

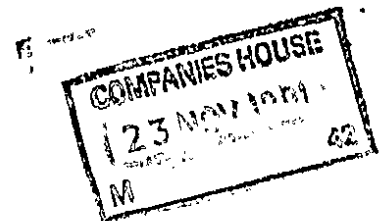
REED INTERNATIONAL BOOKS LIMITED (Company No 449706)  
31 MARCH 1991

COMPANY NUMBER: 449706

REED INTERNATIONAL BOOKS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 MARCH 1991



## DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31 March 1991.

### TRADING RESULTS AND DIVIDENDS

The profit before taxation for the year is £26,129,000 (year ended 31 March 1990 - £17,008,000). The directors do not recommend payment of a dividend (1990 - £nil) and accordingly propose that £22,400,000 (1990 - £13,437,000) be transferred to reserves. The company had a successful year in difficult market conditions and expects progress with the acquisitions noted below.

### PRINCIPAL ACTIVITIES

The principal business of the Company remains that of book publishing and associated activities. The business is carried out through fellow subsidiaries of the parent company acting as agents for the Company. The company was a wholly owned subsidiary throughout the year and accordingly group accounts have not been prepared.

### SIGNIFICANT EVENTS

With effect from 1 April 1990 the company acquired for £24,411,000 the trade together with the trading assets and liabilities of fellow Reed International PLC subsidiaries, Butterworth & Co (Publishers) Limited and Butterworths (Telepublishing) Limited. On 11 April 1990 the Company acquired for £1,874,000 the issued share capital of Serials Publishing Ltd which publishes, markets and distributes journals and periodicals for libraries and information specialists. The business and net assets of the latter company were also transferred into the Company.

These transferror companies act as agents for their respective trades on behalf of the Company.

### REVIEW OF OPERATIONS

The businesses owned by the Company fall naturally into, and are managed as, three separate activities serving the Professional, Consumer and Educational markets.

The Professional Division continued to be resilient to the recession due principally to the outstanding record of profit growth maintained by Butterworth Law Publishers. Professional Division's performance was all the more commendable in view of the activity undertaken during the year to restructure and relocate parts of the business.

Through its 'Heinemann' and 'Ginn' businesses, the Educational Division leads the UK market in primary school publishing and has a strong position in publishing for secondary schools. The Division suffered a fall in profit compared with the previous year which reflected increased development costs for the UK National

Curriculum and the expansion of publishing for English Language Teaching.

The Consumer Division has major interests in the trade, childrens and illustrated book markets and is among the top four publishers in these sectors in the UK. Imprints include Hamlyn, Heinemann, George Philip, Mandarin, Methuen and Secker & Warburg. It also has a 50% interest in Book Club Associates, the largest book club in the UK. Turnover was marginally lower than the previous year but profit, including the contribution from Book Club Associates, was substantially down. In the UK, retail bookstores and bookclubs were affected by reduced consumer spending. The introduction of the Uniform Business Rate added to cost pressures on retailers, who were already reacting to continuing high interest rates by cutting stockholding and increasing returns of unsold books. They also sought smaller and more frequent deliveries, which imposes significant additional cost pressures on publishers. Demands for higher discounts from parts of the trade were resisted. In response to poor trading conditions, a restructuring programme was implemented halfway through the year to cut overheads and reduce marginal publishing. Despite the very tough trading conditions, 'Mandarin Paperbacks' in its second year continued to develop as a force in paperback publishing.

#### CHANGE OF NAME

On 7 May 1990 the company changed its name from The Octopus Group Limited to Reed International Books Limited.

#### FIXED ASSETS

Details of movements in fixed assets are given in notes 9, 10, 11 and 12 to the accounts.

#### EMPLOYEES

The Company makes every reasonable effort to give disabled applicants, and existing employees becoming disabled, opportunities for work, training and career development in keeping with their individual aptitudes and abilities.

The Company has taken action consistently through the year to introduce, maintain and develop arrangements aimed at involving employees in the Company's affairs.

#### DIRECTORS

The following persons were directors of the Company during the year:

P B W Hamlyn	
I A N Irvine	
R D P Charkin	
P E Cheeseman	
D K Freeman	
W M St J Radcliffe	
P T Richardson	resigned 8 October 1990
N de la M Thompson	

S Warshaw  
G R N Cusworth  
D A Day  
D L Summers  
D J Jackson \*  
E J Newman \*  
K G Saur \*  
I Siegel \*

\* These four directors discharged their duties mainly outside of the UK.

#### DIRECTORS' INTERESTS

None of the directors had any beneficial interest in the share capital of the company at any time during the year. Messrs Hamlyn and Irvine are directors of the ultimate parent company, Reed International PLC, and Messrs Charkin, Cheeseman, Freeman, Radcliffe, Thompson and Warshaw are directors of the immediate parent company, Reed Book Publishing Limited, and their interests in Reed International PLC, if any, are disclosed in the directors' report of the respective companies. The interests of the other directors (ordinary shares of 25p each in Reed International PLC) were:-

	Shares held:		Shares under option~			
	at 31.3.91	at 31.3.90	at 31.3.91	Granted	Exer- cised*	at 31.3.90
G R N Cusworth	4,908	10,000	89,456	30,452	4,908	63,912
D A Day	3,547	500	20,957	1,644	3,040	22,353
D J Jackson	-	-	14,400	-	-	14,400
E J Newman	-	-	12,900	-	-	12,900
D L Summers	1,000	1,000	52,712	28,100	-	24,612
K G Saur	-	-	13,800	-	-	13,800

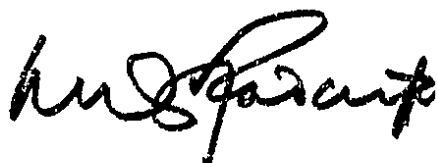
~ Shares under option are exercisable at prices between 244.3p and 463.5p per share between 1 July 1989 and 8 June 1999.

\* Exercised at 150.75p per share.

#### AUDITORS

A resolution to reappoint Price Waterhouse will be proposed at the Annual General Meeting.

By Order of the Board  
M Radcliffe  
Director  
1 November 1991



AUDITORS' REPORT TO THE MEMBERS OF  
REED INTERNATIONAL BOOKS LIMITED

We have audited the financial statements on pages 6 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31 March 1991 and of its profit and source and application of funds 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 Auditor

Southwark Towers  
32 London Bridge St  
London SE1 9SY

1 November 1991

REED INTERNATIONAL BOOKS LIMITED (Company No 449706)  
31 MARCH 1991

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1991

	Note	Year ended 31 March 1991 £'000	Year ended 31 March 1990 £'000
TURNOVER	2	197,608	131,623
Cost of sales		(113,119)	(87,332)
		-----	-----
GROSS PROFIT		84,489	44,291
Distribution costs		(11,701)	(9,492)
Administrative expenses		(52,236)	(24,779)
Income from interests in associated undertakings		5,352	6,723
		-----	-----
OPERATING PROFIT	3	25,904	16,743
Net investment income	4	225	265
		-----	-----
PROFIT BEFORE TAXATION		26,129	17,008
Tax on profit on ordinary activities	5	(3,729)	(3,571)
		-----	-----
RETAINED PROFIT AFTER TAXATION		22,400	13,437
Profit and loss account brought forward		24,881	11,444
		-----	-----
Profit and loss account carried forward		47,281	24,881
		=====	=====

REED INTERNATIONAL BOOKS LIMITED (Company No 449706)  
31 MARCH 1991

BALANCE SHEET AT 31 MARCH 1991

	<u>Note</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
FIXED ASSETS			
Intangible assets	10	17,356	10,071
Tangible assets	11	16,987	13,809
Investments	12	59,096	57,817
		-----	-----
		93,439	81,697
		-----	-----
CURRENT ASSETS			
Stocks	13	43,644	32,286
Debtors	14	144,561	70,695
Cash at bank and in hand		315	404
		-----	-----
		188,520	103,385
CREDITORS (amounts falling due within one year)			
	15	(232,377)	(158,713)
		-----	-----
NET CURRENT LIABILITIES		(43,857)	(55,328)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		49,582	26,369
PROVISIONS FOR LIABILITIES AND CHARGES			
	16	(2,259)	(1,446)
		-----	-----
		47,323	24,923
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	17	42	42
Profit and loss account		47,281	24,881
		-----	-----
		47,323	24,923
		=====	=====

Approved by the Board on 1 November 1991

W M St J Radcliffe

P E Cheeseman

)  
)  
) Directors  
)  
)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 MARCH 1991

	Note	<u>1991</u> £'000	<u>1990</u> £'000
SOURCE OF FUNDS			
Profit before taxation		26,129	17,008
Adjustments for items not involving the movement of funds:			
- Depreciation and amortization		4,691	2,765
- Profit on sale of property		-	(1,287)
- Retained in partnership		607	(3,540)
- Movement in provisions		538	864
		-----	-----
Total funds generated from operations		31,965	15,810
OTHER SOURCES			
Proceeds from property sales		-	1,381
Net book value of other fixed asset disposals		415	685
		-----	-----
Total sources		32,380	17,876
		-----	-----
APPLICATIONS			
Acquisition costs		1,886	59
Taxation paid		11,609	7,978
Purchase of intangible assets		54	2,037
Purchase of tangible fixed assets		4,685	3,404
Transfers of net assets, excluding cash, from group undertakings	9	25,960	-
		-----	-----
Total applications		44,194	13,478
		-----	-----
DECREASE/(INCREASE) IN WORKING CAPITAL			
Stocks		756	(1,913)
Debtors		2,288	(8,740)
Creditors		8,672	6,649
		-----	-----
		11,716	(4,004)
		-----	-----
		(98)	394
		=====	=====
INCREASE/(DECREASE) IN NET LIQUID FUNDS			
Bank borrowings		(9)	-
Cash at bank and in hand		(89)	394
		-----	-----
		(98)	394
		=====	=====

NOTES TO THE ACCOUNTS - 31 MARCH 1991

1. ACCOUNTING POLICIES

The accounts are prepared in accordance with UK generally accepted accounting principles.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied.

Translation of overseas currencies into Sterling

Profit and loss items are translated at the spot or forward rates ruling during the month relevant to the transactions. Assets and liabilities are translated at rates ruling at the balance sheet date or contracted rates where applicable. The currency gains or losses on trading items are taken to profit and loss account.

Intangible assets

Publishing rights, titles and other similar intangible assets, are stated at fair value on acquisition. For most, having no finite economic life, amortization is not provided. Subject to annual review, any permanent impairment of value is written off against profit. Other acquired intangible assets are amortized over their useful economic life.

Tangible fixed assets

Depreciation is provided on cost at the following annual rates on a straight line basis intended to write off the assets over their estimated useful lives.

Freehold premises	2%
Plant and machinery and office equipment	20%
Motor vehicles	25%
Furniture and fittings	15%

Short leasehold property and improvements are amortized over the period of the lease. No depreciation is provided on freehold land.

Investment in associated undertakings

The accounts include the appropriate share of the results of associated undertakings in which the company has a substantial interest and exercises significant influence over commercial and financial policy.

Debtors

Debtors are stated net of provisions for doubtful debts, returns and other allowances.

## Stocks

Stocks are stated at the lower of cost, including attributable overheads, and net realisable value.

## Deferred taxation

Deferred tax is provided for at expected future rates in respect of material timing differences to the extent that it is probable that such differences will crystallise in the foreseeable future.

## Pensions

The Reed International Group and Executive Pension Schemes (defined benefit schemes) are administered on a Reed International PLC group basis and total contributions are assessed by a qualified actuary based on the cost of providing pensions across all participating Reed International PLC group companies. Costs are not determined separately for each participating company hence contributions are charged to the profit and loss account in the period on the basis of amounts payable.

2.	<u>Turnover</u>	1991 £'000	1990 £'000
	Sales were made to the following markets:		
	United Kingdom	131,863	82,370
	North America	16,749	15,107
	Europe	20,000	2,704
	Australasia	7,643	6,815
	Rest of World	21,353	24,627
		-----	-----
		197,608	131,623
		=====	=====
3.	<u>Operating Profit</u>	1991 £'000	1990 £'000
	This is stated after crediting:		
	Profit on sale of properties	-	1,287
		=====	=====
	and after charging/(crediting):		
	Directors' emoluments including pension contributions	1,128	717
	Compensation for loss of office to outgoing director	145	-
	Depreciation and amortization of fixed assets	4,691	2,765
	Auditors' remuneration	172	187
	Provision no longer required against amounts due from group undertakings	(3,288)	-
		=====	=====

4.	<u>Net Investment Income</u>	1991 £'000	1990 £'000
	Interest received from group undertakings	104	85
	Bank interest receivable	102	204
	Other interest receivable	157	22
	Bank interest payable	(10)	(42)
	Other interest payable	(128)	(4)
		---	---
		225	265
		===	===

5.	<u>Taxation on Ordinary Activities</u>	1991 £'000	1990 £'000
	UK Corporation tax:		
	Current year at 34% (1990 35%)	4,574	3,930
	Prior year at 35% (1989 35%)	(556)	29
	Deferred taxation (note 16)	(289)	(388)
		-----	-----
		3,729	3,571
		=====	=====

UK taxation includes £1,820,000 (1990 - £2,353,000) in respect of the company's share of income from interests in associated undertakings, and has been reduced by consortium relief by £3,230,000 (1990 - £2,320,000 by group relief received from fellow subsidiaries) for nil consideration.

6. Directors' emoluments

The emoluments of the directors, excluding pension contributions, were:

	<u>1991</u>	<u>1990</u>
Chairman	£34,317	£56,450
Highest paid UK director	£195,206	£201,650

Other UK directors

	Number	Number
nil - £5,000	-	3
£20,001 - £25,000	-	1
£40,001 - £45,000	1	-
£55,001 - £60,000	-	1
£70,001 - £75,000	1	3
£75,001 - £80,000	-	1
£80,001 - £85,000	3	1
£85,001 - £90,000	2	-
£90,001 - £95,000	1	-
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-

7. Personnel

The average weekly number of employees (including directors) during the year ended 31 March 1991 was 2,014 (1990 - 1,293).

The aggregate remuneration of all employees (including directors) was:

	<u>1991</u> £'000	<u>1990</u> £'000
Salaries and bonuses	32,987	18,537
Social security costs	2,818	1,575
Pension contributions	261	549
	-----	-----
	36,066	20,661
	=====	=====

#### 8. Pension Schemes

The company participates in the Reed International Group and Executive Pension Schemes. These schemes are of the defined benefit type providing benefits to certain employees within the Reed International PLC Group and their assets are held separately from the Group's assets.

From 1 April 1989 on the recommendation of the Group's actuaries no company contributions have been made to the Group scheme and no contributions will be made thereto until at least the next actuarial valuation.

The latest actuarial valuations of the Reed International Group Pension Scheme were carried out as at 30 September 1988. Details of this valuation are contained in the financial statements of Reed International PLC.

#### 9. Transfer of Assets and Business of Fellow Subsidiaries

As stated in the Directors' Report, the trades and business assets of Butterworth & Co (Publishers) Limited, Butterworth Telepublishing Limited and Serials Publishing Limited were transferred into the Company during the period. The net assets acquired were as follows:

	£'000
Intangible assets	7,476
Tangible fixed assets	3,354
Stocks	12,114
Debtors	76,066
Cash in hand and at bank	321
Overdrafts and borrowings	(103)
Other creditors	(67,539)
Taxation balances	(5,035)
Provisions	(471)
Deferred tax	(5)
	-----
	26,178
	=====

10. Intangible Assets

	<u>Cost</u> £'000	<u>Amortisation</u> £'000	<u>Net</u> £'000
At 1 April 1990	10,109	(38)	10,071
Additions	54	-	54
Transfers	7,476	-	7,476
Charged in year	-	(245)	(245)
	-----	-----	-----
At 31 March 1991	17,639	(283)	17,356
	=====	=====	=====

Transfers relate to the purchase of the trade and assets of Butterworth & Co (Publishers) Limited and Serials Publishing Limited (see note 9) .

11. Tangible Fixed Assets

	<u>Land and Buildings</u> £'000	<u>Plant and Equipment</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 April 1990	1,572	19,711	21,283
Transfers	1,059	6,989	8,048
Additions	204	4,481	4,685
Disposals	(5)	(1,244)	(1,249)
Intergroup transfers (net)	-	(43)	(43)
	-----	-----	-----
At 31 March 1991	2,830	29,894	32,724
	=====	=====	=====

<u>Depreciation</u>			
At 1 April 1990	257	7,217	7,474
Transfers	260	4,434	4,694
Charge in year	114	4,332	4,446
Disposals	(4)	(840)	(844)
Intergroup transfers (net)	-	(33)	(33)
	-----	-----	-----
At 31 March 1991	627	15,110	15,737
	=====	=====	=====

<u>Net book amount</u>			
31 March 1991	2,203	14,784	16,987
	=====	=====	=====
31 March 1990	1,315	12,494	13,809
	=====	=====	=====

Land and buildings at cost

	<u>1991</u> £'000	<u>1990</u> £'000
Freehold property	1,820	1,112
Long leasehold property	125	-
Short leasehold property	885	460
	-----	-----
Total	2,830	1,572
	=====	=====

Freehold property includes land at a cost of £235,000 (1990 - £nil) which has not been depreciated.

12. Fixed Asset Investments

	<u>Investment in Associated Undertakings</u>		<u>Investments in Group Undertakings</u>		<u>Total</u>	
	1991 £'000	1990 £'000	1991 £'000	1990 £'000	1991 £'000	1990 £'000
At 1 April 1990	57,817	54,218	-	-	57,817	54,218
Additions in year	-	59	1,886	-	1,886	59
Share of retained profits	(607)	3,540	-	-	(607)	3,540
	-----	-----	-----	-----	-----	-----
At 31 March 1991	57,210	57,817	1,886	-	59,096	57,817
	=====	=====	=====	=====	=====	=====

The share of retained profits is stated before deduction of corporation tax, included in corporation tax payable (note 15) but after deduction of distributions received of £5,959,000 (1990 - £3,183,000). The investment in associated undertakings relates to the 50% interest in Book Club Associates, a partnership registered and operating in England with its principal place of business in Farnsby Street, Swindon.

Principal Subsidiary Undertakings

Name of Company	Country of Incorporation and Operation	Nominal Value of ordinary shares held	Direct Holding
Serials Publishing Ltd	England	£1 each	100%

This company acts as an agent for its parent company.

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

13. Stocks

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Raw materials and consumables	2,350	1,734
Work in progress	13,710	8,213
Finished goods	27,584	22,339
	-----	-----
	43,644	32,286
	=====	=====

REED INTERNATIONAL BOOKS LIMITED (Company No 449706)  
31 MARCH 1991

14. <u>Debtors</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Trade debtors	40,702	30,369
Amounts owed by Parent and Fellow Subsidiary Undertakings	90,241	29,118
Other receivables	11,470	9,536
Prepayments and accrued income	2,060	1,672
Deferred taxation	88	-
	-----	-----
	144,561	70,695
	=====	=====

15. Creditors (amounts falling due within one year)

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Bank loans and overdrafts	9	-
Trade creditors	19,432	14,174
Amounts owed to Parent and Fellow Subsidiary Undertakings	176,607	123,501
Amounts owed to Subsidiary Undertakings	2,102	228
Other creditors	7,999	8,147
Corporation tax payable	4,816	7,372
Social security costs	1,103	962
Accruals and deferred income	20,309	4,329
	-----	-----
	232,377	158,713
	=====	=====

Amounts owed to parent, fellow subsidiary and subsidiary undertakings are non interest bearing. Corporation tax payable includes £2,843,000 (1990 - £3,127,000) relating to the taxation liability in respect of share of partnership profit of an associated undertaking.

16. Provisions for liabilities and charges

	<u>Deferred tax</u> <u>£'000</u>	<u>Rationalisation, dilapidations &amp; other liabilities</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 April 1990	196	1,250	1,446
Transfers	5	471	476
Provided in year	(289)	7,772	7,483
Utilised in year	-	(7,234)	(7,234)
Transferred to debtors	88	-	88
	---	-----	-----
At 31 March 1991	-	2,259	2,259
	===	=====	=====

The major items included in the deferred taxation provisions are in respect of:

	31 March 1991		31 March 1990	
	Provided	Not Provided	Provided	Not Provided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	555	21	338	467
Other timing differences	(643)	(215)	(142)	(244)
	-----	-----	-----	-----
Provision/(Asset)	(88)	(194)	196	223
	=====	=====	=====	=====

17. Called up share capital

At 31 March 1991 and 31 March 1990 the authorised, allotted, issued and fully paid share capital comprised 42,000 ordinary shares of £1 each.

18. Operating Leases

The annual commitments under non-cancellable operating leases are:

	31 March 1991		31 March 1990	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiry of operating lease:				
Within one year	-	-	78	19
Within one to five years	786	3	578	25
After five years	3,694	-	2,373	-
	-----	--	-----	--
	4,480	3	3,029	44
	=====	==	=====	==

The rentals under operating leases are charged to profit as incurred, over the lease term.

19. Ultimate holding company

The ultimate holding company is Reed International PLC, a company incorporated in England. Group accounts are prepared by Reed International PLC and may be obtained from:

The Company Secretary  
Reed International PLC  
Reed House  
6 Chesterfield Gardens  
London W1A 1EJ

Reed International PLC is the smallest and largest Parent Undertaking preparing group accounts.