

COMPANY NO: 3946675

REED LEARNING PLC

ANNUAL REPORT

◆ For the 52 weeks ended 27th December 2002◆



REED LEARNING PLC

CONTENTS

	Page
COMPANY INFORMATION	1
REPORT OF THE DIRECTORS	2
INDEPENDENT AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
ACCOUNTING POLICIES	7
NOTES TO THE FINANCIAL STATEMENTS	9

REED LEARNING PLC

COMPANY INFORMATION

Directors	J Reed D Beal M Norman S Kelso
Secretary	J Edmunds LL.B Solicitor
Registered office	California 120 Coombe Lane London SW20 0BA
Registered number	3946675
Auditors	RSM Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU
Bankers	Barclays Bank PLC Onslow Hall The Little Green Richmond Surrey TW9 1QS
Solicitors	Slaughter & May 1 Bunhill Row London EC1Y 8YY

REPORT OF THE DIRECTORS

The directors submit their report, together with the audited financial statements of the company for the 52 weeks ended 27th December 2002.

Principal activities

The principal activity of the company is that of Training and Recruitment Specialists.

Results and review

The activities of the Company and other subsidiaries of Reed Executive plc were re-organised with effect from 28th December 2001 to reflect the operational structure of the businesses. Therefore, although this part of the business has been operating for many years within the Group, this is the first set of trading accounts to be published for Reed Learning plc.

The results for the period are set out in the profit and loss account on page 5.

Reed Learning, which provides professional development, education and training enjoyed continued growth during the year. In particular, there has been strong demand for our training services and the number of training days sold rose by 19% year on year. The most notable achievement of the year, however, was the establishment of two managed Local Education Authority (LEA) services. These are the Lancashire Teaching Agency and the Cheshire Supply Service. These ethical partnerships will not only be responsible for the cost effective deployment and development of the respective counties' supply teacher workforce, but they will also contribute to their overall teacher recruitment, retention and morale strategies.

Group accounts are not submitted, as the company is a wholly owned subsidiary undertaking of an EC holding company which prepares group accounts. Consequently, these financial statements represent the financial information of the company as an individual undertaking.

Dividends

The directors have not declared any interim or final dividends for 2002.

Directors

The current composition of the board is given on page 1 and they have all served as directors throughout the period.

Directors' interests

None of the directors have an interest in the share capital of the company.

D G Beal and J A Reed are directors of Reed Executive plc, the ultimate parent undertaking, and their interests in that company's share capital are disclosed in that company's financial statements. The remaining directors do not have an interest in the share capital of Reed Executive Plc.

Directors' interests in contracts

No director was, or is, materially interested in any contract subsisting during, or at the end of, the financial period.

Charitable donations and political contributions

There were no significant charitable donations made by the company during the period and no political contributions were made.

REPORT OF THE DIRECTORS (continued)

Payment of creditors

The company's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The number of days that the company's year end purchases represents was 30 days.

Going concern

After making enquiries, the Directors believe that the company has 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 financial statements.

Employees

The company encourages all employees, known as Co-Members, to participate in the effective running and development of the business. Co-Members are kept informed via the Company intranet, which is updated on a daily basis, through briefing meetings, informal discussions and conferences. Co-Members attend regular training courses and are encouraged to take an active interest in all matters affecting them. Co-Members views, opinions and ideas are regularly surveyed and their feedback is acknowledged, noted and where appropriate, acted upon.

Directors' responsibilities to the Annual Report

Company law in the United Kingdom 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 and of the profit or loss of the company for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditors

The auditors RSM Robson Rhodes are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on 4th April 2003 and signed on its behalf by:



J Edmunds
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REED LEARNING PLC

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 27th December 2002 and of the company's profit for the 52 weeks then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

RSM Robson Rhodes
Chartered Accountants and Registered Auditors
London, England
4th April 2003

REED LEARNING PLC

PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 27th December 2002

	Note	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Turnover	1	11,426	-
Cost of sales		(9,073)	-
Gross profit		2,353	-
Distribution costs		(3,149)	-
Administrative expenses		(133)	-
Other operating income	2	1,015	-
Profit on ordinary activities before taxation	3	86	-
Tax on profit on ordinary activities	4	(48)	-
Profit on ordinary activities after taxation		38	-
Dividends		-	-
Retained profit for the period		38	-
Statement of retained profits			
Retained profit at the beginning of the period		-	-
Profit retained for the period		38	-
Retained profits at the end of the period		38	-

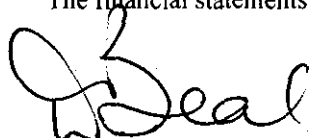
There are no recognised gains and losses other than those reported above.

REED LEARNING PLC

BALANCE SHEET At 27th December 2002

		At 27 th December 2002 £'000	At 28 th December 2001 £'000
	Note		
Fixed assets			
Tangible assets	7	438	-
Current assets			
Debtors	8	3,201	50
Cash at bank and in hand		1,423	-
		<hr/>	<hr/>
		4,624	-
Creditors: Amounts falling due within one year	9	(4,925)	-
		<hr/>	<hr/>
Net current liabilities		(301)	-
		<hr/>	<hr/>
Total assets less current liabilities		137	-
Provision for liabilities and charges	10	(49)	-
		<hr/>	<hr/>
Adjusted net assets		<u>88</u>	<u>-</u>
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account	12	38	-
		<hr/>	<hr/>
Equity shareholders' funds	13	<u>88</u>	<u>-</u>

The financial statements were approved by the board on 4th April 2003 and signed on its behalf by:



Derek Beal
Director

REED LEARNING PLC

ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. The financial statements only present information about the company and do not contain information relating to the group as a whole. The company is not required to prepare group accounts as it is a wholly owned subsidiary of Reed Executive plc which is incorporated in the UK.

New accounting standards

FRS 19 "Deferred Tax" has been adopted in these accounts (notes 5 & 6).

FRS 17 "Retirements Benefits" need not be applied in full until the 2005 accounts, so expenses have been charged under SSAP 24. Supplementary pension disclosures required under FRS 17 have been included in the group accounts of Reed Executive plc.

Turnover

Turnover represents the sales of services to customers excluding VAT.

Tangible assets and depreciation

Tangible fixed assets are shown at cost less depreciation.

Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over the expected useful lives of the assets concerned. However, motor vehicles are depreciated over 3 years after allowing for a 20% residual value.

The periods over which depreciation is charged are:-

Freehold premises	Fifty years from the date of occupation.
Leasehold premises	Length of lease.
Computer equipment	Three years.
Motor vehicles	Three years.
Fixtures and fittings	Three to eight years, according to the type of asset.

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating profit.

Dilapidations

A provision is made over the life of every lease for the dilapidation cost obligation which results from vacating the property.

Operating leases

Rental costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the terms of leases.

ACCOUNTING POLICIES (continued)

Rents receivable

Rents receivable from properties leased under operating leases are credited to the profit and loss account in accordance with the terms of the lease.

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19 "Deferred Tax".

Pension costs

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group and are administered by external pension managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the Group. This scheme was closed to new members with effect from 4th April 1995.

The Group introduced new pension arrangements with effect from 1st May 1995 providing benefits based on defined contribution levels. Contributions to the scheme are independently administered by insurance companies and are charged to the profit and loss account in the period in which they are payable.

REED LEARNING PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27th December 2002

1. TURNOVER AND PROFITS

All turnover and profits arose in the United Kingdom from training and recruitment activities. This trade was transferred to the company from another fellow subsidiary, Reed Solutions plc, at the start of the period, and therefore all turnover and profits for the 52 weeks ended 27th December 2002 have arisen from acquired activities.

2. OTHER OPERATING INCOME

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Recharges to other group companies	<u>1,015</u>	<u>-</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Depreciation and amortisation of tangible assets		
- freehold/leasehold premises	45	-
- owned assets	154	-
Loss on disposal of fixed assets	25	-
Operating lease rentals		
- plant & machinery	3	-
- other	<u>266</u>	<u>-</u>

The total charge for auditors' remuneration for 2002 has been borne by the ultimate parent undertaking, Reed Executive plc, and taken into account in calculating the management charges made by Reed Executive plc to its subsidiaries.

REED LEARNING PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 52 weeks ended 27th December 2002

4. DIRECTORS AND EMPLOYEES

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Total directors' emoluments	<u>633</u>	<u>-</u>
Emoluments of the highest paid director	<u>316</u>	<u>-</u>
	No.	No.
The following number of directors are accruing retirement benefit under:		
Defined benefit scheme	2	-
Money purchase scheme	<u>2</u>	<u>-</u>
	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Staff costs:		
Wages and salaries	4,806	-
Social security costs	444	-
Other pension costs (note 14)	<u>25</u>	<u>-</u>
	<u>5,275</u>	<u>-</u>

The average number of staff, including directors, employed by the company is nil.

Staff costs in the period ended 27th December 2002 represent costs recharged by fellow subsidiaries equivalent to 119 permanent staff (2001: nil) and 129 temporary staff (2001: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 27th December 2002**5. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of tax charge for the period**

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Current tax:		
UK corporation tax – current charge for the period	43	-
Deferred Tax:		
Origination of timing differences	5	-
Total tax on profits for the period	<u>48</u>	<u>-</u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Profits for the period before taxation	<u>86</u>	<u>-</u>
Theoretical tax at UK corporation tax rate of 30%	26	-
Effects of:		
Depreciation of assets that do not qualify for capital allowances	14	-
Expenses not deductible for tax purposes	1	-
Differences between capital allowances and depreciation on qualifying assets	2	-
Current tax charge for the period	<u>43</u>	<u>-</u>

REED LEARNING PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 52 weeks ended 27th December 2002

6. DEFERRED TAX

	52 weeks ended 27 th December 2002 £'000	52 weeks ended 28 th December 2001 £'000
Capital allowances in excess of depreciation	5	-
Provision at start of period	-	-
Deferred tax charge for period	5	-
Provision at end of period	5	-

7. TANGIBLE FIXED ASSETS

	Leasehold premises Short Leases £'000	Fixtures, equipment & motor vehicles Owned £'000	Total £'000
Cost			
28 th December 2001	-	-	-
Transfers from other companies	195	1,202	1,397
Additions	-	142	142
Disposals	-	(607)	(607)
27 th December 2002	195	737	932
Depreciation and amortisation			
28 th December 2001	-	-	-
Transfers from other companies	102	775	877
Charges for the year	45	154	199
Disposals	-	(582)	(582)
27 th December 2002	147	347	494
Net book value			
At 27 th December 2002	48	390	438

REED LEARNING PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the 52 weeks ended 27th December 2002

8. DEBTORS

	At 27 th December 2002 £'000	At 28 th December 2001 £'000
Trade debtors	1,592	-
Amount owed by other group companies	336	50
Other debtors	43	-
Prepayments and accrued income	1,230	-
	<u>3,201</u>	<u>50</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 27 th December 2002 £'000	At 28 th December 2001 £'000
Amounts owed to other group companies	2,962	-
Other creditors	855	-
Social security costs and other taxes	509	-
Accruals and deferred income	556	-
Corporation tax	43	-
	<u>4,925</u>	<u>-</u>

The company's trade creditors at the year end are included within amounts owed to other group companies as it makes use of the group purchase ledger function, the year end balances from which are not allocated to individual subsidiaries.

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000	Dilapidations £'000	Total £'000
At 28 th December 2001	-	-	-
Amounts transferred from other companies	-	23	23
Additional provisions	5	21	26
Amounts incurred	-	-	-
At 27 th December 2002	<u>5</u>	<u>44</u>	<u>49</u>

The dilapidations provision arises from the contractual obligation to restore leased premises to their original condition on termination of the lease. These, on average, have three years remaining.

REED LEARNING PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the 52 weeks ended 27th December 2002

11. SHARE CAPITAL

	At 27 th December 2002 £'000	At 28 th December 2001 £'000
Authorised, issued and fully paid 50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>

12. RESERVES

	Profit and loss account £'000
At 28 th December 2001	-
Profit retained for the period	<u>38</u>
At 27 th December 2002	<u>38</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	At 27 th December 2002 £'000	At 28 th December 2001 £'000
Total recognised gains and losses	38	-
Opening equity shareholders' funds	<u>50</u>	<u>50</u>
Closing equity shareholders' funds	<u>88</u>	<u>50</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the 52 weeks ended 27th December 2002****14. PENSION COSTS**

The company participates in the group pension scheme, providing benefits based on final pensionable pay. This scheme was closed to new members on 4 April 1995. The assets of the scheme are held separately from those of the company and are administered by external pension managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' estimated working lives across the group.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent approved valuation was at 4th April 2001.

The contributions are based upon pension costs across the group as a whole and the particulars of the latest actuarial valuation of the group scheme are available in the financial statements of the holding company, Reed Executive plc.

New pension arrangements were introduced on 1st May 1995 providing benefits based on defined contribution levels.

In addition, the group operates a pension savings plan for employees contracting out of the State Earnings Related Pension Scheme. The assets of the scheme are held separately from those of the company.

Supplementary pension disclosures required under FRS 17 have been included in the group accounts of Reed Executive plc.

15. LEASING COMMITMENTS**Operating leases**

The annual commitments under operating leases are as follows:

	At 27 th December 2002			At 28 th December 2001		
	Land and Buildings £'000	Other* £'000	Total £'000	Land and Buildings £'000	Other* £'000	Total £'000
Expiring within:						
One year	10	-	10	-	-	-
Two to five years	218	-	218	-	-	-
After five years	14	-	14	-	-	-
	<u>242</u>	<u>-</u>	<u>242</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Operating leases for items other than land and buildings are held by Reed Executive plc and not allocated to its subsidiaries.

No account has been taken of future periodic rent reviews to operating leases for land and buildings.

16. CONTINGENT LIABILITIES

There is always the possibility of a liability arising for rent in respect of leases which have been assigned and in respect of which the assignees have defaulted in payment. It is the company's policy to accrue in full for any such liabilities at the time when they crystallise.

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the 52 weeks ended 27th December 2002**

17. RELATED PARTY TRANSACTIONS

As disclosed in note 18, the company is a wholly owned subsidiary. It has therefore taken advantage of the exemptions available under Financial Reporting Standard 8 Related Party Transactions (FRS 8) and is not required to disclose transactions occurring within the group.

18. ULTIMATE PARENT UNDERTAKING

Reed Personnel Services Plc is wholly owned by Reed Executive Plc, the ultimate parent undertaking, which is registered in England and Wales. Copies of the group accounts can be obtained from the registered office at California, 120 Coombe Lane, London, SW20 0BA or from the company's web site www.reed.co.uk.