

1982084

Elsevier Science Limited

Directors and Advisors

Directors

C Blake
H Spruijt
F Verhagen
F Visscher

Secretary

Mawlaw Secretaries Limited
20 Black Friars Lane
London
EC4V 6HD

Registered Office

The Boulevard
Langford Lane
Kidlington
Oxford
OX5 1GB

Auditors

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

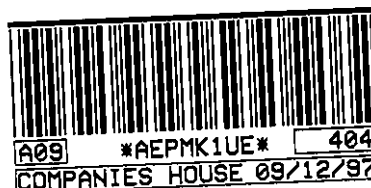
Solicitors

Rowe & Maw
20 Black Friars Lane
London
EC4V 6HD

Bankers

National Westminster Bank Plc
21 Lombard Street
London
EC3P 3AR

Citibank
PO Box 7247 - 7093
Philadelphia
PA 19170 - 7093



*Reports and financial statements
for the year ended 31 December 1996*

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Elsevier Science Limited

Report of the directors for the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The Company is a leading publisher of English Language journals for academic and industrial research workers and professionals in scientific, technical and medical ("STM") fields. These journals cover three main disciplines; life and medical sciences; physical and engineering sciences; and social and behavioural sciences, including economics. A number of journals are published on behalf of learned societies. The Company also publishes a number of books and reference works, covering such subjects as medicine, chemistry, material science and information technology.

Review of business

The Company has maintained its position as one of the world's leading publishers of research, review and abstract journals, as well as of books and reference works, of academic and industrial research works and works of professionals in science, technology and medicine.

The journals are the core of the Company's activities and their reputation is sustained by rigorous attention to their scientific quality including the adaptation of existing journal titles to reflect developments and changes in the relevant scientific area.

The Company acquired the Excerpta Medica Programme from Reed Business Information Limited (formerly Reed Business Publishing Limited), a fellow subsidiary of Reed Elsevier Plc, on 1 January 1996.

On 4 March 1996, the Fulfilment of the Group Book Programmes was centralised in Elsevier Science Limited. This was followed by the centralisation of the Fulfilment of the Group Journal Programmes on 29 July 1996 also in Elsevier Science Limited.

On 31 December 1996, the Company sold the Electronic Market Research Programme to Reed Business Information Limited (formerly Reed Business Publishing Limited), a fellow subsidiary of Reed Elsevier Plc, for £778,882.

On 17 March 1997, Elsevier Science Limited commenced to fulfil the Group miscellaneous products.

The Company's ultimate parent undertaking is Reed Elsevier plc.

Dividends

The profit for the year, after taxation, amounted to £44,334,000 (year to 31 December 1995: profit of £42,394,000). A dividend of £50,000,000 was declared and paid in the year to 31 December 1996 (year to December 1995 £Nil).

Elsevier Science Limited

Report of the directors for the year ended 31 December 1996

Directors

The directors of the Company who served during the period were:

M G Boswood (Resigned 19 September 1996)

H Spruijt

P T Shepherd (Resigned 20 June 1996)

F Verhagen

F Visscher (Appointed 19 September 1996)

C Blake was appointed on 1 April 1997

Directors' interests

No directors were interested at any time in the year in the share capital of the Company or any other group company.

Employee participation

Employees are encouraged to become aware of the financial and economic factors which affect the Company and its ability to compete in the marketplace. The individual contributions of staff are recognised as being essential to the future success of the business.

The Reed Elsevier plc SAYE Share Option Scheme allows employees to participate in the future prosperity of the Company.

Disabled persons

The Company's policy is to recruit and continue to employ disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities exist for each disabled person.

Creditor payment policy

The Company agrees payment terms with each of its major suppliers and abides by these terms, subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice.

*Report of the directors
for the year ended 31 December 1996*

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 period. 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;
- State whether applicable accounting standards have been followed;
- 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.

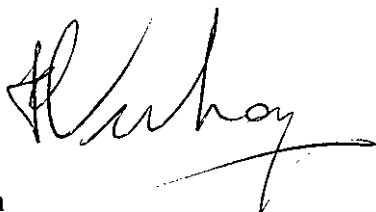
Financial statements

The Company has elected not to lay the financial statements and reports before the Annual General Meeting.

Auditors

The Company has passed an elective resolution pursuant to Section 386 of the Companies Act 1985 dispensing with the requirement to appoint auditors annually. Deloitte & Touche are accordingly deemed to continue in office as auditors.

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



**F. Verhagen
Director**

21/7/97

***Report of the auditors to the members of
Elsevier Science Limited***

We have audited the financial statements on pages 5 to 21 which have been prepared under the accounting policies set out on pages 7 to 9.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

**Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR**

24 July 1997

*Profit and loss account
for the year ended 31 December 1996*

| | Notes | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|--|-------|------------------------------------|------------------------------------|
| Turnover | 2 | 139,891 | 129,659 |
| Cost of sales | | (36,903) | (35,993) |
| Gross profit | | 102,988 | 93,666 |
| Other operating income and expenses | 3 | (37,717) | (34,492) |
| Operating profit | | 65,271 | 59,174 |
| Interest receivable and similar income | 6 | 1,524 | 398 |
| Interest payable and similar charges | 7 | (1,130) | (951) |
| Profit on ordinary activities before taxation | 8 | 65,665 | 58,621 |
| Tax on profit on ordinary activities | 9 | (21,331) | (16,227) |
| Profit on ordinary activities after taxation | | 44,334 | 42,394 |
| Dividends | | (50,000) | — |
| Retained (loss)/profit for the year | 19 | (5,666) | 42,394 |

All activities derive from continuing operations.

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

Elsevier Science Limited

| Balance sheet at 31 December 1996 | Notes | 31.12.96 £'000 | 31.12.95 £'000 |
|--|--------------|---------------------------|---------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 153,855 | 153,817 |
| Tangible assets | 11 | 24,964 | 24,919 |
| | | <hr/> | <hr/> |
| | | 178,819 | 178,736 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Stocks | 12 | 2,871 | 2,083 |
| Debtors | 13 | 108,736 | 66,538 |
| Cash at bank and in hand | | 100 | 11,096 |
| | | <hr/> | <hr/> |
| | | 111,707 | 79,717 |
| Creditors: amounts falling due within one year | 14 | (164,799) | (124,731) |
| | | <hr/> | <hr/> |
| Net current liabilities | | (53,092) | (45,014) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 125,727 | 133,722 |
| Creditors: amounts falling due after more than one year | 14 | (10,500) | (10,500) |
| Provisions for liabilities and charges | 15 | - | (1,015) |
| | | <hr/> | <hr/> |
| Net assets | | 115,227 | 122,207 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called-up share capital | 18 | 1,150 | 1,150 |
| Share premium account | 19 | 59,050 | 59,050 |
| Goodwill reserve | 19 | (20,670) | (19,356) |
| Profit and loss account | 19 | 75,697 | 81,363 |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | 20 | 115,227 | 122,207 |
| | | <hr/> | <hr/> |

The financial statements on pages 5 to 21 were approved by the board of directors on 21/7/97 and were signed on its behalf by:

F. Verhagen - Director


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*Notes to the financial statements
for the year ended 31 December 1996*

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Intangible fixed assets

Acquired publishing rights and titles are stated at external cost and are carried forward in the balance sheet. The development cost of internally developed titles is written off to the profit and loss account when incurred.

In the opinion of the directors, the residual value of these assets at current prices at least equals cost. Accordingly, no amortisation charge is made. The residual value of each title is subject to annual review and any permanent diminution in value is charged to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Cost

The cost of all tangible fixed assets includes purchase cost together with any incidental expenses of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|----------------------------------|----|
| Plant and machinery | 20 |
| Fixtures, fittings and equipment | |
| - office machinery and equipment | 20 |
| - computer equipment | 25 |
| - software | 33 |
| Motor vehicles | 25 |
| Freehold buildings | 2½ |

Freehold land is not depreciated

*Notes to the financial statements
for the year ended 31 December 1996*

Acquisitions and disposals

On the acquisition of a business, fair values are attributed to the net tangible assets acquired. When the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost consists of direct material and labour costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of sale or, where appropriate, the cost of conversion from existing state to a finished condition.

Foreign currencies

Subscriptions received in advance in foreign currencies are translated at the forward contract rate.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date unless the transaction is covered by a forward contract in which case the contract rate is used. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the time of the transaction unless the transaction is covered by a forward contract in which case the contract rate is used. Any resultant gain or loss on exchange is included in profit or loss from ordinary activities.

Turnover

Turnover, which excludes value added tax, represents the value of goods and services supplied.

Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Pension costs

Pension costs, which are assessed in accordance with the advice of qualified actuaries, are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular cost are spread over the expected remaining working lifetime of members of the scheme after making suitable allowance for future withdrawals.

*Notes to the financial statements
for the year ended 31 December 1996*

Operating leases

Rentals under operating leases are charged to the profit and loss account in equal annual instalments over the term of the lease.

2. Turnover

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|--------------------------|------------------------------------|------------------------------------|
| Geographical area | | |
| United Kingdom | 18,395 | 17,043 |
| Continental Europe | 40,268 | 35,424 |
| USA and Canada | 50,910 | 45,946 |
| Rest of the World | 30,318 | 31,246 |
| | <u>139,891</u> | <u>129,659</u> |

All turnover relates to one class of business.

3. Other operating income and expenses

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|------------------------------|------------------------------------|------------------------------------|
| Distribution costs | 6,263 | 5,059 |
| Administrative expenses | 32,251 | 29,187 |
| Exchange loss | 299 | 903 |
| | <u>38,813</u> | <u>35,149</u> |
| Less: Other operating income | (1,096) | (657) |
| | <u>37,717</u> | <u>34,492</u> |

Other operating income includes a profit of £778,882 arising from the sale of the Electronic Market Research Programme to Reed Business Information Limited (formerly Reed Business Publishing Limited), a fellow subsidiary of Reed Elsevier plc. The results of this programme were immaterial and therefore not disclosed separately.

*Notes to the financial statements
for the year ended 31 December 1996*

4. Directors' emoluments

The remuneration paid to the directors of Elsevier Science Limited was:

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|---|--|--|
| Other emoluments (including pension contributions and benefits in kind) | 486 | 340 |
| Compensation for loss of office | 230 | - |
| | <hr/> | <hr/> |
| | 716 | 340 |
| | <hr/> | <hr/> |

Fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|---------------------------|--|--|
| The Chairman | - | - |
| | <hr/> | <hr/> |
| The highest-paid director | 370 | 148 |
| | <hr/> | <hr/> |

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contribution and compensation for loss of office) in the following ranges was:

| | Year ended 31.12.96 Number | Year ended 31.12.95 Number |
|----------------------|---|---|
| £0 to £5,000 | 1 | 2 |
| £5,001 to £10,000 | 1 | - |
| £30,001 to £35,000 | 1 | 1 |
| £55,001 to £60,000 | - | 1 |
| £70,001 to £75,000 | 1 | - |
| £80,001 to £85,000 | - | 1 |
| £140,001 to £145,000 | 1 | - |
| £145,001 to £150,000 | - | 1 |

*Notes to the financial statements
for the year ended 31 December 1996*

4. Directors' emoluments (continued)

The chairman is remunerated by other Reed Elsevier plc group companies for his services to the group. No emoluments have been charged against the Company's profits in respect of these services.

5. Employee information

The average weekly number of persons (including executive directors) employed during the year was:

| | Year ended 31.12.96 Number | Year ended 31.12.95 Number |
|---|-------------------------------------|-------------------------------------|
| By area | | |
| Production | 187 | 189 |
| Selling and distribution | 167 | 151 |
| Administration | 446 | 458 |
| | <hr/> | <hr/> |
| | 800 | 798 |
| | <hr/> | <hr/> |
| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
| Staff costs (for the above persons): | | |
| Wages and salaries | 15,924 | 14,622 |
| Social security costs | 1,332 | 1,305 |
| Other pension costs | 81 | 107 |
| | <hr/> | <hr/> |
| | 17,337 | 16,034 |
| | <hr/> | <hr/> |

6. Interest receivable and similar income

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|--|------------------------------------|------------------------------------|
| Interest receivable from: | | |
| Fellow associate undertakings | 422 | 362 |
| Fellow subsidiary undertakings | 1,098 | - |
| Other interest receivable and similar income | 4 | 36 |
| | <hr/> | <hr/> |
| | 1,524 | 398 |
| | <hr/> | <hr/> |

*Notes to the financial statements
for the year ended 31 December 1996*

7. Interest payable and similar charges

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|--|------------------------------------|------------------------------------|
| Interest payable to: | | |
| Fellow associate undertakings | 1,130 | 947 |
| Other interest payable and similar charges | - | 4 |
| | <hr/> | <hr/> |
| | 1,130 | 951 |
| | <hr/> | <hr/> |

8. Profit on ordinary activities before taxation

| Profit on ordinary activities before taxation is stated after charging/(crediting): | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|--|------------------------------------|------------------------------------|
| Depreciation of tangible owned fixed assets | 3,032 | 2,604 |
| Auditors' remuneration for audit services | 39 | 27 |
| Profit on disposal of fixed assets | (3) | (61) |
| Payments under operating leases | | |
| - plant and machinery | 53 | 68 |
| - buildings | 579 | 517 |
| | <hr/> | <hr/> |

Remuneration of the auditors for the provision of non-audit services to the Company was £15,000 (1995: £64,000.)

*Notes to the financial statements
for the year ended 31 December 1996*

9. Tax on profit on ordinary activities

| | Year ended 31.12.96 £'000 | Year ended 31.12.95 £'000 |
|---|------------------------------------|------------------------------------|
| United Kingdom corporation tax: | | |
| Charge for group relief | | |
| Current at 33 % (1995: 33%) | 20,865 | 15,594 |
| Deferred | 466 | 843 |
| | <hr/> | <hr/> |
| | 21,331 | 16,437 |
| Adjustments arising in respect of prior years: | | |
| Corporation tax | - | (210) |
| | <hr/> | <hr/> |
| | 21,331 | 16,227 |
| | <hr/> <hr/> | <hr/> <hr/> |

10. Intangible fixed assets

| | Publishing rights and titles £'000 |
|--------------------------|---|
| Cost at 1 January 1996 | 153,817 |
| Additions in the year | 38 |
| | <hr/> |
| Cost at 31 December 1996 | 153,855 |
| | <hr/> <hr/> |

*Notes to the financial statements
for the year ended 31 December 1996*

11. Tangible fixed assets

| | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Motor vehicles £'000 | Freehold land & buildings £'000 | Total £'000 |
|------------------------------------|------------------------------------|---|----------------------------|--|----------------|
| Cost | | | | | |
| At 1 January 1996 | 572 | 15,001 | 1,503 | 20,061 | 37,137 |
| Additions | 4 | 2,702 | 293 | 114 | 3,113 |
| Disposals | - | (373) | (250) | - | (623) |
| Intercompany Transfers | - | 118 | 67 | - | 185 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1996 | 576 | 17,448 | 1,613 | 20,175 | 39,812 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | | |
| At 1 January 1996 | 383 | 10,107 | 895 | 833 | 12,218 |
| Charge for year | 31 | 2,225 | 315 | 461 | 3,032 |
| Eliminated in respect of disposals | - | (258) | (229) | - | (487) |
| Intercompany Transfers | - | 42 | 43 | - | 85 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1996 | 414 | 12,116 | 1,024 | 1,294 | 14,848 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | | |
| At 31 December 1996 | 162 | 5,332 | 589 | 18,881 | 24,964 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 1995 | 189 | 4,894 | 608 | 19,228 | 24,919 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The cost of the freehold land which is not depreciated is £2,011,912 (1995 : £2,011,912).

*Notes to the financial statements
for the year ended 31 December 1996*

12. Stocks

| | 31.12.96 | 31.12.95 |
|-------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Raw materials | 563 | 525 |
| Work in progress | 1,039 | 427 |
| Finished goods and goods for resale | 1,269 | 1,131 |
| | <hr/> | <hr/> |
| | 2,871 | 2,083 |
| | <hr/> | <hr/> |

The directors do not consider that the replacement cost of stocks is materially different from cost.

13. Debtors

| | 31.12.96 | 31.12.95 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade debtors | 28,069 | 6,498 |
| Amounts owed by Reed Elsevier plc group companies | 69,488 | 49,873 |
| Amounts owed by fellow subsidiary undertakings | 3,671 | 6,961 |
| VAT recoverable | 5,097 | 977 |
| Other debtors | 729 | 88 |
| Prepayments and accrued income | 1,618 | 1,611 |
| Deferred taxation (note 16) | 64 | 530 |
| | <hr/> | <hr/> |
| | 108,736 | 66,538 |
| | <hr/> | <hr/> |

*Notes to the financial statements
for the year ended 31 December 1996***14. Creditors**

| | 31.12.96 | 31.12.95 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Amounts falling due within one year | | |
| Bank loans and overdrafts | 4,353 | 4,933 |
| Trade creditors | 2,127 | 2,355 |
| Amounts owed to Reed Elsevier plc group companies | 36,037 | 6,427 |
| Corporation tax | 20,380 | 13,409 |
| Other taxation and social security payable | 510 | 485 |
| Other creditors | 174 | 134 |
| Accruals | 18,473 | 13,869 |
| Subscriptions received in advance | 82,745 | 83,119 |
| | <hr/> | <hr/> |
| | 164,799 | 124,731 |
| | <hr/> | <hr/> |
| Amounts falling due after more than one year | | |
| Amounts owed to fellow associate undertakings | | |
| Repayable between two and five years | 1,050 | 525 |
| Repayable after five years | 9,450 | 9,975 |
| | <hr/> | <hr/> |
| | 10,500 | 10,500 |
| | <hr/> | <hr/> |

The loan is repayable in forty equal instalments, thirty-six of which are due after five years. The loan is secured on the freehold office premises of the Company and bears interest at 2% above the Treasury gilt rate.

15. Provisions for liabilities and charges

| | £'000 |
|----------------------------|--------------|
| At 1 January 1996 | 1,015 |
| Utilised during the year | (1,015) |
| | <hr/> |
| At 31 December 1996 | Nil |
| | <hr/> |

The provision related to reorganisation costs.

*Notes to the financial statements
for the year ended 31 December 1996*

16. Deferred taxation

Deferred taxation provided in the financial statements, and the total potential asset including the amounts for which provision has been made, are as follows:

| | Amount provided | | Total potential asset | |
|--|-------------------|-------------------|-----------------------|-------------------|
| | 31.12.96 £'000 | 31.12.95 £'000 | 31.12.96 £'000 | 31.12.95 £'000 |
| Tax effect of timing differences arising from: Excess of tax allowances over depreciation | (472) | (596) | (472) | (596) |
| Other | 536 | 1,126 | 536 | 1,126 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 64 | 530 | 64 | 530 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The movements on the deferred tax asset during the year were as follows:

| | |
|---------------------------------------|-------|
| | £'000 |
| At 1 January 1996 | 530 |
| Transfer from profit and loss account | (466) |
| | <hr/> |
| At 31 December 1996 | 64 |
| | <hr/> |

17. Pension 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.

The total pension cost for the Company was £81,000 (1995 - £107,000). 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 as at 5 April 1994. Details of this valuation are contained in the 1996 Report and Accounts of Reed Elsevier plc.

*Notes to the financial statements
for the year ended 31 December 1996*

18. Called up share capital

| | 31.12.96 £'000 | 31.12.95 £'000 |
|--|-------------------|-------------------|
| Authorised, allotted, called up and fully paid | | |
| 1,150,002 (1995: 1,150,002) ordinary shares of £1 each | 1,150 | 1,150 |
| | <hr/> | <hr/> |

19. Reserves

| | Share premium account £'000 | Goodwill reserve £'000 | Profit and loss account £'000 |
|----------------------------|-----------------------------------|------------------------------|-------------------------------------|
| At 31 December 1995 | 59,050 | (19,356) | 81,363 |
| Retained loss for the year | - | - | (5,666) |
| Goodwill written off | - | (1,314) | - |
| At 31 December 1996 | <hr/> 59,050 <hr/> | <hr/> (20,670) <hr/> | <hr/> 75,697 <hr/> |

The goodwill written off results from the acquisition of the Excerpta Medica Programme from Reed Business Information Limited (formerly Reed Business Publishing Limited), a fellow subsidiary of Reed Elsevier Plc.

| | |
|--|---------|
| | £'000 |
| Fair value of net liabilities acquired | (1,314) |
| Consideration | - |
| | <hr/> |
| Goodwill written off | (1,314) |
| | <hr/> |

The results of the acquired Programme have not been separately disclosed as they are immaterial.

*Notes to the financial statements
for the year ended 31 December 1996*

20. Reconciliation of movements in shareholders' funds

| | 31.12.96 | 31.12.95 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Profit for the year | 44,334 | 42,394 |
| Dividends | (50,000) | - |
| | <hr/> | <hr/> |
| | (5,666) | 42,394 |
| Goodwill written off | (1,314) | - |
| | <hr/> | <hr/> |
| Net (reduction in)/ addition to shareholders' funds | (6,980) | 42,394 |
| Opening shareholders' funds | 122,207 | 79,813 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>115,227</u> | <u>122,207</u> |

*Notes to the financial statements
for the year ended 31 December 1996*

21. Capital commitments

| | 31.12.96 | 31.12.95 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Capital expenditure that has been contracted for but has not been provided in the financial statements | Nil | 50 |
| | ===== | ===== |

22. Commitments under operating leases

At 31 December 1996 the Company had annual commitments under operating leases as follows:

| | Land and buildings | Land and buildings |
|---|---------------------------|---------------------------|
| | 31.12.96 | 31.12.95 |
| | £'000 | £'000 |
| Expiring between two and five years inclusive | 213 | 122 |
| Expiring after five years | 472 | 486 |
| | ----- | ----- |
| | 685 | 608 |
| | ===== | ===== |

Elsevier Science Limited

Notes to the financial statements for the year ended 31 December 1996

23. *Post balance sheet events*

On 17 March 1997, the fulfilment of the Group miscellaneous products was centralised in Elsevier Science Ltd.

24. *Ultimate parent undertaking*

The Company's ultimate parent undertaking and ultimate controlling party is Reed Elsevier plc. Copies of the consolidated accounts of Reed Elsevier plc may be obtained from its registered office at Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS. Reed Elsevier plc is jointly owned by Reed International plc (a company registered in England and Wales) and Elsevier NV (a company incorporated in the Netherlands).

25. *Related party information*

The Company has taken advantage of the exemption granted under paragraph 3 (c) of FRS 8 and not disclosed details of transactions with other Group Companies qualifying as related parties as it is a wholly-owned subsidiary of Reed Elsevier plc.