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# ACCOUNTS

CHATTO, BODLEY HEAD &  
JONATHAN CAPE LIMITED  
and subsidiary companies

31st December 1981



Spicer and Pegler

Chartered Accountants

CHATTO, BODLEY HEAD & JONATHAN CAPE LIMITED  
and subsidiary companies

ACCOUNTS  
31st December 1981

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## REPORT OF THE DIRECTORS

The directors submit their report and the audited accounts of the company for the year ended 31st December 1981.

## PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company. The subsidiaries' activities are divided between book publishing and the provision of management and distribution services.

## RESULTS AND DIVIDEND FOR THE YEAR

The results for the year are set out on page 4.

The directors recommend a dividend of 1.400p (1980 -- 0.875p) per share which together with the tax credit available to United Kingdom shareholders is equivalent to 2.00p (1980 -- 1.25p) per share.

## DIRECTORS AND THEIR INTERESTS IN THE COMPANY

The directors who have served during the year together with their share interests were as follows:

	Ordinary Shares 10p 31st December 1981	Ordinary Shares 10p 1st January 1981
G.C. Greene (joint chairman)	191,844	191,844
M. Reinhardt (joint chairman)	531,719	531,719
H.L.J. Brunner	—	—
W.R. Carr	—	—
J.F. Charlton	102,073	102,073
J.R. Hews	1,243	1,243
R. Kirkpatrick	—	—
D. Machin (appointed 27th April 1981)	—	—
T.M. Maschler	191,844	191,844
Mrs. N.E. Smallwood	119,597	119,597

Ms. C. Callil was appointed a director on 22nd March 1982.

Granada Group Limited is represented on the board by Mr. W.R. Carr. Their shareholding at 31st December 1981 was 292,643 ordinary shares of 10p each representing 19.02% of the total issued share capital of the company.

The beneficial interest of the directors in the 8% unsecured loan stock 1993/94 was as follows:

	31st December 1981	1st January 1981
Mrs. N.E. Smallwood	5,053	5,053

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN CONTRACTS WITH THE GROUP

Messrs. M. Reinhardt and J.R. Hews have an interest in a company which supplied goods on normal commercial terms to the group amounting to £62,163 (1980 -- £49,300) in the year.

POST BALANCE SHEET EVENT

During 1982 the company has acquired the whole of the issued share capital of Virago Press Limited, a publishing company, for cash and shares. In order to accommodate the acquisition the company's authorised share capital was increased by the creation of 461,540 new ordinary shares of 10p each at an Extraordinary General Meeting held on 19th February 1982.

EMPLOYEES AND THEIR REMUNERATION

The average number of persons (including directors) employed by the group during the financial year was 211 and their aggregate remuneration amounted to £1,220,688.

FIXED ASSETS

The directors are of the opinion that the value of the group's freehold property is in excess of the value in the accounts.

CLOSE COMPANY

The company is a close company within the meaning of the Income and Corporation Taxes Act 1970.

AUDITORS

Messrs. Spicer and Pegler, Chartered Accountants, have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board

C. A. Ryder Runtou

Secretary

35 Bow Street,  
London, WC2E 7AL.

AUDITORS' REPORT TO THE MEMBERS OF CHATTO, BODLEY HEAD  
& JONATHAN CAPE LIMITED

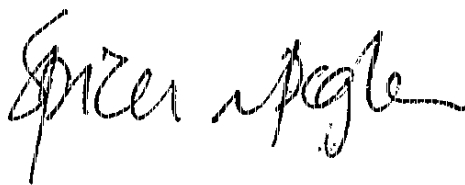
We have audited the financial statements on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention give, so far as concerns the members of the company, a true and fair view of the state of affairs of the company and the group at 31st December 1981 and of the result and source and application of funds of the group for the year then ended and comply with the Companies Act 1948 to 1981.

In our opinion, the abridged supplementary current cost accounts set out on pages 16 and 17 have been properly prepared, in accordance with the policies and methods described in the notes on pages 18 to 20 to give the information required by Statement of Standard Accounting Practice No. 16.

London, E.C.3.

19th August 1982



Chartered Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31st December 1981

	Note	1981	1980
TURNOVER, being amounts invoiced to third parties		<u>£7,788,436</u>	<u>£7,586,319</u>
PROFIT BEFORE TAXATION AND INTEREST	2	482,899	184,895
INTEREST	4	(68,756)	(80,289)
PROFIT BEFORE TAXATION		<u>414,143</u>	<u>104,606</u>
TAXATION	5	163,966	47,204
PROFIT AFTER TAXATION		<u>250,177</u>	<u>57,402</u>
Minority interest in profits of subsidiaries		<u>(54,182)</u>	<u>(67,730)</u>
Profit (loss) before extraordinary items		195,995	(10,328)
Extraordinary items	6	31,539	314,914
Profit attributable to shareholders		<u>227,534</u>	<u>304,586</u>
DIVIDEND	7	15,095	8,809
Retained profit for the year		<u>212,439</u>	<u>295,777</u>
Balance brought forward			
Chatto, Bodley Head & Jonathan Cape Limited		2,310	(814)
Subsidiaries		<u>1,023,542</u>	<u>730,889</u>
		1,025,852	730,075
Chatto, Bodley Head & Jonathan Cape Limited		11,470	2,310
Subsidiaries		<u>1,226,821</u>	<u>1,023,542</u>
		<u>£1,238,291</u>	<u>£1,025,852</u>

The notes on pages 8 to 15 form an integral part of these accounts.

CONSOLIDATED BALANCE SHEET  
31st December 1981

CAPITAL EMPLOYED	Note	1981	1980
Share capital	8	153,846	153,846
Capital reserve arising on consolidation		705,085	705,085
Revenue reserves		1,238,291	1,025,852
SHAREHOLDERS' FUNDS		2,097,222	1,884,783
MINORITY INTEREST		230,603	162,797
LONG TERM LOANS	9	116,463	108,550
DEFERRED TAXATION	10	—	31,135
		<u>£2,444,288</u>	<u>£2,187,265</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	11	578,919	619,088
INVESTMENTS	12	7,209	5,920
CURRENT ASSETS			
Stock and work-in-progress	13	1,821,389	1,864,160
Debtors		3,170,984	2,756,754
Loans		211,625	164,125
Advances to authors	1(c)	538,669	456,000
Cash at bank and in hand		253,277	98,138
Taxation recoverable		—	5,196
		<u>5,995,944</u>	<u>5,344,373</u>
CURRENT LIABILITIES			
Creditors		3,593,048	3,042,513
Short term loans		4,604	3,861
Taxation		339,227	307,936
Bills payable		118,064	99,010
Bank overdraft (secured)		67,746	319,987
Dividends payable	7	15,095	8,809
		<u>4,137,784</u>	<u>3,782,116</u>
NET CURRENT ASSETS		1,858,160	1,562,257

APPROVED BY THE BOARD OF DIRECTORS

*Pl - Fraser*  
*N. K. Hand*

£2,444,288

£2,187,265

16th August 1982

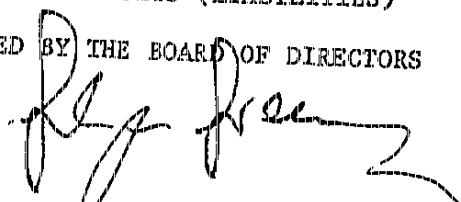
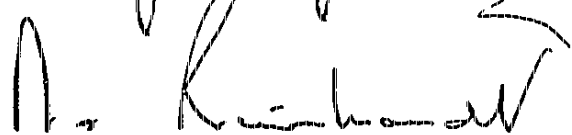
The notes on pages 8 to 15 form an integral part of these accounts.

CHATTO, BODLEY HEAD & JONATHAN CAPE LIMITED

BALANCE SHEET

31st December 1981

page 6

	Note	1981	1980
Share capital	8	153,846	153,846
Capital reserve		265	265
Revenue reserves		11,470	2,310
SHAREHOLDERS' FUNDS		<u>165,581</u>	<u>156,421</u>
8% unsecured loan stock 1993/94		43,500	43,500
		<u>£209,081</u>	<u>£199,921</u>
EMPLOYMENT OF CAPITAL			
SUBSIDIARY COMPANIES	14	180,602	309,022
Investment	12	916	916
CURRENT ASSETS			
Debtors		21,525	17,009
Dividends		25,000	8,809
Cash at bank		4,052	—
		<u>50,577</u>	<u>25,818</u>
CURRENT LIABILITIES			
Creditors		1,450	1,584
Bank overdraft (secured)		—	118,843
Dividends	7	15,095	8,809
Taxation		6,469	6,599
		<u>23,014</u>	<u>135,835</u>
NET CURRENT ASSETS (LIABILITIES)		27,563	(110,017)
APPROVED BY THE BOARD OF DIRECTORS			
			
			
		<u>£209,081</u>	<u>£199,921</u>

19th August 1982

The notes on pages 8 to 15 form an integral part of these accounts.

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SOURCE AND APPLICATION OF FUNDS  
for the year ended 31st December 1981

SOURCE OF FUNDS	1981	1980
Profit before taxation and extraordinary items	414,143	104,606
Items not involving the movement of funds		
Profit on sale of fixed assets	(2,873)	(2,882)
Depreciation	95,189	107,457
Profit on sale of investments	—	(525)
Profit on exchange on inter company balance	(45,730)	(246)
	46,586	103,804
FUNDS GENERATED FROM OPERATIONS	460,729	208,410
FUNDS FROM OTHER SOURCES		
Sale of investments	—	525
Sale of fixed assets	15,656	13,284
	15,656	13,809
APPLICATION OF FUNDS	476,385	222,219
Purchase of fixed assets	44,530	67,256
Tax paid	132,406	61,620
Dividends paid	8,809	8,809
Repayment of loan stock	4,605	—
	190,350	137,685
INCREASE IN WORKING CAPITAL	286,035	84,534
applied as follows		
Increase (decrease) in		
Stocks and work-in-progress	(96,202)	(107,054)
Debtors	360,639	(63,649)
Advances to authors	82,669	55,646
Loans	47,500	120,850
Cash at bank and in hand	154,744	(22,337)
	549,350	(16,544)
Less		
Increase (decrease) in		
Creditors	520,445	24,471
Bills payable	—	49,258
Bank overdraft	(257,130)	(174,807)
	263,315	(101,078)
	£286,035	£84,534

NOTES TO THE ACCOUNTS  
31st December 1981

1. ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

These accounts are prepared in accordance with Section 152A and Schedule 8A of the Companies Act 1948, under the historical cost convention. The principal accounting policies which the directors have adopted within that convention are set out below.

(b) STOCK AND WORK IN PROGRESS

Stock and work in progress consist of paper and sheet and bound stock consistently valued by reference to a formula designed in each case to reduce stock to the lower of cost and net realisable value. Cost represents the amounts invoiced to the company for paper, origination printing and binding. No overheads directly incurred by the company are incorporated into the stock valuation (see note 2).

(c) ADVANCE TO AUTHORS

Advances to authors are written off in the year of publication, or earlier, if the advance is considered to be irrecoverable.

(d) DEFERRED TAXATION

Provision has been made at the current rate of 52% for taxation liabilities arising from the allocation of items to different periods for taxation and for accounting purposes. No provision has been made for stock appreciation relief which is unlikely to be clawed back under current legislation.

In establishing the likelihood of continuing deferment, the directors undertake a review at the balance sheet date of past investment and trading patterns and expected future levels of capital expenditure and stocks.

(e) DEPRECIATION

Fixed assets are depreciated at the following rates:

Motor vehicles	-- 25% on cost
Fixtures and fittings	-- 15% on cost
Warehouse equipment	-- 15% on cost
Leasehold properties	-- amortised fully over the period up to the first rent review
Computer equipment	-- 20% on cost
Freehold buildings	-- 2% on cost

NOTES TO THE ACCOUNTS  
31st December 1981

1. ACCOUNTING POLICIES continued

(f) BASIS OF CONSOLIDATION

The group accounts incorporate the accounts of the company and its subsidiaries. Intra-group profits are excluded. All companies with the exception of Triad Paperbacks Limited make up their accounts to the same date. Triad Paperbacks Limited makes up its accounts to 30th September and these results have been incorporated into the group accounts after making such adjustments as are required.

(g) FOREIGN CURRENCY

All items in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of the net assets of overseas subsidiaries are dealt with through the profit and loss account as extraordinary items.

2. PROFIT BEFORE TAXATION

after charging

Depreciation

Auditors' remuneration

Directors' emoluments

1981

1980

95,189

107,457

32,357

27,996

152,748

154,129

As stated in note 1, overheads incurred directly by the group are not included in the valuation of stocks and work-in-progress. It is considered that had such overheads been included in the value of the stock the effect would not be material.

DIRECTORS' EMOLUMENTS

Fees

375

375

Management remuneration (including company's pension contribution)

152,373

150,838

Pension paid to a director

—

2,916

£152,748

£154,129

NOTES TO THE ACCOUNTS  
31st December 1981

2. PROFIT BEFORE TAXATION continued

DIRECTORS' EMOLUMENTS continued

Chairmen (emoluments exclude the company's pension contributions)

	1981	1980
G.C. Greene	£24,135	£22,291
I.M. Parsons	—	£3,605
M. Reinhardt	£453	£250

The number of directors, other than those mentioned above, in each emolument band were as follows:

(Emoluments exclude the company's pension contribution)

£0 — £5,000	one	one
£5,001 — £10,000	two	one
£10,001 — £15,000	two	four
£15,001 — £20,000	two	one
£20,001 — £25,000	one	one

3. INVESTMENT INCOME

Quoted	478	5,188
Unquoted	3,521	2,029
	<u>      </u>	<u>      </u>

4. INTEREST

Bank interest	56,404	70,680
Loan interest	8,872	8,129
Loan stock interest	3,480	3,480
	<u>      </u>	<u>      </u>
	68,756	82,289
Interest received	—	(2,000)
	<u>      </u>	<u>      </u>
	£68,756	£80,289
	<u>      </u>	<u>      </u>

5. TAXATION

Corporation tax at 52% on taxable profits	120,064	198,495
Corporation tax losses at 52% carried back against previous years' profits	—	(41,750)
Transfer from deferred taxation	(937)	(100,058)
Adjustment in respect of previous years	20,031	(9,867)
Tax credit on franked investment income	—	1,544
Overseas taxation	24,808	(1,160)
	<u>      </u>	<u>      </u>
	£163,966	£47,204
	<u>      </u>	<u>      </u>

The tax charge for the year has been reduced by £76,000 as a result of stock relief.

NOTES TO THE ACCOUNTS  
31st December 1981

6.	EXTRAORDINARY ITEMS	1981	1980
	Extraordinary items are stated net of taxation and minority interests:		
	Provision for deferred tax on stock relief released following the proposals contained in the Finance Bill 1981	15,056	315,588
	Foreign currency differences arising on translation of net assets of overseas subsidiaries	16,483	(674)
		<u>£31,539</u>	<u>£314,914</u>
7.	DIVIDEND		
	Proposed final dividend at a rate of 14.00% (1980 -- 8.75%)	23,364	13,461
	Less dividend waived	(8,269)	(4,652)
		<u>£15,095</u>	<u>£8,809</u>
8.	SHARE CAPITAL		
	Authorised, issued and fully paid Ordinary shares of 10p each	<u>£153,846</u>	<u>£153,846</u>
9.	LONG TERM LOANS		
	8% unsecured loan stock 1993/94	43,500	43,500
	£44,000 stock was created by Company Resolution dated 12th May 1969. The company may repay the whole with interest after 1st January 1993 upon giving three months' notice and is obliged to do so on 31st December 1994. The company may also purchase stock prior to those dates for cancellation.		
	Mortgage loans fully secured	72,963	65,050
	The mortgage loans are repayable at the rate of A\$7,800 per annum until 1st June 1986 when the balance of the principal sum falls due. Interest is charged at rates between 10% to 13% on the loans outstanding.		
		<u>£116,463</u>	<u>£108,550</u>

NOTES TO THE ACCOUNTS  
31st December 1981

10. DEFERRED TAXATION

Movement in year

At 1st January 1981	31,135	446,781
Credit for the year	(937)	(100,058)
Prior credit	(1,518)	—
Extraordinary release (see note 6)	(15,057)	(315,588)
Minority interest in extrarodinary release	(13,623)	—

At 31st December 1981

£ — £31,135

As explained in note 1(d), provision for deferred taxation is only made where the directors consider that a liability may arise in the foreseeable future. The source of the balance on deferred tax account and the amounts involved if deferred taxation had been provided in full are as follows:

	Full provision		Of which dealt with in accounts	
	1981	1980	1981	1980
Capital allowances in excess of depreciation	137,819	158,619	10,447	52,271
Stock appreciation relief	—	28,680	—	28,680
Unutilised loss carried forward available for relief against future profits of the same trade	(9,204)	(49,816)	(9,204)	(49,816)
Short term timing differences	(1,243)	—	(1,243)	—
	£127,372	£137,483	£ —	£31,135

In addition to the losses utilised under the full provision above, a further £230,000 (1980 — £180,000) of trading losses are available to offset against future trading profits.

The benefit of stock relief is now regarded as being permanent.

11. FIXED ASSETS (held by subsidiary companies)

	Freehold property		Short leasehold	Motor vehicles	Fixtures, fittings, office and warehouse equipment	Computer equipment	TOTAL
COST	Land	Buildings	property				
1.1.1981	72,519	423,919	21,015	182,546	247,180	195,814	1,142,993
Additions	—	—	—	28,945	12,406	3,179	44,530
Disposals	—	—	—	(36,484)	(1,344)	—	(37,828)
Exchange difference	6,793	13,644	—	2,394	5,513	—	28,344
31.12.1981	79,312	437,563	21,015	177,401	263,755	198,993	1,178,039

NOTES TO THE ACCOUNTS  
31st December 1981

11. FIXED ASSETS (held by subsidiary companies) continued

		Freehold property	Short leasehold property	Motor vehicles	Fixtures fittings, office and warehouse equipment	Computer equipment	TOTAL
	Land	Buildings					
DEPRECIATION							
1.1.1981	--	53,805	21,015	98,683	186,109	164,293	523,905
Charge for year	--	8,176	--	39,338	17,815	29,860	95,189
Disposal	--	--	--	(23,949)	(1,096)	--	(25,045)
Exchange difference	--	1,633	--	1,095	2,343	--	5,071
	--	63,614	21,015	115,167	205,171	194,153	599,120
WRITTEN DOWN VALUE							
31.12.1981	£79,312	373,949	--	62,234	58,584	4,840	£578,919
31.12.1980	£72,519	370,114	--	83,863	61,071	31,521	£619,088

12. INVESTMENTS

	Company		Group	
	1981	1980	1981	1980
Quoted at cost	--	--	6,293	5,004
Unquoted at cost or written down value	916	916	916	916
	£916	£916	£7,209	£5,920
Quoted at market value	--	--	11,367	14,354
Unquoted at directors' valuation	916	916	916	916
	£916	£916	£12,283	£15,270

The company, through its subsidiary companies, holds 10% and over of the equity capital in:

	Country of incorporation	Description of shares or stock	Percentage held
Book Reps (New Zealand) Limited	New Zealand	Ordinary	33.3%

The investment does not fall within the definition of associated companies as defined in Statement of Standard Accounting Practice No.1 since the company is not in a position to exercise a significant influence over the investment.

NOTES TO THE ACCOUNTS  
31st December 1981

13. STOCK AND WORK-IN-PROGRESS

	1981	1980
Paper	111,865	131,280
Work-in-progress	316,537	471,027
Sheet and bound stocks	1,392,987	1,261,853
	<u>£1,821,389</u>	<u>£1,864,160</u>

14. SUBSIDIARY COMPANIES

Shares in the subsidiaries valued at the par value of shares issued for their purchase	273,747	273,732
Amounts due from subsidiary companies	38,996	37,090
Amounts due to subsidiary companies	(132,141)	(1,800)
	<u>£180,602</u>	<u>£309,022</u>

The company owns 100%, except where stated, of the share capital of the following companies:

	Denomination of shares
Jonathan Cape Limited	Ordinary shares of £1 each
Jackdaw Publications Limited	Ordinary shares of £1 each
Cape Goliard Press Limited	Ordinary shares of £1 each
Chatto and Windus Limited	6% cumulative preference shares of £1 each
	5% non-cumulative preference shares of £1 each
	'A' ordinary shares of £1 each
Hogarth Press Limited	Ordinary shares of £1 each
Chatto and Windus (Developments) Limited	Ordinary shares of £1 each
Chatto, Bodley Head & Cape Services Limited	Ordinary shares of £1 each
Grantham Book Storage Limited	Ordinary shares of £1 each
Max Reinhardt Limited	Ordinary shares of £1 each
The Bodley Head Limited	Preference shares of £10 each
	Ordinary shares of £1 each
Putnam & Co. Limited	Ordinary shares of £1 each
T. Werner Laurie Limited	Ordinary shares of £1 each
Chatto, Bodley Head & Jonathan Cape Australia Pty. Limited -- incorporated in Australia	Ordinary shares of 20p each
The Bodley Head (Canada) Limited -- incorporated in Canada	Shares of A\$2 each
Triad Paperbacks Limited (52.5%)	Common shares of no par value
The Australasian Publishing Company Proprietary Limited -- incorporated in Australia	Ordinary shares of 50p each
Bookstocks Proprietary Limited -- incorporated in Australia	Shares of A\$2 each
Chatto, Bodley head and Jonathan Cape Inc. -- incorporated in United States of America	Shares of A\$1 each
	Shares of no par value

All subsidiary companies except where indicated are incorporated in Great Britain.



NOTES TO THE ACCOUNTS  
31st December 1981

15. CONTINGENT LIABILITIES

- a) The holding company has guaranteed the bank overdraft of a third party amounting to N.Z.\$50,000 -- £21,575 (1980 -- £20,160)
- b) The holding company has guaranteed the bank overdrafts of all its subsidiary companies: there were no such overdrafts.
- c) There is a contingent liability in respect of foreign collections in a subsidiary company totalling £55,371 (1980 -- £46,935).

16. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

CONSOLIDATED CURRENT COST PROFIT AND LOSS ACCOUNT  
for the year ended 31st December 1981

	Note	1981 £000's	1980 £000's
TURNOVER		<u>7,788</u>	<u>7,856</u>
Historical operating profit before interest and taxation		483	185
Current cost operating adjustments			
Depreciation	3	(39)	(42)
Cost of sales	4	(153)	(237)
Monetary working capital	5	<u>12</u>	<u>29</u>
		(180)	(250)
Current cost operating profit (loss)		<u>303</u>	<u>(65)</u>
Gearing adjustment	6	24	44
Interest payable		<u>(69)</u>	<u>(80)</u>
		(45)	(36)
Current cost profit (loss) before taxation		<u>258</u>	<u>(101)</u>
Taxation		<u>164</u>	<u>(47)</u>
Current cost profit (loss) after taxation		<u>94</u>	<u>(148)</u>
Minority interest		<u>49</u>	<u>(54)</u>
Profit (loss) before extraordinary items		<u>45</u>	<u>(202)</u>
Extraordinary items		<u>31</u>	<u>315</u>
Current cost profit attributable to shareholders		<u>76</u>	<u>113</u>
Dividend		<u>15</u>	<u>9</u>
Retained current cost profit for the year		<u>61</u>	<u>104</u>
Statement of Retained Profits and Reserves			
Retained current cost profit for the year		61	104
Movements on current cost reserve		<u>162</u>	<u>453</u>
		223	557
Retained profits and reserves at 1st January 1981		<u>2,100</u>	<u>1,543</u>
Retained profits and reserves at 31st December 1981		<u>2,323</u>	<u>2,100</u>

The notes on pages 18 to 20 form an integral part of these accounts.

CONSOLIDATED CURRENT COST BALANCE SHEET  
31st December 1981

	Note	1981 £000's	1980 £000's
<b>CAPITAL EMPLOYED</b>			
Share capital		154	154
Capital reserve arising on consolidation	8	705	705
Retained profits and reserves		2,323	2,100
<b>SHAREHOLDERS' FUNDS</b>		<u>3,182</u>	<u>2,959</u>
<b>MINORITY INTEREST</b>		234	165
<b>LONG TERM LOANS</b>		116	109
<b>DEFERRED TAXATION</b>		—	31
		<u>3,532</u>	<u>3,264</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	3 & 9	1,560	1,525
<b>INVESTMENTS</b>		12	15
<b>CURRENT ASSETS</b>			
Stock and work in progress		1,923	2,026
Debtors		3,168	2,757
Loans		212	164
Advances to authors		539	456
Cash at bank and in hand		253	98
Taxation recoverable		—	5
		<u>6,095</u>	<u>5,506</u>
<b>CURRENT LIABILITIES</b>		<u>(4,135)</u>	<u>(3,782)</u>
<b>NET CURRENT ASSETS</b>		<u>1,960</u>	<u>1,724</u>
		<u>3,532</u>	<u>3,264</u>

The notes on pages 18 to 20 form an integral part of these accounts.

NOTES TO THE CURRENT COST ACCOUNTS  
31st December 1981

The current cost accounts set out on pages 16 and 17 have been prepared on the bases set out below. The current cost system does not account for general depreciation in the purchasing power of money but it is directed towards indicating the effect of those specific price changes which affect the assets employed in the particular business in which the Group is engaged.

1. CURRENT COST ADJUSTMENTS

- (a) The current cost operating profit is the surplus, before interest and taxation, remaining from the ordinary activities after allowing for the impact of price changes on the funds needed to maintain in real terms the operating assets of the business. It is derived from the historical cost profit by making the adjustments, relating to fixed assets and monetary working capital, described in notes 3 and 5 below.
- (b) The retained current cost profit is obtained from the operating profit but excludes that proportion of price change adjustments which can be taken to relate to the part of the business not financed by the shareholders and is after deducting interest on borrowings and the taxation charge.
- (c) The balance sheet is not a valuation statement but includes fixed assets at current cost less depreciation where appropriate.

2. COMPARATIVE FIGURES

Corresponding amounts are shown without adjustment for the fall in purchasing power of the pound sterling between the two accounting dates. Direct comparisons may, therefore, be misleading unless this change in general value is allowed for. As a guide, the present value of the 1980 profit attributable to shareholders, adjusted by reference to the change in the Retail Price Index from the average figure for 1980 to the average figure for 1981 was £126,000.

3. DEPRECIATION ADJUSTMENT

The depreciation adjustment is the excess of current cost depreciation over the depreciation charge in the historical cost accounts. The current cost depreciation charge is, in broad terms, the amount that would need to be reinvested in fixed assets during the year to maintain operating capacity, were fixed asset replacement carried out on a continuous basis.

Current costs of fixed assets have been estimated as follows:  
Furniture, fittings, equipment -- by use of appropriate indices  
and motor vehicles supplied by the Government  
Statistical Service

Freehold and leasehold property -- directors' valuation.

NOTES TO THE CURRENT COST ACCOUNTS  
31st December 1981.

3. DEPRECIATION ADJUSTMENT continued

The estimated lives of assets are as stated in note 1 to the historical cost accounts. The profits and losses on disposal of fixed assets have been similarly recalculated and the change from the historical cost figures included on the depreciation adjustment.

4. COST OF SALES ADJUSTMENT

The cost of sales adjustment represents the difference between the value to the business of the stock consumed during the period and the cost of the stock charged in the historical cost cost accounts. This has been calculated by reference to appropriate indices.

5. MONETARY WORKING CAPITAL ADJUSTMENT

This reflects the cost of maintaining the monetary working capital of the Group in real terms. Monetary working capital includes trade debtors and creditors, advances to authors, loans, cash and the bank overdraft required for the day-to-day activities of the Group.

6. GEARING ADJUSTMENT

A proportion, called the gearing proportion, of the net operating assets of the business is financed by borrowing. As the obligation to repay borrowing is fixed in monetary amount, irrespective of price changes on the proportion of assets so financed, it is unnecessary to provide for the impact of price changes on these assets when determining the current cost profit attributable to shareholders. Thus, a gearing adjustment has been made which abates the current cost operating adjustments by the average gearing proportion in the year.

7. OTHER ACCOUNTING POLICIES

Except as set out above the policies used in the current cost accounts are the same as those used in the historical cost accounts.

NOTES TO THE CURRENT COST ACCOUNTS  
31st December 1981

8. RESERVES

	Current cost reserves	Other reserves	TOTAL reserves
	£'000	£'000	£'000
At 31st December 1980	1,266	834	2,100
Revaluation surplus (deficit):			
Freehold and leasehold property	110		
Furniture, fittings, equipment and motor vehicles	4		
Investment	(4)		
Stocks	(60)		
	50		50
Adjustments to profits:			
C.O.S.A.	149		149
MWCA	(14)		(14)
Gearing adjustment	(23)		(23)
Retained current cost profit		61	61
At 31st December 1981	1,428	895	2,323
of which:			
Realised	343	895	1,238
Unrealised	1,085	-	1,085
	1,428	895	2,323

9. FIXED ASSETS

	Gross current replacement cost	Depreciation	Net current replacement cost
	£'000	£'000	£'000
Freehold and leasehold property	1,413	-	1,413
Furniture, fittings, equipment and motor vehicles	1,117	970	147
	2,530	970	1,560

The pages which follow do not  
form part of the statutory  
accounts

They should be removed before  
the accounts are filed with the  
Annual Return

## PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1981

	1981	1980
DIVIDENDS RECEIVABLE	28,521	18,974
EXPENSES		
Unsecured loan stock interest	3,480	3,480
General expenses	242	157
Consultancy fees	—	2,500
Legal and professional	544	904
	<u>4,266</u>	<u>7,041</u>
PROFIT BEFORE TAXATION	24,255	11,933
TAXATION		
Corporation tax losses at 52% surrendered to other members of the group	—	—
PROFIT AFTER TAXATION	<u>24,255</u>	<u>11,933</u>
DIVIDENDS	15,095	(8,809)
Balance brought forward	<u>2,310</u>	<u>(814)</u>
BALANCE carried forward	<u>£11,470</u>	<u>£2,310</u>