

Blackwell Science Limited

Registered No. 349566

DIRECTORS

N S Blackwell *†
C L Brundin *†
A R M Campbell
J J G Conibear
W L Gibson
A J Munro (appointed 21 January 1997)
A D Owen *†
P C Saugman
J D Strange
M J Wilkinson

SECRETARY

Aldwych Secretaries Limited

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

Osney Mead
Oxford
OX2 0EL

* - Member of the Audit Committee

† - Member of the Remuneration Committee

ERNST & YOUNG



DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The group profit for the year, after taxation and minority interests amounted to £4,546,000. The directors recommend a "B" ordinary dividend of £530,912 and a "C" ordinary dividend of £13,088. After preference dividends of £18,235, this leaves a retained profit of £3,984,000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The group's principal activities during the year continued to be publishing and there were no significant changes during the year. The group continues to trade profitably and the directors anticipate sustained growth for the foreseeable future.

In 1997 the group acquired four businesses: Bullet Communications Limited, Colloquium International Limited, both healthcare services companies, Fracture and Fatigue of Engineering Materials and Structures Limited, a publisher of the journal of the same name and Info Nordic I Hjo AB, a publisher based in Sweden. In addition, it acquired an additional 5% equity holding in Healthgate Data Corporation, a US provider of healthcare information on the Internet. In February 1997 the group sold its French language publishing and book-selling interest in Arnette Blackwell SA. The directors are confident that these strategic changes in the structure of the group will strengthen its business and profitability for the future.

FIXED ASSETS

The changes in fixed assets during the year are summarised in notes 12 and 13.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

EMPLOYEE INVOLVEMENT

The group has arrangements for providing information to employees and regular meetings are held between local management and employees to allow a free flow of information and ideas.

CHARITABLE CONTRIBUTIONS

During the year, the company made charitable contributions totalling £87,983.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the share capital of the company were as follows:

	At 31 December 1997				At 1 January 1997 or subsequent date of appointment			
	"A"	"B"	"C"	Cum. Pref.	"A"	"B"	"C"	Cum. Pref.
N S Blackwell	6,676	147,606	-	1,386	6,676	147,606	-	1,386
C L Brundin	-	-	-	-	-	-	-	-
A R M Campbell	1,000	40,225	-	574	1,000	40,225	-	574
J J G Conibear	401	38,987	-	-	401	38,987	-	-
W L Gibson	-	-	-	-	-	-	-	-
A J Munro	-	-	-	-	-	-	-	-
A D Owen	-	-	-	-	-	-	-	-
P C Saugman	3,448	210,020	-	5,976	3,448	210,020	-	5,976
J D Strange	-	-	-	-	-	-	-	-
M J Wilkinson	1	10,152	46,000	-	1	10,152	60,000	-

DIRECTORS' SHARE OPTIONS

The following table sets out the options to acquire "C" ordinary shares held by each director, together with those exercised during the year:

	At 1 January 1997 No.	Exercised in year No.	At 31 December 1997 No.	Date of grant	Option price	Market price at date of exercise	Latest exercise date
A R M Campbell	60,000	-	60,000	July 1993	£1.20	-	July 2000
J J G Conibear	60,000	-	60,000	July 1993	£1.20	-	July 2000
W L Gibson	15,000	-	15,000	July 1993	£1.20	-	July 2000
J D Strange	10,000	-	10,000	July 1993	£1.20	-	July 2000
J D Strange	10,000	-	10,000	July 1994	£1.74	-	July 2001

DIRECTORS' REPORT

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 the group and of the profit or loss of the group 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 group will continue in business.

The directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



M J Wilkinson
Director

23 April 1998

REPORT OF THE AUDITORS
to the members of Blackwell Science Limited

We have audited the accounts on pages 6 to 30 which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and on the basis of the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

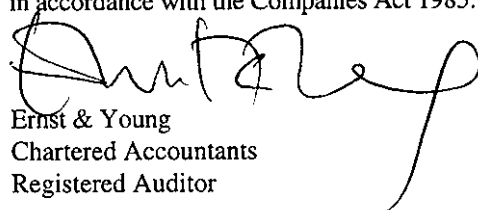
Basis of opinion

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 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 group'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 and of the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor

23 April 1998

Blackwell Science Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
TURNOVER			
Continuing operations:			
on going		89,891	96,700
acquisitions		2,843	-
		<hr/>	<hr/>
	2	92,734	96,700
Cost of sales	3	57,713	59,500
		<hr/>	<hr/>
Gross profit		35,021	37,200
Net operating expenses	3	(30,186)	(31,331)
Income from interests in associated undertakings	4	65	304
		<hr/>	<hr/>
OPERATING PROFIT			
Continuing operations:			
ongoing		4,393	6,173
acquisitions		507	-
		<hr/>	<hr/>
	4	4,900	6,173
Profit on sale of tangible fixed assets		23	69
Loss on disposal of fixed asset investments		(478)	-
Profit on disposal of operations		1,253	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND INVESTMENT INCOME			
		5,698	6,242
Income from investments	7	5	-
Bank interest receivable		1,396	873
Interest payable	8	(132)	(160)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,967	6,955
Tax on profit on ordinary activities	9	2,295	2,213
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,672	4,742
Minority interests		126	394
		<hr/>	<hr/>
PROFIT FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY			
	10	4,546	4,348
Dividends	11	562	1,681
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		3,984	2,667
		<hr/>	<hr/>

Dividends include amounts relating to non-equity shares. Movements on reserves are set out in note 24.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1997

	1997 £'000	1996 £'000
Profit attributable to the members of the parent company	4,546	4,348
Exchange differences on retranslation of net assets of subsidiary undertakings	(471)	(1,552)
Total recognised gains relating to the year	4,075	2,796
RECONCILIATION OF SHAREHOLDERS' FUNDS		
	1997 £'000	1996 £'000
Total recognised gains	4,075	2,796
Dividends	(562)	(1,681)
Other movements:		
Goodwill written off	(2,230)	(1,708)
Increase in share of associated company reserves	912	-
Shares issued	3	160
Total movements during the year	2,198	(433)
Shareholders' funds at 1 January	19,445	19,878
Shareholders' funds at 31 December	21,643	19,445

Blackwell Science Limited

GROUP BALANCE SHEET at 31 December 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	12	10,235	10,772
Investments	13	7,109	4,051
		<u>17,344</u>	<u>14,823</u>
CURRENT ASSETS			
Stocks	14	10,562	12,674
Debtors	15	23,131	23,306
Cash at bank and in hand	16	28,954	24,903
		<u>62,647</u>	<u>60,883</u>
CREDITORS: amounts falling due within one year	17	<u>55,967</u>	<u>53,464</u>
NET CURRENT ASSETS		<u>6,680</u>	<u>7,419</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,024</u>	<u>22,242</u>
CREDITORS: amounts falling due after more than one year	18	<u>40</u>	<u>14</u>
PROVISIONS FOR LIABILITIES AND CHARGES	21	<u>206</u>	<u>442</u>
		<u>246</u>	<u>456</u>
		<u>23,778</u>	<u>21,786</u>
MINORITY INTERESTS		<u>2,135</u>	<u>2,341</u>
		<u>21,643</u>	<u>19,445</u>
CAPITAL AND RESERVES			
Called up share capital	23	846	845
Share premium account	24	156	154
Revaluation reserve	24	995	1,138
Capital redemption reserve	24	63	63
Profit and loss account	24	19,583	17,245
Shareholders' funds:			
Equity		21,287	19,090
Non-equity		356	355
		<u>21,643</u>	<u>19,445</u>

M J Wilkinson

Director

23 April 1998

Blackwell Science Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	12	5,815	6,099
Investments	13	18,118	14,784
		<u>23,933</u>	<u>20,883</u>
CURRENT ASSETS			
Stocks	14	4,584	4,958
Debtors	15	8,426	9,063
Cash at bank and in hand		18,250	14,668
		<u>31,260</u>	<u>28,689</u>
CREDITORS: amounts falling due within one year	17	30,596	28,293
		<u>664</u>	<u>396</u>
NET CURRENT ASSETS		<u>24,597</u>	<u>21,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,597</u>	<u>21,279</u>
PROVISIONS FOR LIABILITIES AND CHARGES	21	-	30
		<u>24,597</u>	<u>21,249</u>
CAPITAL AND RESERVES			
Called up share capital	23	846	845
Share premium	24	156	154
Revaluation reserve	24	1,766	1,766
Capital redemption reserves	24	63	63
Profit and loss account	24	21,766	18,421
Shareholders' funds:		<u>24,241</u>	<u>20,894</u>
Equity		356	355
Non-equity		<u>24,597</u>	<u>21,249</u>


M J Wilkinson

Director

23 April 1998

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 1997

	<i>Notes</i>	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	4(b)	9,626	11,302
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(132)	(160)
Interest received		1,396	873
Preference dividend paid		(18)	(18)
Income from investments		5	
Dividends paid to minority interest		(119)	(94)
		<u>1,132</u>	<u>601</u>
TAXATION			
UK corporation tax paid		(1,104)	(1,323)
Overseas corporation tax paid		(884)	(872)
TAX PAID		<u>(1,988)</u>	<u>(2,195)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,697)	(1,977)
Payments to acquire investments		(615)	(1,348)
Receipts from sales of tangible fixed assets		268	252
		<u>(2,044)</u>	<u>(3,073)</u>
ACQUISITIONS AND DISPOSALS			
Payments to acquire publishing goodwill		-	(1,495)
Payments to acquire subsidiaries		(2,643)	-
Net cash acquired with acquisition of subsidiaries		731	-
Receipt on sale of subsidiary		3,070	-
Receipt on repayment of loan in subsidiary sold		584	-
Net cash transferred with subsidiary sold		(56)	-
Purchase of associate		(425)	-
		<u>1,261</u>	<u>(1,495)</u>
EQUITY DIVIDENDS PAID		<u>(1,663)</u>	<u>(900)</u>
MANAGEMENT OF LIQUID RESOURCES			
Purchase of liquid resources		(20,338)	(17,330)
Sale of liquid resources		16,918	12,597
		<u>(3,420)</u>	<u>(4,733)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>2,904</u>	<u>(493)</u>
FINANCING			
Repayment of long-term loans		(2)	(5)
Issue of "C" shares		3	160
Net movement in loans to associates		(365)	-
		<u>(364)</u>	<u>155</u>
INCREASE/(DECREASE) IN CASH	16	<u>2,540</u>	<u>(338)</u>

Blackwell Science Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1997

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>Notes</i>	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Increase/(decrease) in cash in the year		2,540	(338)
Cash outflow from increase in liquid resources		3,420	4,733
Cash outflow/(inflow) from reduction in debt and lease financing		3	(2)
Loans and finance leases acquired with subsidiaries		(68)	(32)
Reclassification of cash on change in consolidation of associates		(260)	-
Translation difference		(960)	(1,137)
MOVEMENT IN NET FUNDS IN THE YEAR	16	4,675	3,224
NET FUNDS AT 1 JANUARY	16	22,925	19,701
NET FUNDS AT 31 DECEMBER	16	27,600	22,925

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings and investments.

The accounts are prepared in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Blackwell Science Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Blackwell Science Limited as provided by section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence, are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 1997, except for Blackwell Delaware Inc., whose results are included for their accounting year to 31 August 1997.

Goodwill

Depending on the circumstances of each acquisition, purchased goodwill is either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life.

Depreciation

Depreciation is provided on all tangible fixed assets except freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	2 - 7% per annum
Fixtures and fittings and equipment	-	3 - 6 years
Motor vehicles	-	4 - 5 years

Stocks

Stocks and work in progress are stated at the lower of cost incurred and net realisable value on bases and methods applied consistently.

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. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance. Tax losses are surrendered in the most beneficial manner and payment equal to the amount of tax saved is made for the amount of group relief received.

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate if the transaction is covered by a foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

The accounts of overseas entities denominated in foreign currencies are translated at the rate of exchange ruling at the group balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The company participates, with other employers, in a defined benefit pension scheme.

Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or repayments in the balance sheet.

2. TURNOVER

Turnover is attributable to one class of business, publishing. An analysis of turnover by geographical market is given below:

	1997 £'000	1996 £'000
United Kingdom	11,546	9,241
Europe	42,057	50,352
USA	22,867	20,454
Other	16,264	16,653
	<u>92,734</u>	<u>96,700</u>

3. COST OF SALES AND OPERATING COSTS

The amounts relating to acquired operations in 1997 were: cost of sales £1,317,000, administrative expenses £1,019,000.

Blackwell Science Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

4. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1997 £'000	1996 £'000
Auditors' remuneration		
- for audit services (world-wide)	147	141
- for other services (UK only)	92	95
Depreciation of owned fixed assets	1,623	1,613
Depreciation of assets held under finance leases	26	-
Net rental income	(409)	(190)
Operating lease rentals		
- land and buildings	555	733
- other	46	40

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

	1997 £'000	1996 £'000
Operating profit	4,900	6,173
Depreciation	1,649	1,613
Share of associates' profit	(65)	(304)
Exchange differences	-	30
Increase in stocks	(178)	(694)
(Increase)/decrease in debtors	(2,286)	2,901
Increase in creditors	5,699	1,542
Decrease in provisions	(97)	(8)
Dividends received from associates	4	49
Net cash inflow from operating activities	9,626	11,302

(c) Income from interests in associated undertakings includes the group's share of profits in Blackwell Delaware Inc. for the accounting year to 31 August 1997.

5. DIRECTORS' REMUNERATION

	1997 £'000	1996 £'000
Emoluments	865	795
Pension contributions	137	124

Directors' fees include an amount of £11,000 paid to third parties for the provision of the services of a director.

	£'000	£'000
Emoluments of the highest paid director in 1996 and 1997	172	165
Pension contributions	63	59

Blackwell Science Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

6. STAFF COSTS

	<i>Company</i>		<i>Group</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	4,883	4,561	14,913	14,933
Social security costs	448	428	1,174	1,528
Other pension costs	417	358	596	636
	<u>5,748</u>	<u>5,347</u>	<u>16,683</u>	<u>17,097</u>

The average weekly number of employees during the year was made up as follows:

	<i>Company</i>		<i>Group</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Administration	96	83	248	190
Production and publishing	138	144	415	423
	<u>234</u>	<u>227</u>	<u>663</u>	<u>613</u>

7. INCOME FROM INVESTMENTS

	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>
Listed on overseas stock market	-	-
Unlisted	5	-
	<u>5</u>	<u>-</u>

8. INTEREST PAYABLE

	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	128	160
Other loans	4	-
	<u>132</u>	<u>160</u>

NOTES TO THE ACCOUNTS

at 31 December 1997

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1997 £'000	1996 £'000
Based on the profit for the year:		
Corporation tax	1,871	1,352
Less: relief for overseas taxation	(167)	-
	1,704	1,352
Tax credit on investment income	-	-
Deferred taxation	(39)	(40)
	1,665	1,312
Overseas taxation	646	981
	2,311	2,293
Adjustments in respect of previous years:		
Corporation tax over-provided	(36)	(205)
Other overseas taxation	(17)	(9)
	2,258	2,079
Associated undertakings	37	134
	2,295	2,213

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £3,907,000 (1996 - £3,036,000).

11. DIVIDENDS

	1997 £'000	1996 £'000
Proposed:		
"B" ordinary shares	531	1,629
"C" ordinary shares	13	34
Cumulative preference shares - 5.6p (1996 - 5.6p)	18	18
	562	1,681

Shares are analysed between equity and non-equity interests in note 23.

Blackwell Science Limited

NOTES TO THE ACCOUNTS at 31 December 1997

12. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Freehold property £'000</i>	<i>Leasehold property £'000</i>	<i>Vehicles and equipment £'000</i>	<i>Total £'000</i>
Cost or valuation:				
At 1 January 1997	9,148	199	8,456	17,803
Exchange adjustments	(302)	(2)	(400)	(722)
Additions	132	9	1,556	1,697
Additions on acquisition of subsidiaries	-	-	260	260
Disposal on sale of a subsidiary	-	(116)	(279)	(395)
Disposals	-	(64)	(552)	(616)
At 31 December 1997	8,960	26	9,041	18,027
Depreciation:				
At 1 January 1997	1,580	48	5,403	7,031
Exchange adjustments	(10)	(2)	(264)	(276)
Charge for the year	166	15	1,468	1,649
Disposal on sale of a subsidiary	-	(38)	(203)	(241)
On disposals	-	(20)	(351)	(371)
At 31 December 1997	1,736	3	6,053	7,792
Net book value:				
At 31 December 1997	7,224	23	2,988	10,235
At 1 January 1997	7,568	151	3,053	10,772

Freehold properties owned by certain overseas subsidiaries are shown at market value.

The net book value of vehicles and equipment held under finance leases was £116,702 (1996 - £nil).

Details of amounts secured on freehold properties are given in note 19.

NOTES TO THE ACCOUNTS

at 31 December 1997

12. TANGIBLE FIXED ASSETS (continued)

Company

	<i>Freehold property £'000</i>	<i>Vehicles and equipment £'000</i>	<i>Total £'000</i>
Cost or valuation:			
At 1 January 1997	6,306	3,436	9,742
Additions	-	545	545
Disposals	-	(188)	(188)
At 31 December 1997	6,306	3,793	10,099
Depreciation:			
At 1 January 1997	1,506	2,137	3,643
On disposals	-	(135)	(135)
Charge for the year	150	626	776
At 31 December 1997	1,656	2,628	4,284
Net book value:			
At 31 December 1997	4,650	1,165	5,815
At 1 January 1997	4,800	1,299	6,099

Blackwell Science Limited

NOTES TO THE ACCOUNTS at 31 December 1997

13. INVESTMENTS

Group

	1997 £'000	1996 £'000
Associated undertakings	4,999	2,918
Other fixed asset investments	1,660	1,051
Loans to associated undertakings	450	82
	<u>7,109</u>	<u>4,051</u>
<i>Associated undertakings</i>		
		<i>Share of net tangible assets £'000</i>
At 1 January 1997		2,918
Exchange adjustment		41
Additions		193
Disposals		(35)
Adjustment for associates previously treated as subsidiaries		945
Increase in value of associate on change in basis of accounting		912
Share of profit retained by associated undertakings		29
Dividend paid in the year		(4)
At 31 December 1997		<u>4,999</u>

The group's share of retained profit of associated undertakings at 31 December 1997 is £2,986,000 (1996 - £677,000).

The share of loss retained includes the group's share of the loss incurred by Blackwell Delaware Inc. and subsidiary for the year ended 31 August 1997.

Other fixed asset investments

	<i>Unlisted £'000</i>
Cost or valuation:	
At 1 January 1997	1,051
Exchange adjustment	(6)
Additions	615
At 31 December 1997	<u>1,660</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

13. INVESTMENTS (continued)

Loans to associated undertakings

	<i>Group £'000</i>
At 1 January 1997	82
Exchange adjustment	3
Loans capitalised	365
At 31 December 1997	450

Analysis of purchase of subsidiaries:

Net assets at date of acquisition:

	<i>£'000</i>
Assets:	
Tangible fixed assets	260
Stocks	58
Debtors	706
Cash at bank and in hand	731
	1,755
Liabilities:	
Creditors	1,203
Taxation payable	68
Loans and finance leases	68
Deferred taxation	-
	1,339
Net assets (liabilities)	416
Goodwill	3,985
Minority interest in acquired net assets	27
Profit on disposal	-
	4,428
Satisfied by:	
Cash	2,642
Cash due after the year end	1,786
Total consideration	4,428

NOTES TO THE ACCOUNTS

at 31 December 1997

13. INVESTMENTS continued)

The operations acquired during the year were Colloquium International Ltd (April 1997), Bullet Communications Ltd (July 1997) FFEMS Ltd (August 1997) and Info Nordic i Hjo AB (January 1997). The total consideration payable for Bullet Communications Ltd and FFEMS Ltd were dependent upon the results of the trading period from the date of purchase to 31 December 1997. The companies acquired have been accounted for in these accounts as acquisitions. The book value of assets acquired represent their fair value at the date of acquisition.

Company

	<i>Subsidiary under- takings £'000</i>	<i>Associated under- takings £'000</i>	<i>Other invest- ments £'000</i>	<i>Loans £'000</i>	<i>Total £'000</i>
Cost:					
At 1 January 1997	13,077	603	1,054	1,741	16,475
Additions	4,096	-	308	1,382	5,786
Disposals	(1,738)	(478)	-	-	(2,216)
Loans repaid	-	-	-	(537)	(537)
Loan forgiven	-	-	-	(716)	(716)
Exchange adjustment	-	-	-	(261)	(261)
At 31 December 1997	15,435	125	1,362	1,609	18,531
Amounts written off:					
At 1 January 1997	1,213	478	-	-	1,691
Increase/(write-back) of provision	(800)	(478)	-	-	(1,278)
At 31 December 1997	413	-	-	-	413
Net book values:					
At 31 December 1997	15,022	125	1,362	1,609	18,118
At 1 January 1997	11,864	125	1,054	1,741	14,784

NOTES TO THE ACCOUNTS

at 31 December 1997

13. INVESTMENTS (continued)

Details of the principal investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name</i>	<i>Country of Registration (or incorporation and operation)</i>	<i>Holding</i>	<i>Proportion Held</i>	<i>Nature of Business</i>
<i>Subsidiary undertakings:</i>				
Blackwell Healthcare Communications Ltd	England	Ordinary	100%	Marketing
Blackwell Healthcare PR Ltd	England	Ordinary	100%	Marketing
Blackwell Science Inc.	U.S.A.	Ordinary	100%	Publishing
BSP Investments Ltd	England	Ordinary	100%	Holding
Blackwell Science Asia Pty. Ltd.	Australia	Ordinary	100%	Publishing
Blackwell Science (Trustees) Ltd	England	Ordinary	100%	Trustee
Blackwell Science KK	Japan	Ordinary	100%	Publishing
Blackwell Wissenschafts- Verlag GmbH	Germany	Ordinary	99%	Publishing
Blackwell Wissenschafts- Verlag GesmbH >	Austria	Ordinary	100%	Publishing
Bullet Communications Ltd	England	Ordinary	100%	Marketing
Compact Information Ltd	England	Ordinary	100%	Publishing
Colloquium International Ltd •	England	Ordinary	100%	Marketing
Ejnar Munksgaard A/S	Denmark	Ordinary	75%	Publishing
FFEMS Ltd	England	Ordinary	100%	Publishing
Host & Sons Forlag A/S Ø	Denmark	Ordinary	100%	Publishing
Hans Reitzels Forlag A/S Ø	Denmark	Ordinary	100%	Publishing
Compact Data A/S Ø	Denmark	Ordinary	100%	Publishing
Info Nordic i Hjo AB Ø	Sweden	Ordinary	100%	Publishing
Munksgaard Bogklubber A/S Ø	Denmark	Ordinary	100%	Holding
<i>Associated undertakings:</i>				
Adonis BV	Netherlands	Ordinary	20%	Publishing
Alinea A/S Ø	Denmark	Ordinary	33%	Publishing
Blackwell Delaware, Inc.*	U.S.A.	Ordinary	50%	Holding
Bogklubben 12 Boger ®	Denmark	Ordinary	30%	Book selling
Fence Creek Publishing LLC #	U.S.A.	Ordinary	35%	Publishing
Geomed Global Communications LLC #	U.S.A.	Ordinary	50%	Marketing
Interactiv Distribution A/S Ø	Denmark	Ordinary	25%	Marketing
Marston Book Services Limited	England	Ordinary	50%	Distribution
Mondo A/S Ø	Denmark	Ordinary	50%	Internet services
Saxo Danmark Internetboghandel I/S Ø	Denmark	Ordinary	50%	Book selling

• Held by Blackwell Healthcare Communications Ltd

Held by Blackwell Science Inc.

Ø Held by Ejnar Munksgaard A/S

® Held by Munksgaard Bogklubber A/S

> Held by Blackwell Wissenschafts-Verlag GmbH

* Held by BSP Investments Ltd

NOTES TO THE ACCOUNTS
at 31 December 1997

14. STOCKS

	1997	Group 1996	1997	Company 1996
	£'000	£'000	£'000	£'000
Finished stock	6,839	8,985	2,501	3,200
Raw materials	779	888	602	695
Work in progress	2,944	2,801	1,481	1,025
	<u>10,562</u>	<u>12,674</u>	<u>4,584</u>	<u>4,958</u>

15. DEBTORS

	1997	Group 1996	1997	Company 1996
	£'000	£'000	£'000	£'000
Trade debtors	17,541	18,729	4,511	4,840
Amounts owed by subsidiary undertakings	-	-	1,823	2,622
Amounts owed by associated undertakings	88	30	72	30
Taxation recoverable	1,338	1,197	553	432
Advance corporation tax recoverable	559	423	559	423
Other debtors	2,144	2,021	359	396
Prepayments and accrued income	1,461	906	549	320
	<u>23,131</u>	<u>23,306</u>	<u>8,426</u>	<u>9,063</u>

Included in advance corporation tax recoverable for the group and company is £140,559 (1996 - £420,309) in respect of the proposed dividend, that is due after more than one year.

16. ANALYSIS OF NET FUNDS

	Opening £'000	Cash flow £'000	Acquisitions/ disposals £'000	Reclassified £'000	Exchange movement £'000	Closing £'000
Cash	7,573	1,220	675	(260)	(592)	8,616
Overdraft	(1,962)	645	-	-	43	(1,274)
		<u>1,865</u>				
Liquid resources	17,330	3,420	-	-	(412)	20,338
Short term-loans	(2)	2	-	(2)	-	(2)
Long-term-loans	(14)	1	(30)	2	1	(40)
Finance lease obligations	-	-	(38)	-	-	(38)
Total	<u>22,925</u>	<u>5,288</u>	<u>607</u>	<u>(260)</u>	<u>(960)</u>	<u>27,600</u>

Liquid resources are included within cash at bank and in hand in the group balance sheet.

NOTES TO THE ACCOUNTS
at 31 December 1997

17. CREDITORS: amounts falling due within one year

	1997	Group	1997	Company
	£'000	1996	£'000	1996
		£'000	£'000	£'000
Current portion of loans (note 19)	2	2	-	-
Bank overdraft	1,274	1,962	953	1,507
Obligations under finance leases	38	-	-	-
Trade creditors	14,673	15,151	8,773	7,379
Amounts owed to subsidiary undertakings	-	-	500	586
Amounts owed to associated undertakings	1,001	1,108	493	662
Corporation tax	1,914	1,256	1,492	1,020
Advance corporation tax	140	420	140	420
Other taxes and social security costs	2,237	3,103	155	161
Other creditors	1,749	1,831	16	12
Accruals and deferred income	32,377	26,950	17,512	14,865
Proposed dividends	562	1,681	562	1,681
	<u>55,967</u>	<u>53,464</u>	<u>30,596</u>	<u>28,293</u>

18. CREDITORS: amounts falling due after more than one year

	Group
	1997
	£'000
	1996
	£'000
Loans (note 19)	40
	14

19. LOANS

	Group
	1997
	£'000
	1996
	£'000
Wholly repayable:	
between one and two years	29
between two and five years	11
	40
Amount due within one year	2
	42

Total mortgage loans of £13,000 (1996 - £16,000) are secured on group freehold properties.

NOTES TO THE ACCOUNTS

at 31 December 1997

20. OBLIGATIONS UNDER LEASES

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

	<i>Land and buildings</i>			<i>Other</i>
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Group</i>				
Operating leases which expire:				
Within one year	25	69	3	4
between two and five years	354	639	28	24
over five years	645	513	-	-
	<u>1,024</u>	<u>1,221</u>	<u>31</u>	<u>28</u>
<i>Company</i>				
Operating leases which expire:				
Over five years	100	100	-	-

21. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>
	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred taxation	172	296	30
Pension obligations	34	146	-
	<u>206</u>	<u>442</u>	<u>30</u>

The movements in the provision for pension obligations in the year were as follows:

	<i>Group</i>
	<i>£'000</i>
At 1 January 1997	146
Exchange differences	(15)
Release to profit and loss account	(97)
At 31 December 1997	<u>34</u>

22. DEFERRED TAXATION

	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>
Balance as at 1 January 1997	296	30
Exchange differences	(21)	-
On sale of subsidiary	(64)	-
Transferred to profit and loss account:		
In respect of current year	(39)	(30)
	<u>172</u>	<u>-</u>

No provision has been made for deferred taxation in respect of earnings which are retained overseas.

Blackwell Science Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

22. DEFERRED TAXATION (continued)

Company

	<i>Provided</i>		<i>Not provided</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	-	115	-	-
Other timing differences	-	(85)	-	-
	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
<i>Group</i>				
Capital allowances in advance of depreciation	44	305	-	(10)
Other timing differences	128	(9)	-	(18)
	<u>172</u>	<u>296</u>	<u>-</u>	<u>(28)</u>
	<u>172</u>	<u>296</u>	<u>-</u>	<u>(28)</u>

Further potential liabilities exist in relation to unrealised surpluses on revaluations. Such liabilities cannot be accurately quantified due to the incidence of indexation and other reliefs which might be available at the time of realisation.

Unused tax losses are available in the German subsidiary for use against future taxable profits.

Blackwell Science Limited

NOTES TO THE ACCOUNTS at 31 December 1997

23. CALLED UP SHARE CAPITAL

	1997	Authorised	1997	Allotted and fully paid
	'000	'000	£'000	1996 £'000
"A" voting shares of 10p each	160	160	16	16
"B" restricted voting shares of 10p each	5,040	5,040	490	490
"C" restricted voting shares of 10p each	420	420	14	13
5.6% Redeemable cumulative preference shares of £1 each	11	11	-	-
5.6% Non redeemable cumulative preference shares of £1 each	349	349	326	326
Unclassified shares of 10p each	20	20	-	-
	<u>6,000</u>	<u>6,000</u>	<u>846</u>	<u>845</u>

With the exception of the "B" (restricted voting) shares, all classes of shares are non-equity shares within the definition of FRS 4.

Summary of class rights

The "A" shares have no dividend rights under the existing Articles of Association of the company. On a winding up their rights are restricted to a repayment of the capital paid up at par.

The "A" shares have full voting rights. All other classes of shares carry only restricted voting rights.

The "B" shares and "C" shares both carry rights to receive dividends after the preference dividends have been paid. They also carry the rights to repayment of capital and to share in any surplus assets arising.

NOTES TO THE ACCOUNTS

at 31 December 1997

23. SHARE CAPITAL (continued)

Although the "B" shares and "C" shares rank equally as regards the entitlement to receive dividends or to share in a surplus on winding up, the amounts receivable by the holders of the "C" shares are restricted.

The non-redeemable cumulative preference shares are entitled to a fixed cumulative preferential dividend at the rate of 5.6% per annum. On a winding up the holders of these shares are entitled to a repayment of £1.05 per share, before any repayment of capital on the "A", "B" and "C" shares.

Executive share option scheme

The company operates an executive share option scheme for directors and other senior employees of the company, under which the company may grant options to acquire "C" (restricted voting) shares only. Options under this scheme are generally exercisable between 3 and 7 years after the date of grant.

During the year 1,400 share options were issued. The total number of "C" shares available for issue at the year end is 285,900.

Options on shares subsisting at the year end under the executive share option scheme were as follows:

Share Class	No of shares	Option price £	Period when exercisable
"C" (restricted voting) shares of 10p each	192,000	1.20	July 1997 - July 2000
	41,100	1.74	July 1997 - July 2001
	17,500	2.45	September 1998 - September 2002
	5,000	2.45	January 1999 - January 2003
	22,500	2.82	July 1999 - July 2003

NOTES TO THE ACCOUNTS

at 31 December 1997

24. RESERVES

<i>Group</i>	<i>Share premium £'000</i>	<i>Revaluation reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1 January 1997	154	1,138	63	17,245
Exchange differences on retranslation of net assets of the group		(143)		(328)
Goodwill on acquisition of subsidiaries written off				(3,985)
Goodwill on acquisition of associates written off				(184)
Goodwill released on sale of subsidiary				1,461
Goodwill released on sale of associates				478
Retained profit for the year				3,984
On shares issued in the year	2			
Increase in share of associated companies' reserves				912
At 31 December 1997	156	995	63	19,583
<i>Company</i>				
	<i>Share premium £'000</i>	<i>Revaluation reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Profit and loss account £'000</i>
At 1 January 1997	154	1,766	63	18,421
Retained profit for the year				3,345
On shares issued in the year	2			
At 31 December 1997	156	1,766	63	21,766

25. CONTINGENT LIABILITIES

The company has guaranteed the borrowings and rental agreements of subsidiary undertakings to the extent of £1,226,000 and £435,805 respectively (1996 - £1,570,290 and £435,805).

The company has guaranteed the due and proper performance of its subsidiary undertaking, Compact Information Limited's obligations to its main customers, and payment of amounts due by its associated company, Marston Book Services Limited, to one of its customers up to a maximum of £850,000 (1996 - £nil).

NOTES TO THE ACCOUNTS

at 31 December 1997

26. PENSION COMMITMENTS

The company contributes, with other employers, to a pension scheme providing benefits based on employees' final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with Blackwell's Superannuation Fund. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations using the "projected unit method".

The latest full actuarial valuation of the scheme was carried out as at 31 March 1996 by Godwins Limited, the scheme's consulting actuaries. The assumptions having the most significant effect on the results of the valuation were as follows:

Rate of investment return	-	9% per annum
Salary increases	-	6.5% per annum
Future pension increases	-	4.3% per annum, or in line with the Retail Prices Index if less

This valuation showed the actuarial value of the scheme's assets to be £47,175,000. Rates of contributions, together with existing assets of the scheme and income from future investments, are expected to be sufficient to meet the costs of present benefits and to provide for future pension increases on the same basis as those granted in previous years.

27. FORWARD TRANSACTIONS IN FOREIGN CURRENCY

At 31 December 1997, the company had outstanding forward exchange contracts maturing within three years to sell certain foreign currencies for operational requirements. At contracted rates of exchange, these contracts had an aggregate Sterling value of £4,599,276 (1996 £5,050,131).

28. TRANSACTIONS WITH RELATED PARTIES

The company purchased warehousing and distribution services from Marston Book Services Limited of £2,912,000 (1996, £2,924,000). Acting as distributor, Marston Book Services Limited sold books on behalf of the company of £8,731,000 (1996, £10,628,000). The net balance owing to the company at 31 December 1997 was £2,747,000 (1996, £3,135,000).

The company sold journals in the normal course of trading on an arm's length basis of £3,953,000 (1996 £3,765,000) to the Blackwell Limited group. Blackwell Limited is a company registered in England and Wales and related through common ownership.

The company also entered into other transactions with group companies in the normal course of trading. The directors do not consider such transactions to have been material.