

Company number: 518601

CHATTO AND WINDUS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1994



CHATTO AND WINDUS 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.

On 12 December 1994 all of the "A" Ordinary Shares, 5% Preference Shares and 6% Cumulative Preference Shares were converted into Ordinary Shares.

Dividend

The directors do not recommend the payment of a dividend. An amount of £139,293 has been transferred from reserves.

Directors

The following were directors during the year:

J BURNHAM	Managing Director	
CT CALLIL		(resigned 21 March 1994)
BR FEATHERSTONE		
MRM LANCASTER		(resigned 14 January 1994)
AS McCONNELL		
A SAMUEL		
J UGLOW		(resigned 21 March 1994)

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

CHATTO AND WINDUS 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
CHATTO AND WINDUS 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

CHATTO AND WINDUS LIMITED
 PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1994

	Notes	1994 £	1993 £
TURNOVER	2	2,682,405	3,185,591
Changes in stocks of finished goods and work in progress		(117,787)	71,962
Raw materials and consumables		(976,558)	(1,359,830)
Other external charges		(1,646,799)	(1,892,134)
Staff costs	3	(142,451)	(242,749)
Depreciation		(5,973)	(8,826)
OPERATING LOSS		(207,163)	(245,986)
Profit on disposal of fixed assets		4,870	7,259
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(202,293)	(238,727)
Tax on Loss on Ordinary Activities	5	63,000	134,000
LOSS FOR THE FINANCIAL YEAR	13	(139,293)	(104,727)

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 for the year	(139,293)	(104,727)
Shareholders' funds at 1 January 1994	(2,523,172)	(2,418,445)
Shareholders' funds at 31 December 1994	(2,662,465)	(2,523,172)

CHATTO AND WINDUS LIMITED

BALANCE SHEET
as at 31 December 1994

	Notes	£	1994 £	1993 £
FIXED ASSETS				
Tangible fixed assets	6		8,802	21,738
Investment in Triad Paperbacks Limited	7		-	8,750
			<hr/>	<hr/>
			8,802	30,488
CURRENT ASSETS				
Stocks	8	301,399		419,186
Advance royalties		905,014		1,527,416
Debtors	9	905,675		896,055
		<hr/>	<hr/>	<hr/>
		2,112,088		2,842,657
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(4,780,355)		(5,330,317)
		<hr/>	<hr/>	<hr/>
NET CURRENT LIABILITIES			(2,668,267)	(2,487,660)
			<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			(2,659,465)	(2,457,172)
PROVISION FOR LIABILITIES AND CHARGES				
Deferred taxation	11		(3,000)	(66,000)
			<hr/>	<hr/>
			(2,662,465)	(2,523,172)
			<hr/>	<hr/>
CAPITAL AND RESERVES				
Called up share capital	12		88,000	88,000
Profit and loss account	13		(2,750,465)	(2,611,172)
			<hr/>	<hr/>
SHAREHOLDERS' FUNDS			(2,662,465)	(2,523,172)
			<hr/>	<hr/>

Approved by the Board on 28th April 1995



AS McCONNELL

Director

CHATTO AND WINDUS 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.

CHATTO AND WINDUS 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	1,856,467	2,510,105
Rest of the World	825,938	675,486
	<hr/>	<hr/>
	2,682,405	3,185,591
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3. LOSS BEFORE TAX

The loss before tax is stated after charging:

Staff costs:

Wages and salaries	120,744	206,961
Social security costs	10,895	21,086
Group pension scheme costs	10,812	14,702
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	142,451	242,749
	<hr/>	<hr/>

The average number of persons employed by the company, including executive directors, during the year was 5 (1993: 9).

Other:

Directors' emoluments	143,623	236,983
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4. DIRECTORS' EMOLUMENTS

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

Highest paid director	£42,006	£62,688
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Directors received emoluments in the following bands:

	no.	no.
£ 0 - £ 5,000	3	3
£ 5,001 - £10,000	-	1
£15,001 - £20,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	2	1
£35,001 - £40,000	-	1
£40,001 - £45,000	1	1
£60,001 - £65,000	-	1

CHATTO AND WINDUS LIMITED

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

5.	TAX ON LOSS ON ORDINARY ACTIVITIES	1994 £	1993 £
	Group relief receivable in respect of UK corporation tax losses surrendered		
	-current year	-	100,000
	-adjustment of prior years	-	100,000
	Deferred tax	63,000	(66,000)
		<hr/>	<hr/>
		63,000	134,000
		<hr/>	<hr/>

The company has unutilised tax losses carried forward which the directors estimate at £900,000 subject to agreement by the Inland Revenue.

6.	TANGIBLE FIXED ASSETS	Cars £
	Cost:	
	at 1 January 1994	53,729
	Disposals	(20,258)
	Group transfers	(21,400)
		<hr/>
	at 31 December 1994	12,071
		<hr/>
	Depreciation:	
	at 1 January 1994	31,991
	Disposals	(18,645)
	Group transfers	(16,050)
	Charge for the year	5,973
		<hr/>
	at 31 December 1994	3,269
		<hr/>
	Net Book Amounts:	
	at 31 December 1994	8,802
		<hr/>
	at 31 December 1993	21,738
		<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.

8.	STOCKS	1994 £	1993 £
	Work in progress	110,078	249,893
	Finished goods	191,321	169,293
		<hr/>	<hr/>
		301,399	419,186
		<hr/>	<hr/>

CHATTO AND WINDUS LIMITED

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

	1994 £	1993 £
9. DEBTORS		
Trade debtors	126,801	4,655
Group relief receivable	755,000	755,000
Prepayments	23,874	136,400
	<hr/>	<hr/>
	905,675	896,055
	<hr/>	<hr/>
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	1,271,920	1,573,111
Amounts owed to group undertakings	3,259,019	3,427,952
Accruals	249,416	329,254
	<hr/>	<hr/>
	4,780,355	5,330,317
	<hr/>	<hr/>
11. DEFERRED TAX		
The potential liability and amount provided for deferred taxation is as follows:		
Accelerated capital allowances	-	(3,000)
Other short term timing differences	299,000	504,000
Unutilised tax losses	(296,000)	(435,000)
	<hr/>	<hr/>
	3,000	66,000
	<hr/>	<hr/>
12. SHARE CAPITAL		
Authorised:		
90,000 ordinary shares of £1 each	90,000	-
46,000 4.2% cumulative preference shares of £1 each	-	46,000
40,000 3.5% non-cumulative preference shares of £1 each	-	40,000
4,000 'A' ordinary shares of £1 each	-	4,000
	<hr/>	<hr/>
	90,000	90,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
88,000 ordinary shares of £1 each	88,000	-
44,000 4.2% cumulative preference shares of £1 each	-	44,000
40,000 3.5% non-cumulative preference shares of £1 each	-	40,000
4,000 'A' ordinary shares of £1 each	-	4,000
	<hr/>	<hr/>
	88,000	88,000
	<hr/>	<hr/>

On 12 December 1994 the "A" ordinary shares and the cumulative and non-cumulative preference shares were converted to ordinary shares.

CHATTO AND WINDUS LIMITED

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

13. PROFIT AND LOSS ACCOUNT

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Balance at 1 January 1994	(2,611,172)
Loss for the year	(139,293)
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Balance at 31 December 1994	(2,750,465)
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14. COMMITMENTS

There are commitments to authors for the payment of royalty advances amounting to £1,701,636 at 31 December 1994 (1993: £1,800,314). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

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. The parent company, Random House UK Limited, has indicated that it is its present intention to continue to support the activities of the company.