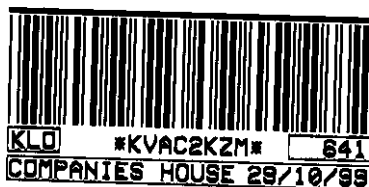




ELECTRONIC PRESS LIMITED

Report and Financial Statements

31 December 1998



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



REPORT AND FINANCIAL STATEMENTS 1998

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Noorman
A F Moon
B Barrett

SECRETARY

Mawlaw Secretaries Limited
20 Blackfriars Lane
London EC4V 6HD

REGISTERED OFFICE

Middlesex House
34-42 Cleveland Street
London W1P 6LB

BANKERS

Lloyds Bank Plc
190 Great Portland Street
London W1A 4LN

Citibank
One Penns Way
New Castle
Delaware
DE 19720
USA

SOLICITORS

Rowe and Maw
20 Blackfriars Lane
London EC4V 6HD

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 1998.

ACTIVITY

The principal activity of the company throughout the year was that of providing computer services.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are disclosed on page 5. The directors do not recommend the payment of a dividend for the year (1997 - nil).

As discussed in note 15, on 31 December 1998, the trade, assets and liabilities of the company were sold for £566,255 to Elsevier Science Limited, the company's immediate parent company. Since 1 January 1999, the company has not traded, and the directors do not intend the company to trade in the foreseeable future.

DIRECTORS

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

C Blake	(Resigned 15 October 1998)
A N Greenwood	(Resigned 28 April 1998)
V Tracz	(Resigned 31 March 1998)
A Witbrock	(Resigned 28 April 1998)
F Verhagen	(Resigned 1 April 1998)
G Noorman	(Appointed 1 April 1998)
A F Moon	(Appointed 1 April 1998)
B Barrett	(Appointed 1 April 1998)

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.

YEAR 2000

The directors have considered the possible effects and uncertainties of the Year 2000, and believe that there will not be a significant adverse effect on the company. The costs associated with this are immaterial.

AUDITORS

Deloitte & Touche 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



B Barrett, Director

27 October 1999

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 5 to 10 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche

Chartered Accountants and
Registered Auditors

29 October 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER	2	149,684	536,580
Cost of sales		<u>(77,272)</u>	<u>(300,201)</u>
GROSS PROFIT		72,412	236,379
Administrative expenses	3	<u>(102,901)</u>	<u>(1,381,281)</u>
OPERATING LOSS	5	(30,489)	(1,144,902)
Interest receivable		85,738	-
Profit on sale of trade and assets	15	<u>64,329</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		119,578	(1,144,902)
Tax credit on profit/(loss) on ordinary activities	6	<u>-</u>	<u>217,352</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO/(FROM) RESERVES	12	<u>119,578</u>	<u>(927,550)</u>

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 discontinued activities.


BALANCE SHEET
31 December 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	-	573,230
CURRENT ASSETS			
Debtors	8	-	248,901
			248,901
CREDITORS: amounts falling due within one year	9	(4,362,088)	(5,303,797)
NET CURRENT LIABILITIES		(4,362,088)	(5,054,896)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,362,088)	(4,481,666)
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	(4,363,088)	(4,482,666)
TOTAL SHAREHOLDERS' DEFICIT		(4,362,088)	(4,481,666)

These financial statements were approved by the Board of Directors on **27 October** 1999.

Signed on behalf of the Board of Directors

B Barrett, Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

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.

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.

Pensions

The Reed Elsevier Pension Scheme, which is a defined benefit scheme, is 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 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.

2. TURNOVER

The company derived 100% (1997: 99%) of its turnover from supplying geographical markets within the United Kingdom. Turnover is attributable to substantially the same class of business.

3. EXCEPTIONAL ITEMS

Included within administrative expenses are £125,000 (1997: nil) exceptional redundancy and reorganisation costs unrelated to the discontinuance of a business segment.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' remuneration for management services	-	64,016

In the current year the directors received no remuneration from the company. The directors were remunerated by other Reed Elsevier plc group companies.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

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

	1998 No.	1997 No.
Selling and distribution	1	1
Administration	6	3
Editorial	23	23
	<u>30</u>	<u>27</u>
Staff costs during the year	£	£
Wages and salaries	247,118	682,000
Social security costs	71,772	53,196
	<u>318,890</u>	<u>735,196</u>

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

5. OPERATING LOSS

	1998 £	1997 £
Operating loss is stated after charging:		
Auditors' remuneration – audit fees	5,000	2,000
Depreciation – owned tangible assets	565,040	487,250
	<u></u>	<u></u>

Electronic Press Limited holds fixed assets for other group companies. The depreciation is charged within Electronic Press Limited and then recharged out to other group companies.

6. TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation credit based on the results for the year:

	1998 £	1997 £
Group relief	-	(217,352)
	<u>-</u>	<u>(217,352)</u>

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

The current year taxation charge is nil due to trading losses carried forward and to group relief received for which no consideration was payable. The exceptional profit on the sale of the company's trade and assets is not taxable as the transfer is to a fellow subsidiary within the capital gains tax group.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
7. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
As at 1 January 1998	101,406	1,863,844	18,689	1,983,939
Additions	-	259,744	-	259,744
Inter group transfers in	-	298,320	-	298,320
Inter group transfers out	(101,406)	(2,421,908)	(18,689)	(2,542,003)
As at 31 December 1998	-	-	-	-
Depreciation				
As at 1 January 1998	4,056	1,400,594	6,059	1,410,709
Charge for the year	12,169	540,241	12,630	565,040
Inter group transfers out	(16,225)	(1,940,835)	(18,689)	(1,975,749)
As at 31 December 1998	-	-	-	-
Net book value				
31 December 1998	-	-	-	-
31 December 1997	97,350	463,250	12,630	573,230

8. DEBTORS

	1998 £	1997 £
Trade debtors	-	55,512
Amounts owed by group undertakings	-	71,940
Other debtors	-	4,676
Prepayments and accrued income	-	116,773
	-	248,901

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	-	349
Trade creditors	-	43,162
Amounts owed to group undertakings	4,362,088	4,993,731
Other creditors	-	207,909
Accruals	-	58,646
	4,362,088	5,303,797

10. PENSIONS AND SIMILAR OBLIGATIONS

The company participates in the Reed Elsevier Pension Scheme. This scheme is of the defined benefit type providing benefits to certain employees within the Reed Elsevier plc group and the assets are held separately from the group's assets.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

From 1 April 1989, on the recommendation of the Group's actuaries, no company contributions have been made to the scheme. A valuation of the Reed Elsevier Pension Scheme was carried out at 5 April 1998. Details of this valuation are contained in the 1998 Report and Accounts of Reed Elsevier plc.

11. CALLED UP SHARE CAPITAL

	1998 £	1997 £
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>

12. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1998	(4,482,666)
Profit for the year	<u>119,578</u>
At 31 December 1998	<u>(4,363,088)</u>

13. 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).

In the opinion of the directors, the immediate parent undertaking and controlling party at 31 December 1998 was Elsevier Science Limited, The Boulevard, Langford Lane, Kidlington, Oxford, OX5 1GB

14. RELATED PARTY TRANSACTIONS

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, as the consolidated financial statements, in which the company is included, are publicly available.

15. TRADE AND ASSET TRANSFER

On 31 December 1998, the trade, assets and liabilities of the company were sold for £566,255, which approximates fair value, to Elsevier Science Limited, its immediate parent company. Since 1 January 1999, the company has not traded and the directors do not intend the company to trade in the foreseeable future.