

Company no: 954009

RANDOM HOUSE UK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1994



RANDOM HOUSE UK 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. Movements in fixed assets are disclosed in note 6 to the financial statements.

Dividend

No dividend is proposed for the year. An amount of £635,958 has been transferred to reserves.

Directors

The following were directors during the year:

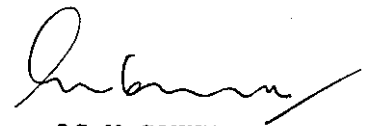
GR Rebuck	Chairman and Chief Executive
CT Callil	(resigned 21 March 1994)
S King	
SH Master	
JM Mottram	(resigned 14 January 1994)
AS McConnell	
PGW Snyman	
A Thorpe	
A Vitale	

None of the directors at 31 December 1994 had any interest in the shares of any group company at either the beginning or the end of the 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


AS McCONNELL
Secretary

Random House
20 Vauxhall Bridge Road
LONDON, SW1V 2SA

28th April 1995

RANDOM HOUSE UK 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
RANDOM HOUSE UK LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 profit 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

RANDOM HOUSE UK LIMITED
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	2	943,870	1,171,326
Changes in stocks of finished goods and work in progress		(148,115)	115,177
Other operating income	3	4,549,349	4,503,273
Raw materials and consumables		(335,354)	(660,994)
Other external charges		(2,670,239)	(2,720,733)
Staff costs	3	(1,986,129)	(1,965,776)
Depreciation	6	(176,762)	(199,748)
Other operating expenses	3	(153,989)	(415,996)
Operating Profit/(Loss)		22,631	(173,471)
Profit on disposal of fixed assets		13,950	3,700
Income from shares in group undertakings		500,000	-
Interest received		107,464	180,938
Interest payable	3	(8,087)	(13,938)
Profit/(Loss) on Ordinary Activities before Taxation		635,958	(2,771)
Taxation on Profit on Ordinary Activities	5	-	4,872
Profit for the Financial Year	12	635,958	2,101

Turnover is derived from continuing activities.

RANDOM HOUSE UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1994

	1994 £	1993 £
Profit for the year	635,958	2,101
Exchange gain on loans to overseas subsidiaries	299,964	320,208
	<hr/>	<hr/>
Total Recognised Gains and Losses	935,922	322,309
	<hr/>	<hr/>

Exchange gains and losses on long term loans to overseas subsidiaries have been taken directly to reserves. In prior years these amounts were included within operating expenses in the Profit and Loss Account. The comparatives have been restated to reflect this change in treatment.

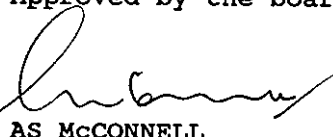
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the Year	635,958	2,101
Exchange gain on loans to overseas subsidiaries	299,964	320,208
Shareholders' funds at 1 January 1994	78,268,918	77,946,609
	<hr/>	<hr/>
Shareholders' funds at 31 December 1994	79,204,840	78,268,918
	<hr/>	<hr/>

RANDOM HOUSE UK LIMITED

BALANCE SHEET
As at 31 December 1994

	Notes	£	1994 £	£	1993 £
FIXED ASSETS					
Tangible fixed assets	6		224,030		383,976
Investments in subsidiaries	7		49,330,455		49,657,929
			<hr/>		<hr/>
			49,554,485		50,041,905
CURRENT ASSETS					
Stocks	8	414,469		562,583	
Debtors	9	33,539,162		37,854,927	
Cash at bank and in hand		8,144,072		6,746,803	
			<hr/>	<hr/>	
			42,097,703	45,164,313	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(12,447,348)		(16,937,300)	
			<hr/>	<hr/>	
NET CURRENT ASSETS			29,650,355		28,227,013
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			79,204,840		78,268,918
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	11		59,956,072		59,956,072
Share premium account			50,880,128		50,880,128
Capital redemption reserve			66,409		66,409
Capital contribution			17,500,000		17,500,000
Goodwill reserve			(46,106,000)		(46,106,000)
Profit and loss account	12		(3,091,769)		(4,027,691)
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS			79,204,840		78,268,918
			<hr/>		<hr/>

Approved by the board on 28th April 1995.


AS McCONNELL

Director

RANDOM HOUSE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1. ACCOUNTING POLICIES

Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

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 estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Motor vehicles	- 25% per annum
Fixtures and fittings	- 20% per annum
Plant & machinery	- 10% per annum

Operating Leases

The costs of operating leases are charged to the profit and loss account as incurred.

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 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.

RANDOM HOUSE UK LIMITED

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

2. TURNOVER

The company's turnover arises from its principal activity of book publishing.

	1994 £	1993 £
Geographical analysis of turnover:		
United Kingdom and Eire	920,703	1,128,788
Rest of the World	23,167	42,538
	<hr/> 943,870	<hr/> 1,171,326

3. PROFIT BEFORE TAX

The profit on ordinary activities before taxation is stated after charging or crediting the following.

Other operating income:

This comprises management charges for central services provided to the company's subsidiaries.

Staff costs:

Wages and salaries	1,721,711	1,671,603
Social security costs	154,632	206,935
Group pension scheme costs	109,786	87,238
	<hr/> 1,986,129	<hr/> 1,965,776

The average number of persons employed by the company during the year, including executive directors, was 73 (1993: 75).

Other operating expenses:

Redundancy and related costs	153,989	415,996
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Interest payable:

Interest payable on bank loans and overdrafts repayable within five years	1,479	6,713
Hire purchase and finance lease charges	6,608	7,225
	<hr/> 8,087	<hr/> 13,938

Other:

Auditors' remuneration:		
Audit	88,166	36,100
Other	84,069	83,175
Operating lease rentals:		
Plant & machinery	82,256	87,503

RANDOM HOUSE UK LIMITED

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

4. DIRECTORS' EMOLUMENTS

	1994 £	1993 £
Emoluments including pension contributions		
paid by the company	460,511	474,773
paid by subsidiaries	278,144	331,128
	<hr/>	<hr/>
	738,655	805,901
	<hr/>	<hr/>

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

Chairman and highest paid director	£184,867	£158,392
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Directors received emoluments in the following bands:

	no.	no.
£ 0 - £ 5,000	1	2
£ 5,001 - £ 10,000	1	-
£ 15,001 - £ 20,000	1	-
£ 35,001 - £ 40,000	-	1
£ 60,001 - £ 65,000	-	2
£ 65,001 - £ 70,000	-	-
£ 70,001 - £ 75,000	1	2
£ 75,001 - £ 80,000	1	1
£ 80,001 - £ 85,000	-	1
£ 85,001 - £ 90,000	1	-
£100,001 - £105,000	1	-
£120,001 - £125,000	-	1
£135,001 - £140,000	1	-
£155,001 - £160,000	-	1
£180,001 - £185,000	1	-

5. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	£	£
Amount receivable in respect of		
UK corporation tax losses surrendered		
- adjustment of prior years	-	4,872
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The company has unutilised tax losses carried forward which the directors estimate at £450,000, subject to agreement by the Inland Revenue.

RANDOM HOUSE UK LIMITED

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

6. TANGIBLE FIXED ASSETS	Plant & equipment £	Cars £	Total £
Cost:			
At 1 January 1994	1,513,294	208,592	1,721,886
Additions	5,226	23,654	28,880
Disposals	-	(45,950)	(45,950)
Group transfers	-	33,800	33,800
At 31 December 1994	1,518,520	220,096	1,738,616
Depreciation:			
At 1 January 1994	1,237,484	100,426	1,337,910
Disposals	-	(26,770)	(26,770)
Group transfers	-	26,684	26,684
Charge for the year	128,924	47,838	176,762
At 31 December 1994	1,366,408	148,178	1,514,586
Net Book Amounts:			
At 31 December 1994	152,112	71,918	224,030
At 31 December 1993	275,810	108,166	383,976

7. INVESTMENTS IN SUBSIDIARIES	Shares in group undertakings £	Loans to group undertakings £	TOTAL £
At 1 January 1994	8,260,939	41,396,990	49,657,929
Repaid in year	-	(627,438)	(627,438)
Exchange movement	-	299,964	299,964
At 31 December 1994	8,260,939	41,069,516	49,330,455
At cost	8,260,939	40,813,990	49,074,929
Cumulative exchange loss on loans to overseas subsidiaries	-	255,526	255,526
At 31 December 1994	8,260,939	41,069,516	49,330,455

The company's subsidiaries, all of which are registered in England, except as where indicated in the name of the subsidiary, are listed on page 13. The subsidiaries' principal activities are, unless otherwise stated, book publishing and, unless otherwise indicated, 100% owned.

Group accounts have not been prepared since the company is itself wholly owned by a company registered in England.

The directors consider the value of the investments in subsidiaries to be not less than that stated in the balance sheet of the company.

RANDOM HOUSE UK LIMITED

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

8. STOCKS	1994 £	1993 £
Work in progress	5,689	203,774
Finished books	408,780	358,809
	<hr/>	<hr/>
	414,469	562,583
	<hr/>	<hr/>
 9. DEBTORS		
Trade debtors	50,287	384,889
Amounts owed by group undertakings	33,320,631	37,375,314
Prepayments	168,244	94,724
	<hr/>	<hr/>
	33,539,162	37,854,927
	<hr/>	<hr/>
 10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	195,325	476,144
Amounts owed to group undertakings	10,352,698	14,498,267
Amounts payable for group relief	324,735	324,735
Social security	342,091	326,805
Hire purchase and finance lease obligations	47,456	74,573
Provision for the excess of pension cost over amounts funded	130,000	150,000
Accruals and deferred income	1,055,043	1,086,776
	<hr/>	<hr/>
	12,447,348	16,937,300
	<hr/>	<hr/>
 11. CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid: 599,560,717 ordinary shares of 10p each	£59,956,072	£59,956,072
	<hr/>	<hr/>
 12. PROFIT AND LOSS ACCOUNT		
	£	
Balance at 1 January 1994	(4,027,691)	
Profit for the year	635,958	
Exchange gain on loans to overseas subsidiaries	299,964	
	<hr/>	
Balance at 31 December 1994	(3,091,769)	
	<hr/>	

RANDOM HOUSE UK LIMITED

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

13. COMMITMENTS

The company has commitments under operating leases to pay rentals in respect of office machines during the forthcoming year as follows:

	1994 £	1993 £
Expiring within one year	47,580	1,040
Expiring between one and five years	13,760	84,884
	<hr/>	<hr/>
	61,340	85,924
	<hr/>	<hr/>

There were no capital commitments outstanding at the year end (1993: nil).

14. PENSION FUND

The company, together with certain other group companies, operates a pension scheme of the defined benefit type for staff. 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 using the Projected Unit Method. The Scheme was last actuarially valued as at 31 December 1992. The principal assumptions used in this valuation were that the rate of return on investments would be 9.5% per annum, dividend growth would be 5.0% per annum and that pensionable salary increases would average 8.0% per annum. The market value of the assets of the scheme at the date of the last actuarial valuation was £11.1m which represents a funding level of 89%. The company, and its subsidiaries, have increased their funding rate, with effect from 1 January 1994, so as to eliminate this deficiency over approximately 10 years.

15. PARENT UNDERTAKINGS

The company's ultimate parent company is Advance Publications Inc which is incorporated in the United States of America.

The immediate parent company, for which group accounts are prepared, is The Conde Nast Publications Limited which is registered in England.

RANDOM HOUSE UK LIMITED

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

SUBSIDIARY COMPANIES

*	Random House Publishing Group Limited	
	Barrie & Jenkins Limited	96%
	The Bodley Head Limited	
	Chatto & Windus Limited	
	Jonathan Cape Limited	
	Arrow Books Limited	d
	Bartlett Bliss Productions Limited	d
	Bellew & Higton Publishers Limited	d
	Business Books Limited	d
	Century Benham Limited	d
	Century Hutchinson Limited	d
	Century Hutchinson Publishing Limited	d
	Century Publishing Co Limited	d
	The Cresset Press Limited	d
	Hammond, Hammond & Co. Limited	d
	Herbert Jenkins Limited	d
	Hogarth Press Limited	d
	Hurst & Blackett Limited	d
	Hutchinson Books Limited	d
	Hutchinson & Co (Publishers) Limited	d
	Hutchinson Childrens Books Limited	d
	Jackdaw Publications Limited	d
	Plane Tree Publishers Limited	d
	Popular Dogs Publishing Co. Limited	d
	Stanley Paul & Co Limited	d
	T Werner Laurie Limited	d
*	Tiptree Book Services Limited	Distribution
	Grantham Book Services Limited	d
*	Random House Properties Limited	Property and investment
	CBC Services Limited	d
	Hutchinson Properties Limited	d
*	Random House Australia Pty Limited	
*	Random Century Australia Pty Limited	d
*	Random House New Zealand Limited	
*	Random House South Africa (Proprietary) Limited	

* = direct investment by company
d = dormant