

**Deloitte &
Touche**

Deloitte Touche
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Company Registration No. 1737324

ELECTRONIC PRESS LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Noorman
A F Moon
B Barrett

SECRETARY

Mawlaw Secretaries Limited

REGISTERED OFFICE

Middlesex House
34-42 Cleveland Street
London. W1P 6LB

BANKERS

Lloyds Bank Plc
190 Great Portland Street
London. W1A 4LN

SOLICITORS

Radcliffes
Crossman Block
5 Great College Street
London SW1P 3SJ

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1997.

ACTIVITY

The principal activity of the company throughout the year were those of providing computer services and the development of internet related software.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are disclosed on page 6. The directors do not recommend the payment of a dividend for the year.

The directors plan to continue to develop the business and increase the profitability of all revenue streams in the foreseeable future.

CHANGE OF OWNERSHIP

On 16 October 1997, the company was purchased by Elsevier Science Limited, a wholly owned subsidiary of Reed Elsevier plc.

DIRECTORS

The directors who served during the year and their respective shareholdings at the beginning and end of the year were as follows:

		Number of ordinary shares of £ each	
		1997	1996
C Blake	(appointed 16 October 1997, resigned 15 October 1998)	-	-
A N Greenwood	(resigned 28 April 1998)	10	10
R Charkin	(resigned 16 October 1997)	-	-
I Tarr	(resigned 16 October 1997)	-	-
V Tracz	(resigned 31 March 1998)	-	-
A Witbrock	(resigned 28 April 1998)	-	-
F Verhagen	(appointed 16 October 1997, resigned 1 April 1998)	-	-
G Noorman	(appointed 1 April 1998)	-	-
A F Moon	(appointed 1 April 1998)	-	-
B Barrett	(appointed 1 April 1998)	-	-

The shares held by A N Greenwood were sold to Elsevier Science Limited on 11 June 1998. Prior to this date and subsequent to the acquisition, they were held on behalf of Elsevier Science Limited by the aforementioned director.

During the year, F Verhagen was granted options to subscribe for 5,000 ordinary shares in Reed International P.L.C. at 565p per share. The options may be exercised up to ten years from the date of grant. No options were exercised during the year. Except for the above, none of the directors held any interest in the share capital of the company or any other group company at any time during the year.

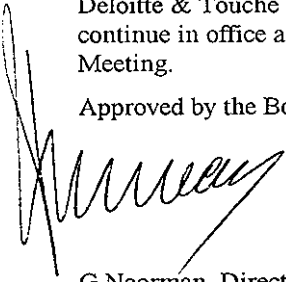


DIRECTORS' REPORT

AUDITORS

Deloitte & Touche were appointed to fill a casual vacancy during the year and have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



G Noorman, Director

29 October 1998

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF ELECTRONIC PRESS LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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 at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

20 October 1998


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER			
Cost of sales	2	536,580 (300,201)	146,454 (307,607)
GROSS PROFIT/(LOSS)		236,379	(161,153)
Administrative expenses		(1,381,281)	(1,731,771)
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax credit on loss on ordinary activities	4 5	(1,144,902) 217,352	(1,892,924) 503,893
LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	11	(927,550)	(1,389,031)

There are no recognised gains or losses or movements in shareholders' funds for the current financial year and preceding financial year other than as stated in the profit and loss account.

All amounts relate to continuing activities.



**BALANCE SHEET
31 December 1997**

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	6	573,230	751,656
CURRENT ASSETS			
Stocks	7	-	21,137
Debtors	8	248,901	268,741
		248,901	289,878
CREDITORS: amounts falling due within one year	9	(5,303,797)	(4,595,650)
NET CURRENT LIABILITIES		(5,054,896)	(4,305,772)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,481,666)	(3,554,116)
CAPITAL AND RESERVES			
Called up share capital	10	1,000	1,000
Profit and loss account	11	(4,482,666)	(3,555,116)
TOTAL SHAREHOLDERS' DEFICIT		(4,481,666)	(3,554,116)

These financial statements were approved by the Board of Directors on 29 October 1998.

Signed on behalf of the Board of Directors

G Noorman, Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, and are in accordance with the applicable accounting standards. The following principle accounting policies have been applied:

Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	over the term of the lease
Computer equipment	33% straight line
Fixtures and fittings	33% straight line

Turnover

Turnover represents the invoiced value of goods sold net of value added tax.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value.

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing work in progress to its present location and condition, including where appropriate, a proportion of production overheads.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

Going concern

The financial statements have been prepared on the going concern basis which assumes its ability to continue in operation for the foreseeable future. The directors are of the opinion that this is the case despite the net liabilities shown at the balance sheet date because they have received assurance of continued financial support from the parent company.

2. TURNOVER

The company derived 99% (1996: 100%) of its turnover from supplying geographical markets within the United Kingdom. Turnover is attributable to substantially the same class of business.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Directors' remuneration for management services	<u>64,016</u>	<u>43,360</u>

The directors of the company provided management services to a number of related parties (see note 14). The directors remuneration noted above represents the amount paid by Life Science Communications Limited in respect of their services to this company only, and charged in these financial statements.



NOTES TO THE ACCOUNTS
Year ended 31 December 1997

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

The average monthly number of persons employed during the year was:

	1997	1996
	No.	No.
Selling and distribution	1	1
Administration	3	3
Editorial	23	22
	<u>27</u>	<u>26</u>
Staff costs during the year	£'000	£'000
Wages and salaries	682,000	641,000
Social security costs	53,196	49,998
	<u>735,196</u>	<u>690,998</u>

Prior to the acquisition by Elsevier Science Limited, staff costs were paid by a related company, Life Science Communications Limited, and recharged to Electronic Press Limited on an agreed basis (see note 14).

No pension costs were incurred by the company during the year.

4. OPERATING LOSS

	1997	1996
	£	£
Operating loss is stated after charging:		
Auditors' remuneration – audit fees	2,000	2,900
Depreciation - owned tangible assets	487,250	477,673
	<u>487,250</u>	<u>477,673</u>

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

The taxation credit based on the results for the year:

	1997	1996
	£	£
Overseas tax suffered at source	-	323
Group relief	(217,352)	(504,216)
	<u>(217,352)</u>	<u>(503,893)</u>

The tax credit represents payments for losses surrendered to other group companies in the period prior to acquisition by Reed Elsevier plc.



NOTES TO THE ACCOUNTS
Year ended 31 December 1997

6. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
As at 1 January 1997	-	2,104,857	-	2,104,857
Additions	101,406	662,760	18,689	782,855
Transfers out	-	(903,773)	-	(903,773)
As at 31 December 1997	101,406	1,863,844	18,689	1,983,939
Depreciation				
As at 1 January 1997	-	1,353,201	-	1,353,201
Charge for the year	4,056	477,135	6,059	487,250
Transfers out	-	(429,742)	-	(429,742)
As at 31 December 1997	4,056	1,400,594	6,059	1,410,709
Net book value				
31 December 1997	97,350	463,250	12,630	573,230
31 December 1996	-	751,656	-	751,656

7. STOCKS

	1997 £	1996 £
Work in progress	-	21,137

8. DEBTORS

	1997 £	1996 £
Trade debtors	55,512	126,067
Amounts owed by group undertakings	71,940	-
Other debtors	4,676	132,974
Prepayments and accrued income	116,773	9,700
	248,901	268,741


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	349	76,251
Trade creditors	43,162	53,485
Amounts owed to group undertakings	4,993,731	4,454,414
Other creditors	207,909	-
Accruals	58,646	11,500
	<u>5,303,797</u>	<u>4,595,650</u>

10. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

11. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1997	(3,555,116)
Loss for the year	<u>(927,550)</u>
At 31 December 1997	<u>(4,482,666)</u>

12. ULTIMATE PARENT COMPANY

The company's ultimate parent and controlling undertaking is Reed Elsevier plc, a company registered in England and Wales and incorporated in Great Britain. Copies of the consolidated financial statements of Reed Elsevier plc may be obtained from its registered office, 25 Victoria Street, London SW1H 0EX. Reed Elsevier plc is jointly owned by Reed International P.L.C. (a company registered in England and Wales) and Elsevier NV (a company incorporated in the Netherlands).

13. CONTINGENT LIABILITIES
Banking facilities

The company is party to omnibus bank guarantees covering banking facilities arising from BACS and similar transactions. As such the company may be liable for transactions by any of its fellow subsidiary companies. At the balance sheet date these facilities were not utilised.

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1997**14. RELATED PARTY TRANSACTIONS**

Prior to the change in ownership, the company had transactions with an undertaking under common control, Life Science Communications Limited. Central service costs were paid by Life Science Communications Limited and recharged to the company on an agreed basis. This relationship continued on the same basis after the change of ownership but ceased at the end of December 1997. The amounts recharged in this way during the year totalled £753,346.

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and has not disclosed details of transactions with other group related parties qualifying as related parties.