

**Deloitte
Haskins - Sells**

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ELSEVIER PUBLISHING COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER 1986

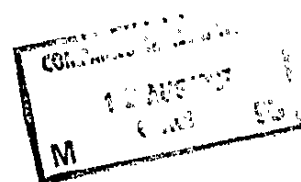


HEATHIER PUBLISHING COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986

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ELSEVIER PUBLISHING COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st December 1986.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be the publishing and selling of scientific books and journals and these activities are expected to continue for the foreseeable future. The company trades under the name of Elsevier Applied Science Publishers Limited by way of an agency agreement.

The company is in a satisfactory position as at 31st December 1986. During the year, the company acquired the trade and business of a fellow subsidiary, Elsevier-IRCS Limited.

RESULTS

The profit for the year after tax was £585,091. The directors have paid an interim dividend of £350,000, but do not recommend the payment of a final dividend.

DIRECTORS DURING THE YEAR

The directors who held office during the year were:

V.M. Atkins
J.J.F. Kels
L.J. Mulder (resigned 14 October 1986)
M.F.J. Pijnenborg
T.J. van der Raadt (appointed 14 October 1986)
H.Th.J.E. Gieskes (appointed 21 April 1986)

DIRECTORS' INTERESTS

The directors have no interests in shares which are required to be shown pursuant to Section 235 of the Companies Act 1985.

FIXED ASSETS

Changes in fixed assets are set out in note 7 to the financial statements.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



Secretary.
Barking, Essex.
30th April 1987

REPORT OF THE AUDITORS
TO THE MEMBERS OF ELSEVIER PUBLISHING COMPANY LIMITED

We have audited the financial statements on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



Chartered Accountants

London.
30th April, 1987

ELSEVIER PUBLISHING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1986

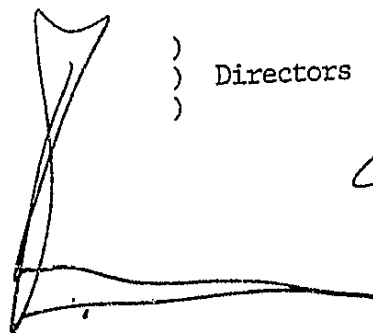
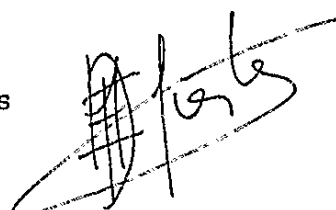
	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
TURNOVER	2	4,251,885	3,582,945
COST OF SALES		<u>1,645,577</u>	<u>1,392,142</u>
GROSS PROFIT		2,606,308	2,190,803
ADMINISTRATIVE EXPENSES	3	(1,948,034)	(1,622,271)
OTHER INCOME		35,514	-
INTEREST RECEIVABLE	5	<u>115,482</u>	<u>182,760</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		809,270	751,292
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>224,179</u>	<u>306,900</u>
PROFIT FOR THE FINANCIAL YEAR		585,091	444,392
DIVIDENDS - interim, paid		<u>350,000</u>	<u>659,300</u>
RETAINED PROFIT/(DEFICIT) FOR THE YEAR	13	<u>£235,091</u>	<u>£(214,908)</u>

ELSEVIER PUBLISHING COMPANY LIMITED

BALANCE SHEET AT 31st DECEMBER 1986

	<u>Notes</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
FIXED ASSETS			
Tangible assets	7	<u>365,800</u>	<u>355,677</u>
CURRENT ASSETS			
Stocks	8	517,661	414,920
Debtors	9	1,358,396	873,372
Cash at bank and in hand		<u>1,539,736</u>	<u>1,303,750</u>
		3,415,793	2,592,042
CURRENT LIABILITIES - CREDITORS:			
Amounts falling due within one year	10	<u>2,906,352</u>	<u>2,293,138</u>
NET CURRENT ASSETS		<u>509,441</u>	<u>298,904</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>875,241</u>	<u>654,581</u>
CREDITORS			
Amounts falling due after more than one year	10	52,884	71,584
PROVISION FOR LIABILITIES AND CHARGES:			
Deferred taxation	11	<u>15,269</u>	<u>11,000</u>
NET ASSETS		<u>£807,088</u>	<u>£571,997</u>
CAPITAL AND RESERVES			
Called-up share capital	12	129,000	129,000
Profit and loss account	13	<u>678,088</u>	<u>442,997</u>
		<u>£807,088</u>	<u>£571,997</u>

The financial statements on pages 4 to 11 were approved by the board of directors on 30th April, 1987 and signed on its behalf by:


)
) Directors
) 

ELSEVIER PUBLISHING COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st DECEMBER 1986

	<u>1986</u> £	<u>1985</u> £
SOURCE OF FUNDS		
Profit before taxation	309,270	751,292
Items not involving the movement of funds:		
Depreciation of fixed assets	115,334	81,354
(Profit)/loss on sale of fixed assets	(15,442)	7,374
TOTAL FUNDS GENERATED FROM OPERATIONS	<u>909,162</u>	<u>840,020</u>
Proceeds on disposal of fixed assets	62,192	7,171
TOTAL SOURCES OF FUNDS	<u>971,354</u>	<u>847,191</u>
APPLICATION OF FUNDS		
Fixed assets purchased	172,207	227,543
Taxation paid	353,975	550,317
Dividends paid	350,000	1,092,736
	<u>876,182</u>	<u>1,870,596</u>
NET INCREASE/(DECREASE) IN FUNDS	<u>£95,172</u>	<u>£(1,023,405)</u>
REPRESENTED BY A NET INCREASE/(DECREASE) IN WORKING CAPITAL:		
Stocks	102,741	(3,399)
Debtors	294,293	284,437
Creditors (excluding corporation tax)	(537,848)	(433,838)
	<u>(140,814)</u>	<u>(152,800)</u>
Movement in net liquid funds:		
Increase/(decrease) in bank balances and cash	235,986	(870,605)
NET INCREASE/(DECREASE) IN WORKING CAPITAL	<u>£95,172</u>	<u>£(1,023,405)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986

1. ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis of accounting adopting the following accounting policies.

- (a) Turnover represents the amount invoiced, excluding discounts and value added tax, in respect of the sale of books and journals to customers during the year.
- (b) Depreciation is calculated so that freehold property, plant, machinery and vehicles are written off by equal annual instalments over their estimated useful lives at the following rates:
- | | |
|--|-----------------|
| Freehold warehouse | - 2% |
| Motor vehicles | - 30% |
| Fixtures and fittings and office furniture | - 10% to 33.33% |
| Computer equipment | - 25% to 33.33% |
- (c) Stock and work in progress are valued at cost less provisions designed to reduce cost to net realisable value. Cost includes the invoiced price for paper, typesetting, printing and binding and an appropriate proportion of production and other overheads. Work in progress represents such costs incurred up to the balance sheet date in respect of titles yet to be published.
- (d) Deferred taxation is provided on the liability method to the extent that it is considered probable that a liability will materialise in the foreseeable future.
- (e) Foreign currency transactions arising during the year are stated at the approximate rates of exchange ruling at the time they arise. Foreign currency assets and liabilities are translated into pounds sterling at the approximate rates of exchange ruling at the balance sheet date. Exchange adjustments are charged or credited to the profit and loss account as they arise.
- (f) Pension costs are charged to the profit and loss account when contributions are made. Any unfunded liabilities of the pension plan are met by adjustments to future years' contributions following regular consultations, with the independent actuaries.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In the opinion of the directors the company conducts one major class of business, the publishing and selling of scientific books and journals.

	1986 £	1985 £
Geographical markets supplied:		
United Kingdom	796,502	667,000
Americas	1,249,000	986,910
Europe	1,214,498	1,056,222
The Rest of the World	991,885	872,813
	<u>£4,251,885</u>	<u>£3,582,945</u>

ELSEVIER PUBLISHING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

3. ADMINISTRATIVE EXPENSES	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Administrative expenses include:		
Depreciation	115,334	81,354
Auditors' remuneration	7,800	7,009
Staff costs (note 4)	924,145	727,400
Relocation and refurbishment costs	6,498	99,429
	<u> </u>	<u> </u>

4. DIRECTORS AND EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:

	<u>1986</u>	<u>1985</u>
	<u>Number</u>	<u>Number</u>
Administrative staff	72	61
Warehouse staff	9	8
	<u> </u>	<u> </u>
	81	69
	<u> </u>	<u> </u>

£ £

Staff costs (for the above persons):

Wages and salaries	807,386	637,443
Social security costs	62,343	45,150
Other pension costs	54,416	44,807
	<u> </u>	<u> </u>
	£924,145	£727,400
	<u> </u>	<u> </u>

The remuneration paid to directors was:

Managerial services	<u>£22,456</u>	<u>£ -</u>
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The directors' emoluments disclosed above
(excluding pension contributions) were paid to:

The chairman	<u>£ -</u>	<u>£ -</u>
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The highest paid director	<u>£22,456</u>	<u>£ -</u>
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The emoluments of all other directors were Nil (1985 - Nil)

ELSEVIER PUBLISHING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

5. INTEREST RECEIVABLE	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Bank interest receivable	51,363	173,217
Interest receivable from group companies	64,119	9,543
	<u>£115,482</u>	<u>£182,760</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Based on profit for the year:		
CURRENT		
Corporation tax, at 36.25% (1985 - 41.25%)	317,531	306,477
Overseas tax	845	423
Deferred tax	(4,147)	11,000
	<u>314,229</u>	<u>317,900</u>
PRIOR YEAR		
Corporation tax	(98,466)	(11,000)
Deferred tax	8,416	-
	<u>£224,179</u>	<u>£306,900</u>

The taxation charge for the year has been increased by £2,825 (1985 - £21,215) in respect of permanently disallowable expenses.

7. TANGIBLE FIXED ASSETS	<u>Freehold building</u>	<u>Motor vehicles</u>	<u>Plant and machinery</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST				
At 1st January 1986	55,000	106,787	379,228	541,015
Transfer from group company	-	6,290	67,109	73,399
Additions	-	24,404	98,422	122,826
Disposals	(55,000)	(19,999)	(1,536)	(76,535)
At 31st December 1986	<u>-</u>	<u>117,482</u>	<u>543,223</u>	<u>660,705</u>
DEPRECIATION				
At 1st January 1986	12,100	39,780	133,458	185,338
Transfer from group company	-	2,883	21,135	24,018
Charge for the year	-	34,289	81,045	115,334
Eliminated in respect of disposals	(12,100)	(16,393)	(1,292)	(29,785)
At 31st December 1986	<u>-</u>	<u>60,559</u>	<u>234,346</u>	<u>294,905</u>
NET BOOK VALUE				
At 31st December 1986	<u>-</u>	<u>£56,923</u>	<u>£308,877</u>	<u>£365,800</u>
At 31st December 1985	<u>£42,900</u>	<u>£67,007</u>	<u>£245,770</u>	<u>£355,677</u>

ELSEVIER PUBLISHING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

8. STOCKS	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Stocks comprise:		
Bound books	399,697	279,432
Work in progress	94,364	112,458
Paper	23,600	23,030
	<u>£517,661</u>	<u>£414,920</u>
9. DEBTORS	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Amounts falling due within one year:		
Trade debtors	461,289	468,780
Amounts owed by holding company and fellow subsidiary	518,477	258,756
Other debtors	92,369	77,633
Prepayments	95,530	68,203
	<u>1,167,665</u>	<u>873,372</u>
Amount falling due after more than one year:		
Corporation tax recoverable	190,731	-
	<u>£1,358,396</u>	<u>£873,372</u>
10. CREDITORS	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Amounts falling due within one year:		
Trade creditors	271,826	243,499
Amounts owed to holding company	-	6,568
Corporation tax	253,744	197,078
Other creditors	349,343	343,687
Other taxation and social security payable	1,920	28,245
Accruals	131,505	95,301
Deferred income - subscriptions received in advance	1,898,014	1,378,760
	<u>£2,906,352</u>	<u>£2,293,138</u>
Amounts falling due after more than one year:		
Accruals - compensation to former director	<u>£52,884</u>	<u>£71,584</u>

ELSEVIER PUBLISHING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1986 (continued)

11. DEFERRED TAXATION

The potential amount of deferred taxation for all timing differences which has been fully provided is as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Excess of tax allowances over depreciation	49,518	49,777
Short-term timing differences	(9,230)	(6,655)
Other	(25,019)	(32,122)
	<u>£15,269</u>	<u>£11,000</u>

12. CALLED-UP SHARE CAPITAL

	<u>1986</u>	<u>1985</u>
Authorised:		
150,000 Ordinary shares of £1 each	<u>£150,000</u>	<u>£150,000</u>
Allotted, called-up and fully paid:		
129,000 Ordinary shares of £1 each	<u>£129,000</u>	<u>£129,000</u>

13. PROFIT AND LOSS ACCOUNT

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Balance at 1st January	442,997	657,905
Retained profit/(deficit)	235,091	(214,908)
Balance at 31st December	<u>£678,088</u>	<u>£442,997</u>

14. ULTIMATE HOLDING COMPANY

The ultimate holding company is Elsevier N.V. which is incorporated in The Netherlands.