-	3,348
Deferred tax	-	-
	-	3,348

The standard rate of current tax for the year and prior year is 30%, based on the UK standard rate of corporation tax. A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	<u>2001</u> £000	<u>2000</u> £000
Profit on ordinary activities before taxation	-	10,636
Tax at the standard rate	-	3,191
Non tax deductible expenses	-	200
Non taxable income	-	(43)
Current tax charge for the year	-	3,348

5. **Dividends paid**

	<u>2001</u> £'000	<u>2000</u> £'000
Interim dividend at £19.49 per A & B Ordinary share (2000 : £nil)	<u>7,309</u>	<u>-</u>

The parent company has waived its right to receive the dividends on the 250,000 4.5% Cumulative Preference shares of £1 each registered in its name.

6. **Fixed asset investments**

<u>Shares in group undertakings</u>	Cost £'000	Provisions £'000	Net book value £'000
At 31 December 2000 and 31 December 2001	<u>1,602</u>	<u>(666)</u>	<u>936</u>

Principal subsidiary undertakings

Name of company

Country of incorporation and operation	Proportion of equity capital held
--	--------------------------------------

Publishing

Butterworth (Ireland) Limited

Eire 100% (direct)

Dormant

Bowker-Saur Limited

Great Britain 100% (direct)

Butterworth & Co. (Overseas) Limited

Great Britain 100% (direct)

Butterworth Law Publishers Limited

Great Britain 100% (direct)

Butterworth Tax Publishers Limited

Great Britain 100% (direct)

Butterworth (Telepublishing) Limited

Great Britain 100% (direct)

Malayan Law Journal Sdn Bhd

Malaysia 100% (indirect)

Professional Books Limited

Great Britain 100% (direct)

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

7. **Debtors**

	<u>2001</u> £'000	<u>2000</u> £'000
Amounts owed by group undertakings	<u>3,064</u>	<u>10,373</u>

8. Creditors (amounts falling due within one year)

	2001 £'000	2000 £'000
Corporation tax	3,348	3,348

9. Called up share capital

At 31 December 2000 and 31 December 2001	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary "A" shares of £1 each	125,000	125,000	125,000	125,000
Ordinary "B" shares of £1 each	250,000	250,000	250,000	250,000
4.5% Cumulative preference shares of £1 each	250,000	250,000	250,000	250,000
	625,000	625,000	625,000	625,000

The 4.5% cumulative preference shares have the right to receive half yearly dividends in preference to the ordinary shareholders, but the holders of the preference shares have irrevocably waived that right. The preference shares have no rights of redemption but have priority over ordinary shares in the repayment of capital and arrears of dividends. The preference shares have no voting rights unless there are more than twelve months' arrears of preference dividends or unless there are proposed resolutions in respect of rights variations or of winding up the Company.

10. Shareholders' funds

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2001	625	27	7,309	7,961
Retained loss for the year	-	-	(7,309)	(7,309)
At 31 December 2001	625	27	-	652

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)(Cash Flow Statements).

12. Ultimate parent company

The Company's ultimate parent undertaking and controlling entity is Reed Elsevier Group plc (formerly Reed Elsevier plc), a company incorporated in Great Britain. The smallest and largest group into which the accounts of the Company for the year ended 31 December 2001 are consolidated is Reed Elsevier Group plc. Copies of the consolidated accounts of Reed Elsevier Group plc may be obtained from its registered office at 25 Victoria Street, London SW1H 0EX. Reed Elsevier Group plc is jointly owned by Reed Elsevier PLC (formerly Reed International P.L.C., a company incorporated in Great Britain) and Reed Elsevier NV (formerly 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 Reed Elsevier Group plc as the consolidated financial statements of Reed Elsevier Group 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 is jointly owned by Reed Elsevier PLC and Reed Elsevier NV. The Elsevier Reed Finance BV group provides a range of treasury services to Reed Elsevier Group plc.

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