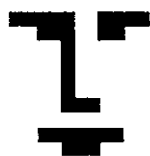
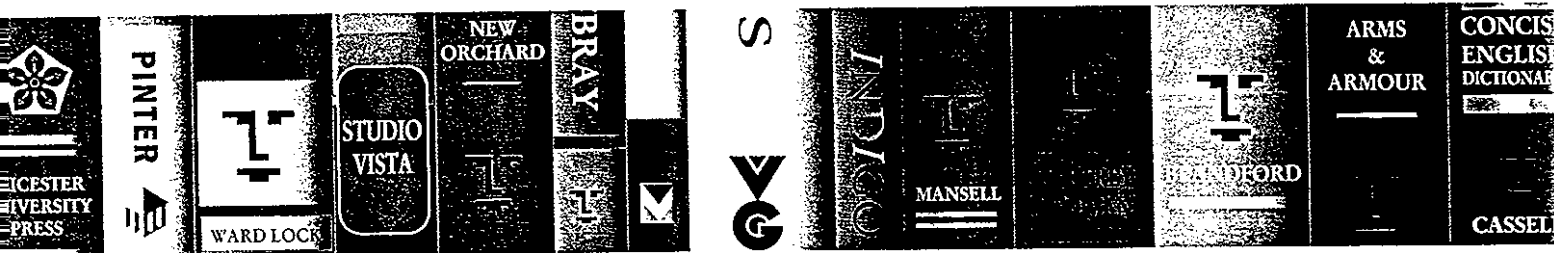


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CASSELL PLC



ANNUAL REPORT AND ACCOUNTS  
1996



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COMPANIES HOUSE 29/05/97

## Company Profile

**Cassell is a long established book publisher with a portfolio of prestigious imprints, each serving its own distinctive market.**

### **The group's titles include:**

- dictionaries and language reference books synonymous with the Cassell name;
- specialist, professional and academic books;
- general non-fiction books; and
- fiction in both hardback and paperback.

Founded by John Cassell in 1848, the present group was relaunched following the management buy-in in 1986 led by the current chairman and chief executive, Philip Sturrock. The group came to the London stock market in June 1994 with the objective of reorganising the share capital and raising the group's profile. The group has major ambitions to become a significant international publisher in both general consumer and academic and specialist publishing. To achieve these growth objectives, the Board outlined a five point corporate strategy prior to the group's flotation which has guided the group's development since that date.

- search for appropriate acquisitions;
- organic growth from existing imprints;
- development of mass market paperback publishing - two new imprints, Indigo and Vista were successfully launched in the first half of 1996;
- growth in overseas sales, particularly in the USA;
- selective development of electronic publishing - a CD-ROM of the new *Cassell Concise English Dictionary* will be published in the summer of 1997.

CASELL • ARMS AND ARMOUR • BLANDFORD • GEOFFREY CHAPMAN • VICTOR GOLLANCZ • INDIGO • LEICESTER UNIVERSITY PRESS  
MANSELL • MOWBRAY • NEW ORCHARD EDITIONS • PINTER • STUDIO VISTA • VISTA • WARD LOCK

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## Financial Highlights

	1996 £000	1995 £000
<b>Results</b>		
<b>Turnover</b>		
before exceptional items	24,434	22,276
exceptional items	-	920
	<u>24,434</u>	<u>23,196</u>
<b>Operating profit /(loss)</b>		
before exceptional items	1,149	(43)
including exceptional items	1,022	1,001
<b>Profit before taxation</b>	<u>712</u>	<u>736</u>
<b>Shareholders' funds</b>	<u>9,797</u>	<u>9,632</u>
<b>Key ratios</b>		
Return on shareholders' funds*	10.4%	10.4%
<b>Earnings /(loss) per share</b>		
before exceptional items	10.3p	(5.3p)
including exceptional items	8.6p	8.9p
<b>Dividends per share</b>	4.5p	4.5p
<b>Net assets per share</b>	£1.33	£1.31

\*Calculated as profit before interest and tax divided by shareholders' funds.



# Chairman's Statement

I have pleasure in presenting, on behalf of the Board, the Annual Report and Accounts for Cassell plc for the year ended 31 December 1996.

## Results

1996 was a very successful year for the company. Excluding exceptional items, we raised sales by almost 10% to £24.4 million and converted a small operating loss of £43,000 in 1995 to an operating profit of £1.15 million in 1996.

Increased sales, sustained margins and an overhead reduction programme enabled us to achieve a pre-tax profit of £712,000. Gross margins (excluding exceptionals) were maintained at 1995 levels despite discount pressures from leading UK retailers and wholesalers. In 1995, the pre-tax profit of £736,000 benefited from two major exceptional credits totalling over £1 million in respect of the Mrs Beeton sublicence deal and income from office relocation. In contrast, the 1996 pre-tax profit derives entirely from the improved performance of our core business and includes an exceptional charge of £127,000 relating to staff reorganisation.



Philip Sturrock, Chairman and Chief Executive

## Divisional Performance

The company operates in two divisions; general publishing and academic and religious. I am particularly pleased with sales growth in the general division which increased by £1.9 million over 1995 to £18.9 million, excluding exceptional turnover. This good performance was partly due to the launch of our two new paperback imprints, Indigo and Vista. *High Fidelity* by Nick Hornby led the launch of Indigo and has been in the top ten of the paperback fiction

charts for 48 weeks. Sales from our other new publications have been strong with *The Concise Mrs Beeton's Book of Cookery*, *Le Cordon Bleu Complete Cooking Techniques* and the paperback edition of *Brewer's Dictionary of Phrase and Fable* turning in good figures.

*Hogfather*, by Terry Pratchett, topped the hardback fiction charts and in autumn 1997 we shall publish *Jingo*, the 21st Discworld novel. From 1998, our Victor Gollancz imprint will no longer publish new hardback Discworld novels although we will continue to publish other related Pratchett titles and the extensive Discworld backlist. The directors are confident that the wealth of new talent among our authors and the careful redirection of resources towards other projects will underpin the continued, broadly based growth of our general publishing.

Our academic and religious division sales were up by 4.4% in 1996. A very good performance in the USA, a specific target market, was the major contributor to the division's sales and profit performance. At the close of the year, we published the TV tie-in religious series for children, *The Storykeepers*, and we expect good growth from this series in 1997.

## Children's List

On 7 April 1997 we agreed the sale of the Victor Gollancz children's list to the Penguin group for £870,000 in cash. This consideration is conditional on various consents. As a small part of the company (the list had a turnover in 1996 of £885,000) we had either to expand it significantly or to realise the value of the asset. Given the scale of our ambitions in academic publishing and our success in adult general publishing, we decided that a deal with Penguin would release resources for other areas and provide our authors with a well respected publishing home.

## Dividend

The Board is pleased to announce an unchanged final dividend of 3p per share. It will be payable on 2 June 1997 to shareholders on the Register on 18 April 1997 and will bring the total for the year to 4.5p (1995: 4.5p).

## Staff

The Board is very grateful to all members of staff for their contribution to the group's achievements in 1996. Liz Knights, the publishing director of Victor Gollancz, who died in November 1996, has a particular and fond place in our memories. She was an inspired publisher who was much loved and respected by authors and colleagues alike. It is fitting that her talents were publicly recognised by the book trade when she was posthumously voted Editor of the Year at the British Book Awards in February 1997. The strong team she built has recently been enhanced by external recruitment.

## Strategy

The group continues to pursue its five point corporate strategy. We aim to add growth through well chosen acquisitions. In addition we intend to pursue organic growth, continuing the improving sales trend of 1996 and concentrating on higher margin lines and operational efficiencies. We are delighted with the success of our paperback launches, Indigo and Vista, and were especially pleased that Indigo was shortlisted for Newcomer of the Year at the British Book Awards in February. These new imprints enable us to increase sales of our existing titles and add new authors to the group. We will continue to focus on developing overseas sales, particularly in the USA. International sales formed 37% of total sales in 1996. We will extend our electronic publishing with a CD ROM version of our latest edition of the *Cassell Concise English Dictionary* and plan a *Liturgy Disk* in 1997 to help parishes produce appropriate aids for worship.

## Prospects

We are committed to delivering enhanced value to our shareholders through performance improvement and by strengthening the group's balance sheet. With a strong publishing programme and sales operation, we intend to take full advantage of the greater flexibility that the post Net Book Agreement market provides. *The Lost Gardens of Heligan* has reached number one in the hardback non-fiction charts. The film of *Fever Pitch* has already brought that title back into the non-fiction paperback top ten. Our business is highly seasonal with the last quarter of the year being critical to success. Nonetheless, it is pleasing to report an encouraging start to 1997 with sales and margins ahead of last year. The Board looks forward to continuing progress in 1997.

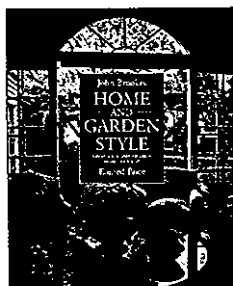


Philip Sturrock  
Chairman and Chief Executive  
8 April 1997



## Operating and Financial Review – 1996 General Division

Total divisional sales grew to £18.9 million in 1996 from £17.0 million in 1995 (excluding exceptional turnover) – an increase of 11.2%. It is a measure of our success and signs of recovery in the UK market that our UK turnover grew by 17.9%.



The division comprises a number of imprints. Victor Gollancz is the highest profile and has continued to achieve strong growth. In particular, the paperback edition of Nick Hornby's *High Fidelity* has been top of the paperback fiction charts for a number of weeks and has been in the top 10 for 48 weeks since publication in April 1996. Nick Hornby's earlier title, *Fever Pitch*, formed the basis of a film of the same name which went into general release in early April 1997. We anticipate sales of both *Fever Pitch* and *High Fidelity* will benefit from the film's release.

*Hogfather*, the 20th Discworld novel was published in autumn 1996 and topped the hardback fiction charts. In autumn 1997, we will publish *Jingo* from Terry Pratchett but from 1998, Victor Gollancz will no longer publish Discworld hardbacks.



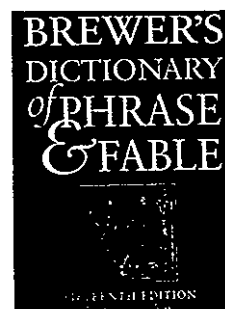
We will, however, continue to publish the extensive Discworld backlist and other related Pratchett titles, such as *The Pratchett Portfolio* (a collection of drawings relating

to the Discworld) and *The Discworld Companion* which we have published in both hardback and paperback. A 1998 *Discworld Diary* is planned for the autumn of this year.

Indigo and Vista, our two new paperback imprints, were launched in April and May respectively. By the end of the year there were 41 titles on the Indigo list and 63 on Vista. Initially, the titles were mainly drawn from hardbacks in the Gollancz list but we have significant growth planned for these two imprints as other parts of the group contribute to the programme and we publish some new titles as Indigo or Vista originals.



The Cassell and Ward Lock imprints publish illustrated non-fiction for the domestic leisure market. Two cookery books stand out in 1996 – *Le Cordon Bleu Complete Cooking Techniques* and *The Concise Mrs Beeton's Book of Cookery*. Both sold well in the Christmas season. We intend to build supermarket sales of the Mrs Beeton list and *Mrs Beeton's Best of British* is due for release for Christmas 1997. *Brewer's Dictionary of Phrase and Fable* (15th edition) in paperback and *Poems on the Underground* performed well. Interior and garden design are strong features of the Ward Lock list and *Creative Interior Design* and *Home and Garden Style* were representative successes. Publishing in this area is getting more difficult given the narrowing of range by major bookshops. We

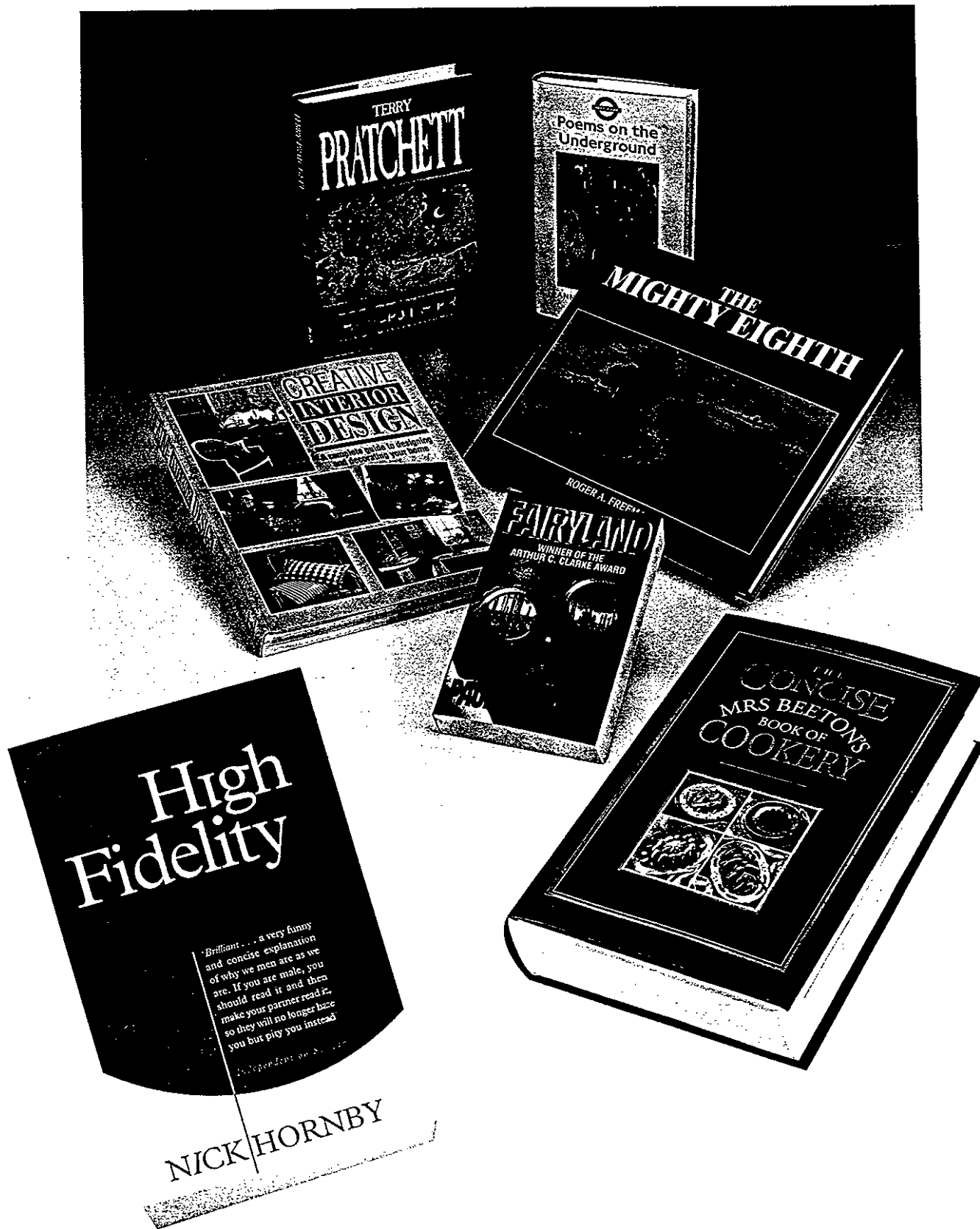


will therefore concentrate on fewer titles where we can spread the initial cost of producing high quality products over longer production runs. Our paperback gardening encyclopedia and the *Oxfam Fair Trades Cookbook* are examples of this policy as is the publication of the latest edition of the *Cassell Concise English Dictionary*, with CD ROM version planned for July 1997.

The Blandford imprint covers natural history and the popular cult of Celtic subjects from artwork to myth and legend. *Vanishing Arctic* published by Blandford was a fast seller – we are already bringing out a paperback edition.

Arms & Armour Press has a leading place in military publishing. Its main focus is historical, with a particular strength in Napoleonic studies and coverage from medieval battle to the Gulf War. *The Mighty Eighth in Art* is the latest in a series of titles about the US Airforce based in East Anglia in the Second World War.

The key tasks for 1997 are to continue the growth of the paperback list, to develop our up and coming authors in the Gollancz list, to increase our share of the English dictionary market and to sharpen our focus on volume sales of illustrated non-fiction.



## The Academic and Religious Division

In 1996 the division achieved 4.4% sales growth. The overall figure includes an excellent performance in the Scholarly and Reference sector and a good growth rate in the USA, our key international market.



The division's largest publishing sector, Scholarly and Reference, increased sales by 20% (1996: £1.9 million; 1995: £1.58 million). The Pinter and Leicester University Press lists performed particularly strongly. The publishing programme for these imprints has been revitalised since their acquisition at the beginning of 1995 and this has created a strong base

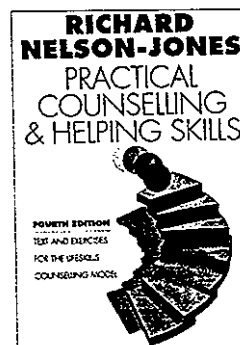
for further growth, particularly in international relations, history, cultural studies and linguistics. International sales benefited from our improvements in our distribution and marketing operations in the US and other major overseas markets. 1996 also saw an increase in the sector's commissioning in the US. With improved distribution now in place, we intend to continue to increase our commissioning activity in the US market. Also within this sector, Mansell continues to publish scholarly and professional reference books of exceptional value. In 1997 we will publish the bibliography for the forthcoming multi-volume and definitive *Encyclopedia of Popular Music of the World*.

The Professional sector, publishing Education, Counselling and Business titles achieved modest overall growth of 8%, with sales in the year of £1.63 million (1995: £1.55 million). The new editions of major texts published in 1995 continued to sell strongly in 1996, while towards the end of 1996 we published another major new edition, the fourth, of Nelson-Jones' *Practical*

*Counselling and Helping Skills* and a third edition of Pollard's very influential *Reflective Teaching in the Primary School*. These titles will continue to contribute strongly in 1997, alongside a new volume, *Reflective Teaching in the Secondary School*, forming part of a strong list in education and counselling. Other new initiatives included two major multi-volume works, *Educational Dilemmas* and *Education and Development* in which major international scholars address key contemporary issues.

There were new series in counselling and in practical business management, while in the hospitality list an important new basic text, *Hospitality and Catering*, should contribute strongly to sales in the next few years.

The Religious sector consists of the Anglican-orientated Mowbray imprint and the Roman Catholic Geoffrey Chapman list, together with an increasing number of non-denominational Christian titles under the Cassell imprint. The sector recorded a slight decline in sales from £1.28 million in 1995 to £1.17 million in 1996. Mowbray performed well, with *Celebrating Common Prayer*, the Franciscan daily office, continuing to sell strongly, while the biography of the controversial Bishop of Southwark, Mervyn Stockwood, achieved both critical and commercial success. Geoffrey Chapman continued to exploit its backlist effectively but failed to achieve any exceptional new title performance within the year. The

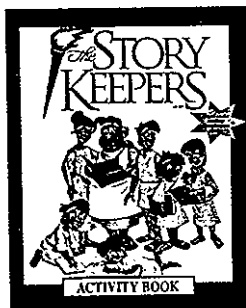


animated cartoon series, *The Storykeepers*, upon which our book series of the same name is based, did not begin national transmission on the independent television network until the end of December and we are now beginning to see increased book sales. In 1997 we will be continuing our joint ventures with *The Times* and publishing *The Times Best Prayers* alongside our continuing series *The Times Best Sermons*. Mowbray will also be publishing the new *Revised Common Lectionary* and, for Christmas, David Edward's magnum opus, *The First 2000 Years, a History of Christianity*.



The Contemporary Studies sector focuses on cultural and political titles which not only have academic credentials but also an appeal beyond the academic community. Highlights of 1996 included *This Prison Where I Live*, published in association with International PEN. Its foreword by the late Joseph Brodsky was his last work and contributed to the title's exceptional performance in the US. Other titles in this sector have suffered from the unprecedented level of trade returns experienced in the US general book market during 1996. This contributed to a disappointing sales performance of £848,000 (1995: £895,000). Highlights for 1997 include an important new core text, *Lesbian and Gay Studies: A Critical Introduction*, a new volume in collaboration with the British Film Institute, *Companion to Crime*, and a how-to of film funding, *The Movie Game*.

Overall, the division succeeded in broadening the base of its sales: growth in the US, Australia and the Far East increased the percentage of overseas sales to 44% (1995: 37%). This increased international spread of our business will help us towards the core aim of continuing to improve average sales and margins per title.









## Directors and Advisers

FOR THE YEAR ENDED 31 DECEMBER 1996

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### EXECUTIVE DIRECTORS

P J Sturrock

*Chairman and Chief Executive*

F J Roney

*Finance Director*

### NON-EXECUTIVE DIRECTORS

J S Binnie

S O Jaeger

C D Jakes

All members of Audit and Remuneration Committees

### SECRETARY AND REGISTERED OFFICE

F J Roney

Wellington House

125 Strand

London WC2R 0BB

### REGISTERED AUDITORS

Coopers & Lybrand

1 Embankment Place

London WC2N 6NN

### BANKERS

Midland Bank plc

Central Hall

Westminster

London SW1P 3AS

### FINANCIAL ADVISERS

Charterhouse Bank Limited

1 Paternoster Row

St Pauls

London EC4M 7DH

### SOLICITORS

Simmons & Simmons

21 Wilson Street

London EC2M 2TQ

### STOCKBROKERS

Charterhouse Tilney Securities Limited

1 Paternoster Row

St Pauls

London EC4M 7DH

### REGISTRARS

Independent Registrars Limited

Balfour House

390/398 High Road

Ilford

Essex IG1 1NQ

# Directors' Report

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 AND BUSINESS REVIEW

The principal activity of the group continues to be book publishing.

A review of the year and expected future developments of the group are dealt with in the Chairman's Statement on page 2 and in the Operating and Financial Review on page 4.

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

## RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 17.

The profit after tax for the financial year amounted to £629,000 (1995 - £653,000). The directors have declared or now recommend the following ordinary dividends in respect of the year ended 31 December 1996:

	£000
Interim paid	110
Final proposed	220
	<u>330</u>

## POST BALANCE SHEET EVENTS

On 7 April 1997 the group agreed to sell the Victor Gollancz children's list to the Penguin group for a cash consideration of £870,000 of which part is deferred subject to various consents.

## DIRECTORS

The following directors held office during the year:

P J Sturrock	(Chairman and Chief Executive)
F J Roney	(Finance Director)
J S Binnie	(Non-executive Director)
S O Jaeger	(Non-executive Director)
C D Jakes	(Non-executive Director)

Biographical details of the independent non-executive directors are shown below.

Stewart Binnie is non-executive chairman of Helicon Limited and a non-executive director of Specialeyes plc. He was formerly a partner at Schroder Ventures and managing director of Hatchards Limited, the bookseller. He is chairman of the Remuneration Committee.

Stephen O Jaeger was, until 15 March 1995, chief financial officer and a director of Houghton Mifflin Company and joined the Cassell Board in 1992 following the acquisition of Victor Gollancz. Following his resignation as chief financial officer and a director of Houghton Mifflin, Mr Jaeger became chief financial officer of The Perkin-Elmer Corporation. He is also a non-executive director of INSO Corporation and Strategic Diagnostics Inc. Prior to joining Houghton Mifflin he held several positions with The British Petroleum Company PLC in London and New York. Mr Jaeger is a US citizen.

Clifford Jakes is a non-executive director of Mercury Holdings plc and a vice-chairman of the Periodical Publishers Association Ltd. He was formerly chairman of Argus Press Limited and Link House Publications plc and managing director (publications) of United Newspapers plc. He is chairman of the Audit Committee.

In accordance with the articles of association, S O Jaeger retires by rotation and, being eligible, offers himself for re-election.



# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 1996

P J Sturrock and F J Roney each have a service contract, terminable by not less than twelve months notice by either party.

There were no contracts of significance with the company or any of its subsidiaries subsisting during or at the end of the financial year in which a director of the company was materially interested.

Details of directors' share interests are given in note 6 to the financial statements.

## SUBSTANTIAL SHAREHOLDINGS

On 19 March 1997 the following organisations held shares representing 3% or over of the company's share capital.

	% of share capital
Phildrew Nominees Limited	11.6
CO Nominees Limited	10.0
Glyn Mills Nominees (Lombard Street) Limited	10.5
Vidacos Nominees Limited	9.9
Nutraco Nominees Limited	8.1
NCB Trust Limited	6.6
Houghton Mifflin Company	5.5
Midland Bank Trust Company Limited	5.4
Prudential Client (MSS) Limited	5.3
Retbu Nominees Limited	3.3

## CHARITABLE AND POLITICAL CONTRIBUTIONS

The group made a charitable donation of £930 during the year.

## EMPLOYEES

The group's policy is to consult and discuss with employees individually, in departmental meetings and in company meetings matters likely to affect employees' interests. Information on matters of concern to employees is given through information notices and meetings which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance. It is the policy of the group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons.

## CREDITOR PAYMENT POLICY

The group's policy concerning the payment of its creditors is to:

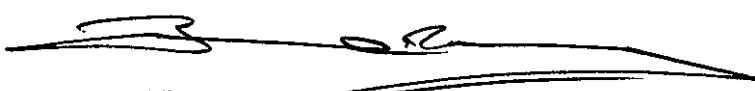
- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

## AUDITORS

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board



FJ Roney  
Company Secretary  
8 April 1997

## Corporate Governance

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The Board supports the highest standards in corporate governance and is pleased to confirm that the company has complied throughout the period with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the 'Cadbury Committee').

### **BOARD COMPOSITION**

The group board comprises two executive and three non-executive directors. It is chaired by P J Sturrock and meets for regular business approximately ten times a year and other meetings are held as required. The Board is responsible for the overall direction and strategy of the group and for securing the optimum performance from group assets. The meetings are open with executive and non-executive directors acting as a team. The non-executive directors are independent of the group and have a breadth of successful commercial and professional experience. Operational control and the implementation of group strategy and policy is delegated by the Board to the chief executive supported by the finance director.

### **BOARD COMMITTEES**

The Audit Committee comprises all the non-executive directors and is chaired by C D Jakes. It meets not less than twice a year and assists the Board in ensuring that the group's published financial statements give a true and fair view and in securing reliable internal financial information for decision making. It also reviews the suitability and effectiveness of the group's internal controls. The committee reviews the audit findings of the external auditors and reviews key accounting policies and judgements.

The Remuneration Committee comprises all the non-executive directors and is chaired by J S Binnie. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for executive directors and for setting salaries, incentive payments and share options granted.

### **GOING CONCERN**

After making appropriate enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the group's financial statements.

### **INTERNAL FINANCIAL CONTROLS**

The board of directors is responsible for the group's system of internal financial controls. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. Accordingly, the Board has reviewed the effectiveness of the system of internal financial control in operation during this period through the monitoring process described above. The key features of the system which have been established are as follows:

#### **Control environment**

The group's control environment is the responsibility of the group's directors and managers at all levels. The group's organisational structure has clear lines of responsibility. Operating responsibility for divisions within the group is delegated to the subsidiary directors.

#### **Identification of business risks**

A specific exercise was undertaken to review and assess the risks facing each of the group's businesses and to enhance the systems which manage the key risks identified. The divisions are required to assess key risks, and related control and monitoring procedures. The board of directors continues to monitor this process.

## Corporate Governance

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### Major corporate information systems

The group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual out-turn to budget. Management accounts are compiled on a monthly basis. Variances from plan are thoroughly investigated monthly and revisions to forecasts are made. Cash flow statements are prepared monthly and cover the year ahead to ensure that the group has adequate funds and resources for the foreseeable future.

### Main control procedures

Senior management establishes control procedures in response to each of the key risks identified. Senior management reports whether its key controls have functioned effectively. Standard financial control procedures operate throughout the group to ensure the integrity of the group's financial statements. The Board has established procedures for authorisation of capital expenditure.

### Monitoring system used by the Board

The Board reviews and approves budgets and monitors the group's performance against those budgets monthly. Variances from the expected outcome are investigated fully and where lapses in internal control are detected, these are rectified. The group's cash flow is also monitored monthly compared to forecast. The Board has established a framework in order that the effectiveness of the system of internal financial controls can be monitored on an ongoing basis and that appropriate action can be taken to improve control and monitoring procedures.

The Audit Committee reviews the findings of the external auditors and also objectively reviews management's performance in running the group's business.

### AUDITORS' CONFIRMATION

The auditors have confirmed that in their opinion, with respect to the directors' statements on internal financial control and going concern on pages 11 and 12:

- the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange;
- such statements are not inconsistent with information of which they are aware from their audit work on the financial statements; and
- the directors' statement on page 11 appropriately reflects the company's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rule 12.43(j).

They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures nor on the ability of the company or group to continue in operational existence.

## Report of the Remuneration Committee

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The Remuneration Committee is comprised solely of the non-executive directors and is chaired by J S Binnie. The Committee seeks the advice of the chairman as it considers appropriate. The Remuneration Committee does not consider the fees payable to non-executive directors which are determined by the executive directors.

The company has complied throughout the period with section A of the best practice provisions for directors' remuneration annexed to the London Stock Exchange's Listing Rules, which concerns the membership and operation of the Remuneration Committee.

The company's Remuneration Committee decides the remuneration policy that applies to executive directors. In determining that policy it has given full consideration to section B of the best practice provisions for directors' remuneration annexed to the London Stock Exchange's Listing Rules. In setting the policy it considers a number of factors including:

- (a) The basic salaries and benefits available to executive directors of comparable companies.
- (b) The need to attract and retain directors of an appropriate calibre.
- (c) The need to ensure executive directors' commitment to the continued success of the company by means of incentive schemes.

### REMUNERATION POLICY

The objective of the group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute fully to the success of the businesses. To secure this objective the group provides competitive salaries and benefits to all employees and share option schemes for executive directors and certain senior executives.

### EXECUTIVE DIRECTOR SALARIES

The basic salary of executive directors is determined by the Remuneration Committee. Basic salaries are reviewed annually or when a change of responsibilities occurs.

### PERFORMANCE RELATED BONUSES

Bonuses for executive directors are calculated by a formula measuring the performance of the business in relation to the annual increase in earnings per share. No such bonus has been awarded since the flotation in 1994. However, the Committee has awarded a fixed sum performance related bonus in respect of 1996 (see note 6 to the financial statements).

### PENSION ARRANGEMENTS

The executive directors are members of various pension plans operated by the group. At present, the basic pension contributions disclosed for each director are based on the overall group pension contribution rate which, for the year under review, was 10% of pensionable earnings.

### SHARE OPTIONS

Share options can be granted to executive directors and certain senior executives under an Inland Revenue approved executive share option scheme and under a non-approved scheme. Non-executive directors cannot participate in these share option schemes.

### OTHER BENEFITS

Executive directors' benefits typically include a car and life, disability and health care insurance.



## Report of the Remuneration Committee

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### SERVICE CONTRACTS

The executive directors have service contracts terminable by not less than 12 months notice by either party. The non-executive directors do not have service contracts but have letters of appointment.

### FINANCIAL STATEMENTS

Full details of remuneration and share options of the directors are given in note 6 to the financial statements.

J S Binnie  
Chairman, Remuneration Committee  
8 April 1997



## Statement of Directors' Responsibilities

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The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



FJ Roney  
Company Secretary  
8 April 1997

# Report of the Auditors to the members of Cassell plc

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We have audited the financial statements on pages 17 to 32.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 15 the company's directors are responsible for the preparation of the 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.

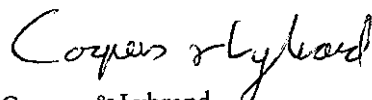
## BASIS OF OPINION

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 and the group at 31 December 1996 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
London  
8 April 1997



# Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £000	1995 £000
Turnover		24,434	22,276
Exceptional turnover		—	920
	2	24,434	23,196
Cost of sales		(15,682)	(14,253)
Exceptional cost of sales		—	(170)
		(15,682)	(14,423)
Gross profit		8,752	8,773
Net operating expenses (including exceptional items)	3	(7,730)	(7,772)
Operating profit/(loss) before exceptional items		1,149	(43)
Exceptional items (including exceptional turnover, cost of sales and net operating expenses)	4	(127)	1,044
Operating profit		1,022	1,001
Interest receivable	7	7	11
Interest payable and similar charges	8	(317)	(276)
Profit on ordinary activities before taxation	9	712	736
Taxation	10	(83)	(83)
Profit on ordinary activities after taxation		629	653
Dividends	11	(330)	(330)
Retained profit for the year	22	299	323
Earnings per share	12	8.6p	8.9p
Earnings/(loss) per share before exceptional items	12	10.3p	(5.3)p

All the group's operations are continuing.


The group has no recognised gains and losses other than those included in 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 before taxation and retained profit for the year stated above and their historical cost equivalents.

# Balance Sheets

AS AT 31 DECEMBER 1996

	Notes	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
<b>Fixed assets</b>					
Intangible fixed assets	13	3,562	3,456	–	–
Tangible fixed assets	14	709	731	–	–
Investments	15	–	–	14,449	12,057
		<b>4,271</b>	<b>4,187</b>	<b>14,449</b>	<b>12,057</b>
<b>Current assets</b>					
Stocks	16	7,632	7,383	–	–
Debtors	17	9,864	8,795	3,410	2,277
		<b>17,496</b>	<b>16,178</b>	<b>3,410</b>	<b>2,277</b>
Creditors: amounts falling due within one year	18	(11,888)	(10,682)	(4,965)	(2,790)
<b>Net current assets/(liabilities)</b>		<b>5,608</b>	<b>5,496</b>	<b>(1,555)</b>	<b>(513)</b>
<b>Total assets less current liabilities</b>		<b>9,879</b>	<b>9,683</b>	<b>12,894</b>	<b>11,544</b>
Creditors: amounts falling due after more than one year	19	(82)	(51)	–	–
<b>Net assets</b>		<b>9,797</b>	<b>9,632</b>	<b>12,894</b>	<b>11,544</b>
<b>Capital and reserves</b>					
Called up share capital	21	1,468	1,468	1,468	1,468
Share premium account	22	8,004	8,004	8,004	8,004
Capital reserve	22	–	2	–	–
Profit and loss account	22	325	158	3,422	2,072
<b>Equity shareholders' funds</b>	23	<b>9,797</b>	<b>9,632</b>	<b>12,894</b>	<b>11,544</b>

The financial statements on pages 17 to 32 were approved by the Board on 8 April 1997 and signed on its behalf by:



FJ Roney  
Finance Director

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £000	1995 £000
<b>Operating activities</b>		
Net cash outflow from operating activities (reconciliation to operating profits on page 20)	(1,178)	(54)
<b>Returns on investments and servicing of finance</b>		
Interest received	7	11
Interest paid	(307)	(257)
Interest paid on hire purchase contracts	(10)	(7)
Net cash outflow for returns on investments and servicing of finance	(310)	(253)
<b>Taxation</b>		
Advance corporation tax paid	(83)	(55)
<b>Capital expenditure and financial investment</b>		
Publishing rights expenditure capitalised	(106)	—
Purchase of tangible fixed assets	(36)	(372)
Net cash outflow from capital expenditure and financial investments	(142)	(372)
<b>Acquisitions and disposals</b>		
Purchase of subsidiary	—	(306)
Net bank overdraft acquired with subsidiary	—	(235)
	—	(541)
Equity dividends paid	(330)	(330)
Cash outflow before financing	(2,043)	(1,605)
<b>Financing</b>		
Repayment of principal under hire purchase contracts	(43)	(42)
Net cash outflow from financing	(43)	(42)
Decrease in cash in the year	(2,086)	(1,647)

# Notes to the Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £000	1995 £000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit	1,022	1,001
Depreciation of tangible fixed assets	160	130
Loss on sale of tangible fixed assets	—	21
Increase in stocks	(249)	(1,936)
Increase in debtors	(1,069)	(243)
(Decrease)/increase in creditors	(1,042)	973
<b>Net cash outflow from operating activities</b>	<b>(1,178)</b>	<b>(54)</b>

	1996 £000	1995 £000
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>		
Decrease in cash in the period	(2,086)	(1,647)
Cash outflow from repayment of debt	43	42
Change in net debt resulting from cash flows	(2,043)	(1,605)
Other non-cash items:		
New hire purchase contracts	(102)	(44)
Movement in net debt in the period	(2,145)	(1,649)
Net debt at 1 January 1996	(1,330)	319
<b>Net debt at 31 December 1996</b>	<b>(3,475)</b>	<b>(1,330)</b>

	At 1 January 1996 £000	Cash flow £000	Other non cash changes £000	At 31 December 1996 £000
<b>ANALYSIS OF NET DEBT</b>				
Bank overdraft	(1,244)	(2,086)	—	(3,330)
Hire purchase contracts	(86)	43	(102)	(145)
<b>Total</b>	<b>(1,330)</b>	<b>(2,043)</b>	<b>(102)</b>	<b>(3,475)</b>



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 1996

## I ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

### CHANGES IN PRESENTATION OF FINANCIAL STATEMENTS

FRS 1 'Cash flow statements' has been revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Early adoption of the revised FRS is encouraged, accordingly the cash flow statement has been presented under the new format.

### BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Cassell plc and its subsidiaries, made up to 31 December 1996. The results of the company's subsidiaries are included in the group profit and loss account from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

### INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary companies are included in the parent company's balance sheet at cost less amounts written off where, in the opinion of the directors, there has been a permanent diminution in value. In addition certain loans to subsidiaries have been classified as part of these investments.

### GOODWILL

Goodwill/(capital reserve) arising on consolidation represents the excess/(deficit) of the fair value of the consideration given over the fair value of the identifiable net assets acquired and is written off (or credited) to reserves in the year of acquisition or when additional payments arise.

### INTANGIBLE AND TANGIBLE FIXED ASSETS AND DEPRECIATION

Intangible fixed assets consist of publishing rights recorded at acquisition cost, being fair values at the date of acquisition determined by the directors, or direct external costs associated with the creation of the group's own imprints. The dictionary database consists of the external costs incurred in establishing the initial data. Based on annual reviews, provision is made to write off the excess, if any, of the carrying cost of these assets over the estimated residual values over their useful lives. The directors consider that, based on annual reviews, the estimated residual values of these assets based on prices prevailing at the time of original acquisition or when the costs were incurred are such that depreciation would be negligible, and as such no depreciation has been charged.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided on other tangible fixed assets so that the cost, less estimated residual values, is written off by equal annual instalments over the estimated useful lives of the related assets as follows:

Leasehold improvements	— over life of lease
Furniture, fixtures & fittings	— 5 to 20 years
Motor vehicles	— 5 years
Computer equipment	— 4 years

### ASSETS HELD UNDER HIRE PURCHASE CONTRACTS

Tangible fixed assets held under hire purchase agreements which have the characteristics of finance leases are capitalised at their fair value and included in the balance sheet together with the obligation to pay future instalments.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## STOCKS

Stocks including work in progress are stated at the lower of cost and estimated net realisable value. Cost comprises the direct costs of production, paper, printing and binding. Direct staff costs are included in work in progress on specific projects (ie: dictionary database).

## ROYALTIES

Contracted royalty advances are recorded when payment is made. Royalty advances are included in other debtors. Unearned balances are written down to the extent that they are not covered by estimated future earnings.

## DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## TURNOVER

Turnover excludes value added tax and represents the contracted value of books sold, royalty income and sale of publishing and other rights.

## FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the balance sheet. All gains and losses as a result of exchange movements during the year are included in the profit and loss account.

## PENSION COSTS

The group's pension plan is open to all eligible employees and is a funded defined benefit pension scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. In addition to this plan, a subsidiary company operates a defined contribution scheme for certain employees. Pension costs 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 average remaining service lives of members of the scheme.

Additional contributions are made in respect of certain other pension arrangements.

## OPERATING LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term. Income from operating sub leases is recognised on a straight line basis over the lease term.

## 2 GEOGRAPHICAL ANALYSIS OF TURNOVER

The directors regard the group's business as a single segment. The group's turnover and profit arises principally in the UK where its assets are situated. The geographical analysis of turnover by destination is stated below.

	1996 £000	1995 £000
United Kingdom	15,410	14,694
United States of America	4,262	4,091
Australia	1,234	779
Rest of the World	3,528	3,632
	<b>24,434</b>	<b>23,196</b>

United Kingdom turnover in 1995 includes an exceptional amount of £920,000 (see note 4).





# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 3 NET OPERATING EXPENSES

	1996 £000	1995 £000
Distribution costs	3,877	3,754
Administrative expenses (including exceptional items – see note 4)	3,853	4,018
	<b>7,730</b>	<b>7,772</b>

## 4 EXCEPTIONAL ITEMS

	1996 £000	1995 £000
Turnover	–	920
Cost of sales	–	(170)
Gross profit	–	750
Net operating expenses		
– redundancy costs	(127)	–
– net compensation for lease termination	–	294
	<b>(127)</b>	<b>1,044</b>

Exceptional operating costs in 1996 of £127,000 are in respect of redundancies resulting from a reorganisation of the group's resources.

Exceptional turnover and cost of sales in 1995 related to the granting of a licence for the use of the Mrs Beeton brand name on food products.

The exceptional credit of £294,000 in 1995 related to compensation received for the early termination of the lease on the group's previous head office.

## 5 STAFF COSTS AND PARTICULARS OF EMPLOYEES

The average number of persons employed by the group during the year was 171 (1995 – 175), including the executive directors, all involved in book publishing.

	1996 £000	1995 £000
Staff costs, including directors' emoluments, were:		
Wages and salaries	3,273	3,305
Social security costs	303	317
Pension costs (see note 25)	152	150
	<b>3,728</b>	<b>3,772</b>



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 6 DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

	1996 £	1995 £
Fees	42,000	42,000
Salaries (including benefits in kind)	227,510	191,612
Pension contributions	17,643	17,129
	<b>287,153</b>	<b>250,741</b>

Directors' emoluments can be summarised as follows:

	1996					1995	1995
	Salary £000	Bonus £000	Fees £000	Benefits £000	Pension contributions £000	Total £000	Pension contributions £000
<b>Executive:</b>							
P J Sturrock	107	18	–	13	11	149	10
F J Roney	70	12	–	7	7	96	7
<b>Non-executive:</b>							
J S Binnie	–	–	15	–	–	15	–
S O Jaeger	–	–	12	–	–	12	–
C D Jakes	–	–	15	–	–	15	–
	<b>177</b>	<b>30</b>	<b>42</b>	<b>20</b>	<b>18</b>	<b>287</b>	<b>17</b>

The remuneration of the executive directors is decided by the non-executive directors through the Remuneration Committee. Performance related bonuses are calculated by a formula measuring the performance of the business in relation to the annual increase in earnings per share. No formula based performance bonus is payable in respect of 1996 or 1995. However, a fixed sum performance related bonus was awarded in respect of 1996.

The number of directors (including the chairman) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£ 10,001 – £ 15,000	3	3
£ 75,001 – £ 80,000	–	1
£ 85,001 – £ 90,000	1	–
£115,001 – £120,000	–	1
£135,001 – £140,000	1	–

### Directors' interests

The directors had the following interests in the ordinary shares of the company:

	At 1 January and 31 December 1996
P J Sturrock	213,111
F J Roney	33,635
J S Binnie	2,097
C D Jakes	2,097
S O Jaeger	6,000

The respective interests of P J Sturrock and F J Roney include 9,418 (1995 – 9,418) and 11,839 (1995 – 11,839) non-beneficial holdings which are either held by, or in trust for, members of their families.

There has been no change in the interests set out above between 31 December 1996 and 7 April 1997.



## Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

**6 DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS (continued)**

Details of share options granted to directors are as follows:

	Date granted	Option price per share	Number of options granted	At 31 December 1996
PJ Sturrock	2.6.94	£1.22	20,181	20,181
	5.4.95	£1.42	22,500	22,500
FJ Roney	2.6.94	£1.22	9,418	9,418
	5.4.95	£1.42	15,000	15,000

No options were granted or exercised during the year.

The options granted on 2 June 1994 are exercisable, other than in limited circumstances, between 3 and 7 years from the date of grant conditional on the increase in the company's pre-tax earnings per share being at least 5% greater than the increase in the retail price index each year compounded over the 3 year period from 1 January 1994.

The options granted on 5 April 1995 are exercisable, other than in limited circumstances, between 3 and 10 years from the date of grant conditional on the increase in the company's earnings per share, at the time of the exercise, being at least 5% greater than the increase in the retail price index compounded over a period of three consecutive financial years.

The market price of the company's shares at the end of the financial year was £0.93 (1995 - £1.02) and the range of market prices during the year was between £0.66 and £1.06 (1995 - between £1.01 and £1.81).

No other directors have been granted share options in the shares of the company or other group companies.

**7 INTEREST RECEIVABLE**

	1996 £000	1995 £000
Bank deposit interest	7	11

**8 INTEREST PAYABLE AND SIMILAR CHARGES**

	1996 £000	1995 £000
Interest payable on bank overdraft and other loans repayable within 5 years, not by instalments:		
Bank overdraft	300	266
Other	7	3
	307	269
Interest payable on loans repayable within 5 years by instalments:		
Hire purchase contracts	10	7
	317	276



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £000	1995 £000
The profit on ordinary activities before taxation is stated after charging:		
Depreciation		
– tangible owned fixed assets	98	93
– tangible fixed assets held under hire purchase contracts	62	37
Auditors' remuneration		
– audit (company – £1,000: 1995 – £1,000)	40	38
– other services	80	41
Rentals under operating leases		
– Machinery, equipment and motor vehicles	216	258
– Land and buildings	422	439

## 10 TAXATION

	1996 £000	1995 £000
Irrecoverable advance corporation tax	83	83

The corporation tax charge for the year is reduced by approximately £94,000 (1995 – £100,000) as a result of the utilisation of tax losses brought forward, after taking into account advance corporation tax written off in prior years.

There are trading losses for taxation purposes in subsidiary companies available to be carried forward and set off against future profits of approximately £4.3 million (1995 – £4.5 million), subject to the agreement of HM Inspector of Taxes.

For approximately £1 million (1995 – £1.9 million) of the tax losses available for carry forward, 50% of any benefit realised must be paid to former holding companies of certain subsidiaries. Amounts totalling £149,000 (1995 – £69,000) became payable to former holding companies during the year, arising from the utilisation of tax losses.

## 11 DIVIDENDS

	1996 £000	1995 £000
Dividends on equity shares:		
Ordinary – interim paid of 1.5p (1995: 1.5p)	110	110
Ordinary – final proposed of 3p (1995: 3p)	220	220
	330	330

## 12 EARNINGS PER SHARE

The calculation of earnings per share on the net basis is based on the profit on ordinary activities after taxation, namely £629,000 (1995 – £653,000) and on 7,339,540 (1995 – 7,339,540) shares in issue and ranking for dividend during the year.

An alternative earnings per share figure based on the profit before exceptional items for the year ended 31 December 1996 is 10.3p (1995 – loss of 5.3p). This has been based on a profit of £756,000 on ordinary activities before taking account of an exceptional charge of £127,000 (1995 – loss of £391,000 before exceptional credits of £1,044,000) and after taxation and 7,339,540 (1995 – 7,339,540) shares as above.

The earnings per share on a nil distribution basis is 9.7p (1995 – 10p). The calculation of earnings per share on the nil distribution basis assumes no dividend and therefore no write-off of advance corporation tax.



## Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

**13 INTANGIBLE FIXED ASSETS**

£000

## Group

## Publishing rights

At 1 January 1996 3,456

Additions 106

At 31 December 1996 3,562

Additions during the year are in respect of external costs incurred by the group in developing the Indigo and Vista paperback imprints.

No depreciation has been provided on these assets as the directors consider that their residual value, based on prices prevailing at the time of original acquisition or creation, exceeds their carrying cost.

The company has no intangible fixed assets.

**14 TANGIBLE FIXED ASSETS**

	Short leasehold improvements £000	Furniture, fixtures, fittings and motor vehicles £000	Computer equipment £000	Dictionary database £000	Total £000
Group					
Cost					
At 1 January 1996	344	279	318	248	1,189
Additions	18	89	31	—	138
At 31 December 1996	362	368	349	248	1,327
Depreciation					
At 1 January 1996	60	194	204	—	458
Charge for year	64	30	66	—	160
At 31 December 1996	124	224	270	—	618
Net book value at 31 December 1996	238	144	79	248	709
Net book value at 31 December 1995	284	85	114	248	731

No depreciation has been provided on the dictionary database as the directors consider that the residual value, based on prices prevailing at the time of original acquisition of this asset, exceeds its carrying cost.

Tangible fixed assets with a net book value of £131,000 (1995 - £92,000) are held under hire purchase contracts.

The company has no tangible fixed assets.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 15 FIXED ASSET INVESTMENTS

	Shares in subsidiaries £000	Loans to subsidiaries £000	Total £000
Company			
At 1 January 1996	996	11,061	12,057
Additions	130	2,277	2,407
Reduction	(15)	—	(15)
At 31 December 1996	1,111	13,338	14,449

Additions to shares in subsidiaries relate to an amount of £130,000 (1995 - £45,000) payable to the former holding company of a subsidiary of an amount equal to 50% of the benefits from the utilisation of tax losses. A further amount of £19,000 (1995 - £24,000) in respect of the benefits of the losses utilised was accounted for in the financial statements of a subsidiary.

The reduction is in respect of a decrease in the purchase price of Pinter Publishers Limited, acquired in February 1995, following the amendment to the acquisition price, and after taking account of further acquisition costs incurred.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group.

At 31 December 1996, the company had the following wholly owned principal subsidiaries, all of which have ordinary shares of £1 each and are incorporated and operate in Great Britain, registered in England and Wales, and are involved in book publishing:

Cassell Educational Limited  
 Cassell Publishers Limited  
 Victor Gollancz Limited  
 Pinter Publishers Limited  
 Mansell Publishing Limited\*  
 Ward Lock Limited

\* Subsidiary of Cassell Educational Limited

## 16 STOCKS

	1996 £000	1995 £000
Group		
Raw materials and consumables	58	87
Work in progress	1,626	1,140
Finished books	5,948	6,156
	7,632	7,383

The company has no stocks.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 17 DEBTORS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Trade debtors	6,568	6,084	—	—
Amounts owed by subsidiary undertakings	—	—	3,410	2,277
Other debtors	3,035	2,569	—	—
Prepayments and accrued income	261	142	—	—
	9,864	8,795	3,410	2,277

Debtors are all due within one year except certain advances to authors, included in other debtors, which may not be recovered until after one year.

## 18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank overdraft	3,330	1,244	3,330	1,244
Trade creditors	5,735	6,617	—	—
Amounts owed to subsidiary undertakings	—	—	1,070	1,089
Advance corporation tax	83	83	83	83
Other taxation and social security	184	178	—	—
Accruals and deferred income	2,036	2,042	—	—
Other creditors	300	298	262	154
Dividends payable	220	220	220	220
	11,888	10,682	4,965	2,790

The bank facilities are secured by fixed charges over book debts, goodwill and other intangible property and floating charges on all the assets of the group and guarantees from the subsidiaries. Group trade creditors include payments due within one year of £63,000 (1995 - £35,000) in respect of assets held under hire purchase contracts.

## 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £000	1995 £000
Group		
Obligations under hire purchase contracts	82	51
The total obligations under hire purchase contracts are:		
In one year or less	63	35
Between two and five years	82	51
	145	86

The company has no hire purchase contracts.



# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 20 DEFERRED TAX

No provision for deferred taxation has been made at 31 December 1996 as no part of any potential deferred taxation liability is expected to crystallise in the foreseeable future.

No provision has been made for the potential United Kingdom taxation that would arise if the publishing rights were disposed of at the amount attributed to them in the group balance sheet. The total estimated potential liability is £1,175,000 (1995 - £1,140,000).

## 21 CALLED UP SHARE CAPITAL

	1996 £000	1995 £000
Authorised		
17,500,000 ordinary shares of 20p each	3,500	3,500
Allotted, called up and fully paid		
7,339,540 ordinary shares of 20p each	1,468	1,468

### Share options

Options to subscribe for 73,459 ordinary shares at a subscription price of £1.22 were granted to the executive directors and certain senior executives under a non approved scheme on 2 June 1994.

Options to subscribe for 47,500 ordinary shares at a subscription price of £1.42 under the Cassell plc 1994 executive scheme approved by the Inland Revenue were granted on 5 April 1995 to the executive directors and a senior executive.

The exercise of all share options is conditional on certain criteria relating to growth in the company's earnings per share being met (see note 6).

Number of shares	Subscription price per share	Period of option
73,459	£1.22	Between 3 June 1997 and 2 June 2001
47,500	£1.42	Between 6 April 1998 and 5 April 2005





## Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

**22 SHARE PREMIUM ACCOUNT AND RESERVES**

	Share premium account £000	Capital reserve £000	Profit and loss account £000
<b>Group</b>			
At 1 January 1996	8,004	2	158
Retained profit for the year	—	—	299
Goodwill (see below)	—	(2)	(132)
<b>At 31 December 1996</b>	<b>8,004</b>	<b>—</b>	<b>325</b>

The goodwill written off is in respect of an amount of £149,000 payable to former holding companies of certain subsidiaries arising for reasons explained in note 10. In addition an amount of £15,000 has been credited in respect of the acquisition of Pinter Publishers Limited that took place in February 1995 (see note 15). This represents the net decrease in the acquisition cost of the company from £418,000 to £403,000 following the final agreement of the consideration.

The goodwill written off to date against capital reserves and profit and loss account in respect of subsidiaries still held by the group amounts to £1,087,000 (1995: £953,000).

	Share premium account £000	Profit and loss account £000
<b>Company</b>		
At 1 January 1996	8,004	2,072
Retained profit for the year	—	1,350
<b>At 31 December 1996</b>	<b>8,004</b>	<b>3,422</b>

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,680,000 (1995 - £1,309,000).

**23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1996 £000	1995 £000
<b>Group</b>		
Profit for the financial year	629	653
Dividends	(330)	(330)
	299	323
Goodwill	(134)	(487)
	165	(164)
Opening shareholders' funds	9,632	9,796
Closing shareholders' funds	9,797	9,632

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 1996

## 24 FINANCIAL COMMITMENTS

Non-cancellable annual commitments under operating leases of the group and the company were as follows:

	1996 Land and buildings £000	1996 Office equipment and motor vehicles £000	1995 Land and buildings £000	1995 Office equipment and motor vehicles £000
Leases expiring:				
Within one year	—	71	—	48
In 2-5 years	—	51	—	39
After 5 years	460	—	460	—
	460	122	460	87

## 25 PENSION COSTS

The group operates a pension plan providing benefits based on final pensionable salaries. The plan is funded with the assets being held by the trustees separately from the assets of the group. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over employees' working lives with the group.

The most recent valuation of the plan was carried out at 1 August 1996, and the projected unit method was used. The plan's assets were valued by discounting to the valuation date the expected income from those assets. The main assumptions used to determine the pension costs are rates of investment return of 9% per annum, pensionable salary increases of 7% per annum, pensions increases of 4.5% per annum where limited price indexation applies and share dividend increases of 4.5% per annum. At the valuation date, the market value of the assets of the plan was £2,009,000, and the actuarial value of those assets represented 104% of the value of the benefits that had accrued to members, after allowing for expected future increases in salaries.

In addition to the above, a subsidiary company operates its own defined contribution scheme for certain employees. The scheme is administered by trustees separately from the affairs of the company and is non-contracted out of the additional component of the state pension scheme. Contributions paid to this scheme are invested in a money purchase contract.

The pension cost for the two plans for the year ended 31 December 1996 was £127,000 (1995 - £121,000). The rate of contributions to the plans is expected to remain stable as a percentage of pensionable salaries.

Additional contributions of £25,000 (1995 - £29,000) were made in respect of other pension arrangements.

## 26 CONTINGENT LIABILITIES

The group has contingent liabilities in respect of additional payments to the vendors of certain subsidiaries for the utilisation of tax losses in those subsidiary companies existing at the date of acquisition (see note 10).

## 27 POST BALANCE SHEET EVENTS

On 7 April 1997 the group agreed to sell the Victor Gollancz children's list to the Penguin group for a cash consideration of £870,000 of which part is deferred subject to various consents.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 1997 ANNUAL GENERAL MEETING of the company will be held at Wellington House, 125 Strand, London WC2R 0BB, on 9 May 1997, at 10.30am for the following purposes:

## Ordinary Business

1. To receive and adopt the report of the directors and financial statements for the year ended 31 December 1996.
2. To declare a final dividend.
3. To re-elect S O Jaeger as a non-executive director.
4. To re-appoint Coopers & Lybrand as auditors of the company and authorise the directors to fix their remuneration.

## Special Business

To consider and, if thought fit, pass the following resolutions, of which that numbered 5 will be proposed as an ordinary resolution and that numbered 6 will be proposed as a special resolution:

5. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80(1) of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (as defined in sub-section (2) of that section) up to a maximum nominal amount of £489,250, such authority to expire on the earlier of 15 months after the date of passing of this resolution and the conclusion of the Annual General Meeting of the company to be held in 1998, but so that this authority will allow the company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry provided that such allotments would have fallen within the limit set out in this authority if made during the said period and so that all unexercised authorities granted to the directors pursuant to section 80 of the Act (or the statutory provisions of which that section is a re-enactment) prior to the passing of this resolution be and are hereby revoked.
6. That, subject to the passing of the resolution numbered 5 set out in this Notice, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in section 94(2) of the Act) of the company pursuant to the authority conferred upon them by that resolution as if section 89(1) of the Act did not apply to any such allotment and so that the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power, provided that such power shall (subject as aforesaid) cease to have effect when the said authority is revoked or the conclusion of the Annual General Meeting of the company to be held in 1998 or 15 months after the date of the passing of this resolution, whichever ever is the earliest, but if that authority is renewed the said power may also be renewed by a special resolution of the company passed in general meeting for a period not longer than that for which the authority itself is renewed. The power contained in this resolution is limited to:

- (i) the allotment of equity securities in connection with any rights or other pre-emptive offer in favour of the holders of ordinary shares and the holders of any other shares or securities of the company which, by their terms, are entitled to participate in such issue or offer, where the equity securities allotted are in proportion (as nearly as may be) to their respective holdings of ordinary shares (in the case of an allotment to the holders of ordinary shares) or in proportion (as nearly as may be) to their respective holdings of such other shares or securities or to the respective

number of ordinary shares into which their shares or securities are deemed to be converted in calculating the extent of their participation (in the case of an allotment to holders of any other shares or securities of the company), each such allotment to be by reference to a record date fixed by the directors and to be open for acceptance for a period fixed by the directors, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory;

- (ii) the allotment of equity securities pursuant to an offer to the holders of, and persons entitled by transmission to, ordinary shares to elect to receive in respect of all or part of their holdings of ordinary shares additional ordinary shares, credited as fully paid up, instead of a cash dividend, in accordance with the articles of association for the time being of the company; and
- (iii) the allotment (other than pursuant to sub-paragraphs (i) and (ii) of this resolution) of equity securities having, in the case of relevant shares (as defined in section 94(5) of the Act), an aggregate nominal value not exceeding £73,395 or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal value not exceeding £73,395.

Dated 8 April 1997  
Registered office:  
Wellington House  
125 Strand  
London  
WC2R 0BB

By Order  
of the Board  
  
F J Roney  
Secretary

## Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
2. To be effective, the completed form of proxy and any power of attorney or other authority (if any) under which it is signed or a duly certified copy of such a power or authority (or, if such power or authority is executed outside the United Kingdom, a notarially authenticated copy thereof) must be returned so as to reach the company's registrars, Independent Registrars Group Ltd, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR, not less than 48 hours before the time fixed for the meeting. In the case of a corporate member, a proxy must be executed either under its common seal or under the hand of a duly authorised officer.
3. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting.

Copies of the following documents are available for inspection at the registered office of the company during normal business hours on any weekday (Saturdays and holidays excepted) from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of meeting for a period of 15 minutes prior to and during the meeting.

- (i) the register of directors' interest;
- (ii) copies of contracts of service between directors of the company and the company; and
- (iii) the articles of association of the company.

# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_  
 (Block Letters)  
 a member/members of Cassell plc, hereby appoint the Chairman\* of the meeting  
 or \_\_\_\_\_ of \_\_\_\_\_  
 as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held at 10.30  
 am on Friday 9 May 1997 at Wellington House, 125 Strand, London, WC2R 0BB and at any adjournment thereof.

	For	Against
<b>Ordinary business</b>		
1 To receive and adopt the Report of the Directors and Financial Statements for year ended 31 December 1996.		
2 To declare a final dividend.		
3 To re-elect Mr S O Jaeger as a director		
4 To re-appoint Coopers & Lybrand as auditors of the company and authorise the directors to fix their remuneration.		
<b>Special business</b>		
5 To authorise the directors to allot relevant securities under section 80(1) Companies Act 1985.		
6 To empower the directors to allot equity securities disapplying section 89(1) Companies Act 1985.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 1997

Signature(s) \_\_\_\_\_

## Notes:

1. The manner in which the proxy is to vote should be indicated by inserting "X" in the appropriate space. Unless so indicated, the proxy will vote, or may abstain from voting, as he/she thinks fit.
2. In the case of a corporate member, the Proxy must be executed either under its common seal or under the hand of a duly authorised officer.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes by the other joint holders, and for this purpose, seniority will be determined by the order in which the names stand in the register of members.
4. To be effective, this completed form of proxy and any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority (or, if such power or authority is executed outside the United Kingdom, a notarially authenticated copy thereof) must be returned so as to reach the company's registrars, Independent Registrars Group Ltd, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR not less than 48 hours before the time fixed for the meeting.
5. A proxy need not be a member of the company.
6. Mr S O Jaeger is a member of the Remuneration and Audit Committees.

\*Delete if it is desired to appoint any other person and insert his/her name and address.



FOLD TWO

BUSINESS REPLY SERVICE  
Licence No. IY 592



INDEPENDENT REGISTRARS GROUP LTD,  
BALFOUR HOUSE,  
390-398 HIGH ROAD,  
ILFORD, ESSEX  
IG1 1BR

FOLD ONE

FOLD THREE