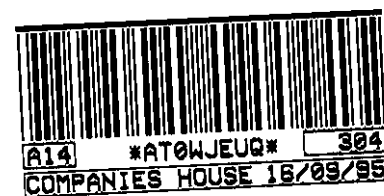


REED REGIONAL NEWSPAPERS LIMITED

**DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**



REED REGIONAL NEWSPAPERS LTD

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 31 December 1994.

REVIEW OF THE BUSINESS

The principal activity of the company is the publishing and printing of newspapers.

RESULTS AND DIVIDENDS

The company's profit before taxation was £16,305,000 (Year ended 31 December 1993: £12,997,000).

An ordinary dividend of £10,000,000 has been paid (Year ended 31 December 1993: £nil). The dividend on the preference shares amounted to £4,249 (Year ended 31 December 1993: £4,249). The retained profit of £4,489,000 (Year ended 31 December 1993: £10,137,000) will be transferred to reserves.

FUTURE DEVELOPMENTS

The directors are satisfied that given a satisfactory trading environment the company will continue to perform satisfactorily.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by English company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of that period and of the profits or loss for that period. The directors are also required to maintain adequate accounting records.

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed.

The directors are responsible to the company for taking reasonable steps to safeguard its assets and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that adequate resources exist for the business to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing these financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 1994 were as follows:-

J T Brown
D G Christie
J A Daya (Resigned 14 May 1995)
J B Mellon
J N Philbin (Resigned 1 December 1994)
I W Aiken
P Davidson
P A Radburn

Mr J C Pfeil was appointed a Director of the company on 14 May 1995.

No directors were interested at any time in the year in the share capital or loan stock of the company.

The directors do not have any interests in the share capital of the ultimate parent company, Reed Elsevier plc.

No director had at any time during the year, any material interest in a contract (other than a service contract) with the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, liability insurance was maintained for the company's directors and officers.

FIXED ASSETS

Movements in fixed assets are shown in notes 7 and 8 to the accounts.

EMPLOYEE PARTICIPATION

Employee participation processes have continued throughout the year. Such processes are undertaken on a regional basis, and include consultation with staff via elected representatives on a Staff Council, the publication of regular newsletters and the regular meetings of directors and senior managers with all staff throughout the year.

DISABLED PERSONS

It is the policy of the company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

AUDITORS

A resolution to re-appoint Touche Ross & Co as the auditors will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J M Glass', with a horizontal line underneath.

J M Glass
Company Secretary

DATE: 29 June 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF
REED REGIONAL NEWSPAPERS LIMITED

We have audited the financial statements on pages 6 to 18 in accordance with Auditing Standards.

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 affairs of the company at 31 December 1994 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

TOUCHE ROSS & CO
Chartered Accountants and Registered Auditors
Abbey House (PO Box 500)
74 Mosley Street
Manchester
M60 2AT

5 July 1995

REED REGIONAL NEWSPAPERS LTD
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

		Year Ended 31 December 1994 £000's	Year Ended 31 December 1993 £000's
	Notes		
Turnover	1	132,273	127,914
Cost of sales		<u>(54,650)</u>	<u>(53,982)</u>
Gross Profit		77,623	73,932
Net operating expenses	3	(61,298)	(60,935)
Operating profit and profit on ordinary activities before interest	4	<u>16,325</u>	<u>12,997</u>
Interest payable and similar charges		(20)	-
Profit on ordinary activities before taxation		<u>16,305</u>	<u>12,997</u>
Tax on profit on ordinary activities	6	(1,812)	(2,856)
Profit for the financial year		<u>14,493</u>	<u>10,141</u>
Non-equity preference dividends	17	(4)	(4)
Profit attributable to ordinary shareholders		<u>14,489</u>	<u>10,137</u>
Equity ordinary dividends	17	(10,000)	-
Retained profit transferred to reserves	16	<u>4,489</u>	<u>10,137</u>

Movements in reserves as shown in note 16.

The company has no recognised gains and losses other than the profits above and, therefore, no separate statement of total recognised gains and losses has been presented.

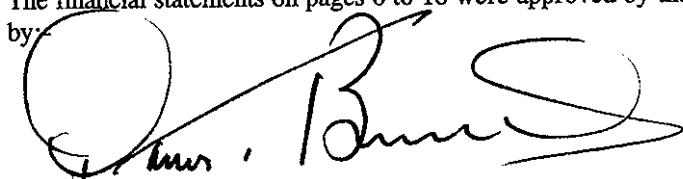
There is no difference between the profit on ordinary activities after taxation and the retained profit for the year stated above, and their historical cost equivalents.

All the companies' activities were in respect of continuing operations.

REED REGIONAL NEWSPAPERS LTD
BALANCE SHEET
AS AT 31 DECEMBER 1994

		31 December 1994		31 December 1993 (Restated)	
	Notes	£000's	£000's	£000's	£000's
Fixed assets					
Intangible assets	7		39,106		39,106
Tangible assets	8		31,032		29,381
Investments	9		<u>53,535</u>		<u>53,535</u>
			123,673		122,022
Current assets					
Stocks	10	1,222		980	
Debtors	11	36,912		31,350	
Cash at bank and in hand		<u>75</u>		<u>486</u>	
		38,209		32,816	
Creditors: amounts falling due within one year	12	<u>(18,677)</u>		<u>(15,440)</u>	
Net current assets			19,532		17,376
Total assets less current liabilities			<u>143,205</u>		<u>139,398</u>
Creditors: Amounts falling due after more than one year	12		(23,838)		(24,022)
Provision for liabilities and charges	13		(2,603)		(3,101)
Net Assets			<u>116,764</u>		<u>112,275</u>
Capital and reserves					
Called up share capital - equity	15	-		-	
Called up share capital - non-equity	15	425		425	
Share premium account	16	28,419		28,419	
Merger reserve	16	1,907	116,764	1,907	112,275
Profit and loss account	16	<u>86,013</u>		<u>81,524</u>	
			116,764		112,275
Total Shareholders' funds					
			116,339		111,850
Shareholders' funds are attributable to:			425		425
Equity shareholders funds					
Non-equity shareholders funds			116,764		112,275

The financial statements on pages 6 to 18 were approved by the Board of directors on 29 June 1995 and were signed on its behalf by:



J T Brown
Director

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

1. ACCOUNTING POLICIES

COMPLIANCE WITH ACCOUNTING STANDARDS

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

FORMAT

The directors consider that a gross profit format is more appropriate for the profit and loss account of a publishing company. Consequently Format 1 of the Companies Act 1985 has been adopted.

ACCOUNTING PERIOD AND RESTATEMENT

The accounts are prepared for the year ended 31 December 1994. The comparative figures are for the year ended 31 December 1993. The comparative figures have been restated to separately disclose assets held under finance leases. This has reduced creditors due within one year by £321,000 to £15,440,000 and increased creditors falling due after one year by the same amount to £14,022,000.

PENSIONS

Accounting Policy

The Reed Pension Scheme and Reed Executive Pension Scheme (defined benefit schemes) are administered on a Reed Elsevier plc group basis and total contributions are assessed by a qualified actuary based on the cost of providing pensions across all participating Reed Elsevier 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.

Pensions Note

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

The total pension cost for the company was £40,000 (£51,000). From April 1989, on the recommendation of the group's actuaries, no company contributions have been made to the group scheme.

A valuation of the Reed Pension Scheme was carried out as at 5 April 1994. Details of this valuation are contained in the financial statements of Reed Elsevier plc.

TURNOVER

Turnover is based on the invoiced value of sales and excludes VAT. All turnover relates to the UK and to publishing and printing.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

INVESTMENTS

Investments are stated at cost less amounts written off or provided for any permanent diminution in value.

STOCKS

The amount included for stocks is stated at the lower of cost, including attributable overheads, and estimated net realisable value.

GOODWILL

On the acquisition of the trade and assets of a business, the purchase consideration is allocated between the underlying tangible and intangible assets on a fair value basis. Any goodwill arising is written off against reserves.

TAXATION

Deferred taxation is provided using the liability method to take account of timing differences between the treatment of items for taxation and accounting purposes where it is considered that a liability or asset will crystallise.

LEASES

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

Assets held under finance leases are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation has been provided on a basis that will write off the book amount of the tangible fixed assets over their estimated future useful life. The depreciation rates used are as follows:-

Buildings	2% to 25%
Fixtures fittings, plant & motor vehicles	5% to 50%

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

INTANGIBLE FIXED ASSETS

Publishing rights and titles are stated at fair value on acquisition and are not subsequently revalued. Having no finite life, no systematic amortisation is applied but provision is made for any permanent impairment in value.

CASH FLOW STATEMENT

The company, as it is a wholly owned subsidiary itself, is not required to prepare group accounts under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member State of the European Community. Similarly, a cash flow statement is not required under Financial Reporting Standard 1.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

2. EMPLOYEES

	Year ended 31 December 1994 £000's	Year ended 31 December 1993 £000's
Staff costs (including directors)		
Wages and salaries	41,896	41,398
Social security costs	3,577	3,728
Other pension costs	<u>40</u>	<u>51</u>
Total	<u>45,513</u>	<u>45,177</u>
 Average number of employees	 <u>2,938</u>	 <u>2,884</u>

3. NET OPERATING EXPENSES

	Year ended 31 December 1994 £'000's	Year ended 31 December 1993 £'000's
Distribution costs	37,453	36,850
Administrative expenses	23,845	24,231
Other operating income	-	(146)
Total	<u>61,298</u>	<u>60,935</u>

4. OPERATING PROFIT IS STATED AFTER THE FOLLOWING

	Year ended 31 December 1994 £'000's	Year ended 31 December 1993 £'000's
Hire of plant and machinery	915	940
Other operating lease rentals	2,766	2,307
Depreciation - owned assets	5,971	5,107
- leased assets	96	24
Auditor's remuneration - audit fees	26	50
- non audit fees	-	29
Charitable donations	<u>14</u>	<u>13</u>

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

5. DIRECTORS EMOLUMENTS

Payments to directors of the company:-

	Year ended 31 December 1994 £000's	Year ended 31 December 1993 £000's
Emoluments	675	425

The number of directors in each range of emoluments (excluding pension contributions) was as follows:-

Chairman	-	-
Highest paid director	146	113
	<u>Number</u>	<u>Number</u>
£0 - £5,000	1	1
£40,001 - £45,000	1	1
£70,001 - £75,000	-	1
£80,001 - £85,000	1	-
£85,001 - £90,000	2	1
£95,001 - £100,000	-	1
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-
£110,001 - £115,000	-	1
£140,001 - £145,000	1	-

6. TAXATION

	Year ended 31 December 1994 £'000's	Year ended 31 December 1993 £'000's
Tax on profit on ordinary activities		
UK corporation tax at 33%	3,406	2,555
Deferred taxation	(115)	301
Prior year adjustment - Corporation Tax	(2000)	-
- Tax repayment supplement	(28)	-
- Deferred taxation	549	-
	<u>1,812</u>	<u>2,856</u>
Total	1,812	2,856

The tax charge is disproportionately low due to group relief receivable in the current year for which no consideration is paid, and adjustments in respect of prior years.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

7. INTANGIBLE FIXED ASSETS

Publishing Rights	£000's
As at 31 December 1993	39,106
As at 31 December 1994	39,106

8. TANGIBLE FIXED ASSETS

	Land & buildings £000's	Plant & equipment £000's	Total £000's
<u>Cost</u>			
At 31 December 1993	5,932	45,504	51,436
Inter group transfers	(4)	(110)	(114)
Additions	92	8,417	8,509
Disposals	(289)	(6,234)	(6,523)
At 31 December 1994	5,731	47,577	53,308
<u>Accumulated depreciation</u>			
At 31 December 1993	1,019	21,036	22,055
Inter group transfers	(5)	(109)	(114)
Charge to profit and loss account	307	5,760	6,067
Disposals	(167)	(5,565)	(5,732)
At 31 December 1994	1,154	21,122	22,276
<u>Net book amount</u>			
At 31 December 1993	4,913	24,468	29,381
At 31 December 1994	4,577	26,455	31,032

	31 December 1994 £000's	31 December 1993 £000's
The net book amount of land and buildings comprises:-		
Freehold property	3,988	4,010
Leasehold 50 years or more unexpired	455	410
Leasehold less than 50 years unexpired	134	493
	4,577	4,913

The net book value of plant and equipment includes £359,000 (1993 - £455,000) in respect of assets held under finance leases.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

FUTURE CAPITAL EXPENDITURE NOT PROVIDED IN THE ACCOUNTS

	31 December 1994 £000's	31 December 1993 £000's
Authorised but not yet contracted for	-	144
Contracts placed	577	67
	<hr/>	<hr/>

9. INVESTMENTS

£000's	Investments in subsidiary undertakings shares	Other investments shares	Total
<u>Cost</u>			
At 31 December 1994 and 31 December 1993	92,709	28	92,737
<u>Provisions for permanent diminution in value</u>			
At 31 December 1994 and 31 December 1993	(39,202)	-	(39,202)
<u>Net book amount</u>			
At 31 December 1994 and 31 December 1993	53,507	28	53,535
	<hr/>	<hr/>	<hr/>

In the opinion of the directors, the aggregate value of the investment in the company's subsidiary undertakings is not less than the amount at which it is stated in these accounts.

Details of companies in which the company holds more than 10% of any class of equity share capital or more than 10% of the total allotted share capital, all of which are incorporated in England, are given below:-

<u>Name of company</u>	<u>Shares and proportion held</u>	<u>Nature of business</u>
Reed Northern Newspapers Limited	87,209 ordinary shares of 1p each and 823,000 deferred shares of £1 each (100%)	Dormant
Reed Southern Newspapers Limited	7,750,969 ordinary shares of 5p each (100%)	Dormant
Reed Midland Newspapers Limited	12,775,000 ordinary shares of £1 each (100%)	Dormant
London and Kent Newspapers Limited	7,000 ordinary and 70,000 deferred shares of £1 each (100%)	Dormant

The company owns a 50% share in the ordinary share capital (24% of the voting share capital) of Essex Web Offset Limited, a dormant company previously involved in printing and pre-press production and incorporated in England. The company is currently in the process of disposing of its investment.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

10. STOCKS

	31 December 1994	31 December 1993 (Restated)
	£000's	£000's
Raw materials and consumables	1,222	980

11. DEBTORS

Amounts falling due within one year:-		
Trade debtors	16,057	17,727
Amounts owed by group undertakings	16,123	9,998
Prepayments and accrued income	1,856	2,232
Other debtors	376	1,393
ACT recoverable	2,500	-
	<hr/>	<hr/>
Total	36,912	31,350
	<hr/>	<hr/>

Included within prepayments and accrued income are debtors falling due after more than one year of £15,000 (1993 nil)

12. CREDITORS

	31 December 1994	31 December 1993
	£000's	£000's
Amounts falling due within one year:-		
Preference dividends	12	8
Trade creditors	4,971	4,499
Obligations under finance leases	183	504
Other taxation and social security	2,918	2,980
Accruals and deferred income	4,104	3,986
Amounts owing to group undertakings	244	-
Other creditors	400	928
Corporation tax	3,345	2,856
ACT payable	2,500	-
	<hr/>	<hr/>
Total	18,677	15,440
	<hr/>	<hr/>
Amounts falling due after more than one year:-		
Obligations under finance leases (due within 2-5 years)	137	321
Amounts owed to group undertakings	448	448
Amounts owed to subsidiary undertakings	23,253	23,253
	<hr/>	<hr/>
Total	23,838	24,022
	<hr/>	<hr/>

The preference dividend creditor relates to dividends accrued and not paid since 1 April 1992.

REED REGIONAL NEWSPAPERS LTD
NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994 (Continued)

Operating lease commitments:-

Annual commitments for non-cancellable operating lease rentals are as follows:-

	31 December 1994		31 December 1993	
	Leases for land and buildings £000's	Other £000's	Leases for land and buildings £000's	Other £000's
Expiry of operating leases falling due				
- Within 1 year	249	278	78	118
- Between 2 & 5 years	276	552	518	998
- After more than 5 years	2,290	-	2,243	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,815	830	2,839	1,116
	<hr/>	<hr/>	<hr/>	<hr/>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Acquisitions £000's	Deferred Taxation £000's	Other £000's	Total £000's
At 31 December 1993	402	2,169	530	3,101
Provided	-	434	-	434
Used	(402)	-	(530)	(932)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	-	2,603	-	2,603
	<hr/>	<hr/>	<hr/>	<hr/>

14. DEFERRED TAXATION

	31 December 1994 £000's	31 December 1993 £000's
Deferred taxation provided in the accounts comprises:		
Excess of tax allowances over depreciation	2,806	2,670
Other timing differences	(203)	(501)
	<hr/>	<hr/>
	2,603	2,169
	<hr/>	<hr/>
Losses carried forward not provided are shown below.		
Deferred tax asset	(1,142)	(1,142)
	<hr/>	<hr/>