

Company no: 195767

JONATHAN CAPE LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1994



JONATHAN CAPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 1994.

Business Review

The principal activity of the company continues to be book publishing.

The turnover and results of the company for the year are set out in the attached financial statements.

Dividend

The directors do not recommend the payment of a dividend. An amount of £252,120 has been transferred from reserves.

Directors

The following were directors during the year:

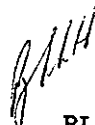
TM MASCHLER	Chairman	
G CAPEL		(resigned 21 March 1994)
AC COLWELL		
AS McCONNELL		

None of the directors at 31 December 1994 had any interest in the shares of any group company at either the beginning or end of the financial year.

Auditors

Price Waterhouse have indicated their willingness to continue in office. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board


RL SMITH
Secretary

Random House
20 Vauxhall Bridge Road
London, SW1V 2SA

28th April 1995

JONATHAN CAPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the period to that date.

The directors are responsible for maintaining appropriate accounting records which disclose with reasonable accuracy the financial position of the company at any time and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that the accounts have been prepared using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also confirm that the accounts have been prepared following applicable UK accounting standards and on a going concern basis.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
JONATHAN CAPE LIMITED**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors

28th April 1995

Southwark Towers
32 London Bridge Street
LONDON, SE1 9SY

JONATHAN CAPE LIMITED
 PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1994

	Notes	1994 £	1993 £
TURNOVER	2	6,011,626	5,547,104
Changes in stocks of finished goods and work in progress		44,867	339,675
Raw materials and consumables		(2,381,618)	(2,086,277)
Other external charges		(3,523,913)	(2,937,763)
Staff costs	3	(498,002)	(422,082)
Depreciation		(12,451)	(12,808)
OPERATING (LOSS)/PROFIT		(359,491)	427,849
Profit on disposal of fixed assets		7,371	2,728
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(352,120)	430,577
Tax on (Loss)/Profit on Ordinary Activities	5	100,000	91,000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	(252,120)	521,577

Turnover is derived from continuing activities.

The company has no recognised gains or losses other than as disclosed in the Profit & Loss Account.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

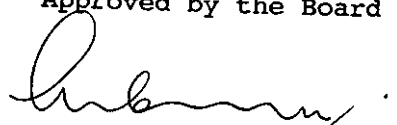
(Loss)/Profit for the year	(252,120)	521,577
Shareholders' funds at 1 January 1994	526,667	5,090
Shareholders' funds at 31 December 1994	274,547	526,667

JONATHAN CAPE LIMITED

BALANCE SHEET
as at 31 December 1994

	Notes	£	1994 £	£	1993 £
FIXED ASSETS					
Tangible assets	6		30,974		24,241
Investment in Triad Paperbacks Limited	7		-		8,750
			<hr/>		<hr/>
			30,974		32,991
CURRENT ASSETS					
Stocks	8	947,344		902,477	
Advance royalties		3,551,730		4,155,624	
Debtors	9	1,383,676		1,496,773	
			<hr/>	<hr/>	
			5,882,750		6,554,874
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(5,145,177)		(5,467,198)	
			<hr/>	<hr/>	
NET CURRENT ASSETS			737,573		1,087,676
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			768,547		1,120,667
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	11		(494,000)		(594,000)
			<hr/>		<hr/>
			274,547		526,667
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	12		100,000		100,000
Profit and loss account	13		174,547		426,667
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS			274,547		526,667
			<hr/>		<hr/>

Approved by the Board on 28th April 1995


AS McCONNELL Director

JONATHAN CAPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Turnover comprises the sale of published books, net of returns, and related rights and representation fees receivable excluding value added tax.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write-off the cost of the fixed assets over their useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Motor vehicles - 25%

Stocks

Stocks comprise finished goods and work in progress in respect of books.

Finished goods are stated at the lower of cost and net realisable value. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the profit and loss account in full on publication.

Work in progress is stated at cost.

Royalties

Royalty advances to authors which are not expected to be earned from future sales of books and rights are charged to the profit and loss account in the year of publication. Royalty advances to authors on unpublished titles are reviewed annually.

Deferred Taxation

Provision is made under the liability method for the corporation tax effect arising from all timing differences other than for those which are expected with reasonable probability to continue to be deferred into the foreseeable future.

Pensions

The charges against profits for the company's contributions to the group pension scheme are calculated so as to spread the cost over the expected average remaining service lives of employees who are members of the scheme.

JONATHAN CAPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994
(continued)

2. TURNOVER

The company's turnover arises from its principal activity of book publishing.

A geographical analysis of turnover is as follows:

	1994 £	1993 £
UK and Eire	4,002,468	3,900,232
Rest of the World	2,009,158	1,646,872
	<hr/>	<hr/>
	6,011,626	5,547,104
	<hr/>	<hr/>

3. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax has been arrived at after charging:

Staff costs:

Wages and salaries	428,142	360,956
Social security costs	38,509	34,798
Group pension scheme costs	31,351	26,328
	<hr/>	<hr/>
	498,002	422,082
	<hr/>	<hr/>

The average number of persons employed by the company, including executive directors, during the year was 17 (1993: 14).

Other:

Directors' emoluments	92,621	248,249
	<hr/>	<hr/>

4. DIRECTORS' EMOLUMENTS

The remuneration of the directors, excluding pension contributions, was as follows:

Chairman and highest paid director	£52,964	£47,520
------------------------------------	---------	---------

Directors received emoluments in the following bands:

	no.	no.
£0 - £ 5,000	1	2
£10,001 - £15,000	1	-
£15,001 - £20,000	1	1
£35,001 - £40,000	-	2
£40,001 - £45,000	-	1
£45,001 - £50,000	-	2
£50,001 - £55,000	1	-

JONATHAN CAPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994
(continued)

	1994 £	1993 £
5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES		
Group relief receivable in respect of UK corporation tax losses surrendered -adjustment of prior years	-	525,000
Deferred tax	100,000	(434,000)
	<hr/> 100,000	<hr/> 91,000
	<hr/>	<hr/>

The company has unutilised tax losses carried forward which the directors estimate at £2.0m subject to agreement by the Inland Revenue.

6. TANGIBLE FIXED ASSETS	Cars £
Cost:	
at 1 January 1994	47,458
Additions	22,996
Disposals	(18,296)
	<hr/>
at 31 December 1994	52,158
Depreciation:	
at 1 January 1994	23,217
Eliminated on disposal	(14,484)
Charge for the year	12,451
	<hr/>
at 31 December 1994	21,184
Net Book Amounts:	
at 31 December 1994	30,974
	<hr/>
at 31 December 1993	24,241
	<hr/>

There were no capital commitments outstanding at the year end (1993: nil).

7. INVESTMENT IN TRIAD PAPERBACKS LIMITED

On 1 January 1994 the company's investment in Triad Paperbacks Limited was transferred to a fellow group company at cost.

	1994 £	1993 £
8. STOCKS		
Work in progress	465,630	525,618
Finished goods	481,714	376,859
	<hr/> 947,344	<hr/> 902,477
	<hr/>	<hr/>

JONATHAN CAPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994
(continued)

9.	DEBTORS	1994 £	1993 £
	Trade debtors	317,544	299,737
	Group relief receivable	691,000	691,000
	Prepayments	375,132	506,036
		<hr/>	<hr/>
		1,383,676	1,496,773
		<hr/>	<hr/>
10.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	Trade creditors	2,615,438	2,053,654
	Amounts owed to group undertakings	2,007,769	2,950,326
	Accruals	521,970	463,218
		<hr/>	<hr/>
		5,145,177	5,467,198
		<hr/>	<hr/>
11.	DEFERRED TAXATION		
	The potential liability and amount provided for deferred taxation is as follows:		
	Accelerated capital allowances	-	(2,000)
	Other short term timing differences	1,172,000	1,371,000
	Unutilised tax losses	(678,000)	(775,000)
		<hr/>	<hr/>
		494,000	594,000
		<hr/>	<hr/>
12.	SHARE CAPITAL		
	Authorised, allotted, called up and fully paid: 100,000 ordinary shares of £1 each	£100,000	£100,000
		<hr/>	<hr/>
13.	PROFIT AND LOSS ACCOUNT		
	Balance at 1 January 1994	426,667	
	Loss for the year	(252,120)	
		<hr/>	
	Balance at 31 December 1994	174,547	
		<hr/>	
14.	COMMITMENTS		
	There are commitments to authors for the payments of royalty advances amounting to £2,768,098 at 31 December 1994 (1993: £3,712,362). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.		

JONATHAN CAPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994
(continued)

15. PENSION FUND

The company is a member of the Random House UK Limited group pension scheme. This scheme is of the defined benefit type. The assets of the scheme are invested outside the group by the trustees acting on the advice of independent investment advisors. The pension costs have been assessed in accordance with the advice of a qualified actuary. Contributions to the scheme are based on pension costs across the group as a whole.

Particulars of the actuarial valuation of the scheme are contained in the accounts of Random House UK Limited.

16. PARENT UNDERTAKINGS

The company's ultimate parent company is Advance Publications Inc which is incorporated in the United States of America.

The parent of the smallest subgroup for which group accounts are prepared and of which the company is a member is The Conde Nast Publications Limited which is registered in England.