

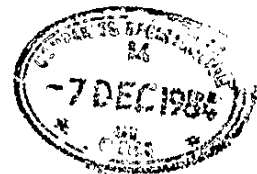
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BEN JOHNSON AND COMPANY LIMITED
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ACCOUNTS -- 31 DECEMBER 1983
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



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BEN JOHNSON AND COMPANY LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Ben Johnson and Company Limited will be held at the offices of the Company at Boroughbridge Road, York at 11.00 a.m. on 31 October, 1984 for the following purposes:-

As ordinary business:-

- (1) To receive and approve the Directors' Report and the Accounts for the year ended 31 December 1983.
- (2) To reappoint Messrs. Arthur Andersen & Co. as Auditors of the Company and authorise the Directors to determine their remuneration.
- (3) To transact any other ordinary business of an Annual General Meeting.

By Order of the Board



C.H. Kenton
Secretary

Boroughbridge Road,
York YO2 5SS.

5 October 1984



BEN JOHNSON AND COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1983

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1983.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activities of the company continue to be the manufacture of high quality colour printing, the production of telephone directories and the retailing of stationery and office equipment.

During 1983 Ben Johnson & Company Limited together with its associated company Donnelley Satellite Graphics Limited, purchased the assets of the Gateshead Press from Her Majesty's Government. Coincident with the purchase of Gateshead, long term contracts to supply Alpha and Yellow Page Directories were concluded with British Telecom by the Ben Johnson group of companies. Managements intention is to re-equip the plant with new presses and binding equipment and renovate the existing buildings.

In the closing months of 1983 a new Harris M850 web offset heat set press was installed in York and is now fully operational and performing well.

The company is continuing to develop its mainstream printing activities - notably directory manufacture and high quality colour printing. Some considerable success has been achieved in this direction such that the company chairman was voted "Printer of the year" by "Printing World", the principal printing trade technical journal.

The results for 1983 are encouraging taking into account the developments undertaken and the difficult trading conditions.

RESULTS AND DIVIDENDS:

Results are as follows -

Retained profit at 31 December 1982	£ 2,006,803
Profit for the year after taxation	2,548,562
Transfer from revaluation reserve	68,015
	=====
Retained profit at 31 December 1983	£ 4,623,380
	=====

The directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were -

J.A. Capstick
E.A.K. Denison
J.C. Dennis (resigned 7 March 1983)
A.J. Dickin
J.W. Fletcher (resigned 7 March 1983)
D. Pilgrim (resigned 28 February 1983)
C.H. Renton
P.M. Sweet
F.J. Uvena (resigned 7 March 1983)
P.O. Williams

Mr. K.B. Dallas and Mr. J. Craft were appointed directors on 15 February 1984.

Mr. P.O. Williams resigned as a director on 15 February 1984.

The directors do not have any interests required to be disclosed under Section 16(1) of the Companies Act 1967.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 8 to the accounts.

The directors are of the opinion that the land and buildings, which have a net book value of £3,855,945, have a continuing use value in excess of this figure.

DISABLED EMPLOYEES:

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION:

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through circulation of information to employees via notice boards, production of a monthly in-house bulletin and presentations given at regular intervals.

FORMAT OF ACCOUNTS:

The accounts have been drawn up, for the first time, in accordance with the new reporting and presentation requirements of the Companies Act 1981. The directors consider that the format adopted in these accounts is the most suitable for the company's purposes.

SUBSEQUENT EVENT:

The effects of the proposed changes in legislation arising from the Chancellor's budget speech of 13 March 1984 are reflected in the relevant notes to the accounts.

BY ORDER OF THE BOARD:


C.H. Renton
Secretary

5 October 1984

REPORT OF THE AUDITORS

TO THE MEMBERS OF BEN JOHNSON AND COMPANY LIMITED

We have audited the balance sheet of BEN JOHNSON AND COMPANY LIMITED at 31 December 1983 and the related profit and loss account and statement of source and application of funds for the year then ended in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, give a true and fair view of the state of affairs of the company at 31 December 1983 and of the profit and source and application of funds for the year then ended, and comply with the Companies Acts 1948 to 1981.

Arthur Andersen & Co.

Arthur Andersen & Co.
Leeds
5 October 1984

BEN JOHNSON AND COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1983

	<u>Note</u>	<u>1983</u>	<u>1982</u>
TURNOVER		£ 29,799,222	£ 19,543,263
Cost of sales		24,380,474	16,064,749
GROSS PROFIT		5,418,748	3,478,514
Other operating expenses (net)	3	2,541,282	2,228,141
OPERATING PROFIT		2,877,466	1,250,373
Interest payable and similar charges	4	328,904	459,992
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,548,562	790,381
Tax on profit on ordinary activities	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,548,562	790,381
RETAINED PROFIT, at 31 December 1982		2,006,803	1,216,422
Transfer from revaluation reserve		68,015	-
RETAINED PROFIT, at 31 December 1983		£ 4,623,380	£ 2,006,803

The accompanying notes are an integral part of this profit and loss account.

BEN JOHNSON AND COMPANY LIMITED

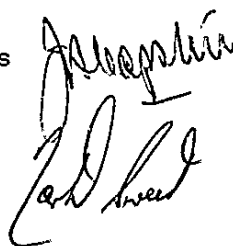
BALANCE SHEET -- 31 DECEMBER 1983

	<u>Note</u>	<u>1983</u>	<u>1982</u>
FIXED ASSETS			
Tangible assets	8	£ 7,221,665	£ 6,545,877
CURRENT ASSETS			
Stocks	10	4,007,472	1,193,840
Debtors	11	9,106,308	4,617,529
Cash at bank and in hand		1,631	3,073
		13,115,411	5,814,442
CREDITORS: Amounts falling due within one year	12	(6,222,093)	(5,419,832)
NET CURRENT ASSETS		6,893,318	394,610
TOTAL ASSETS LESS CURRENT LIABILITIES		14,114,983	6,940,487
CREDITORS: Amounts falling due after more than one year	13	(12,359)	(386,425)
NET ASSETS		£ 14,102,624	£ 6,554,062
CAPITAL AND RESERVES			
Called up share capital	15	£ 5,157,850	£ 157,850
Revaluation reserve	16	321,394	389,409
Capital contribution	16	4,000,000	4,000,000
Profit and loss account	16	4,623,380	2,006,803
TOTAL CAPITAL EMPLOYED		£ 14,102,624	£ 6,554,062

SIGNED ON BEHALF OF THE BOARD:

J.A. Capstick)
P.M. Sweet) Directors

5 October 1984



The accompanying notes are an integral part of this balance sheet.

BEN JOHNSON AND COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1983

	<u>1983</u>	<u>1982</u>
SOURCE OF FUNDS		
Profit on ordinary activities after taxation	£ 2,548,562	£ 790,381
Add (deduct) items not involving cash flow during the year		
- depreciation	623,259	614,776
- loss (gain) on disposal of fixed assets	15,180	(7,219)
	-----	-----
Total funds from operations	3,187,001	1,397,938
Proceeds from issue of shares	5,000,000	-
Proceeds from disposal of tangible fixed assets	426,971	4,900,895
	-----	-----
	£ 8,613,972	£ 6,298,833
	=====	=====
APPLICATION OF FUNDS		
Purchase of tangible fixed assets at cost	£ 1,741,198	£ 743,398
Decrease in creditors falling due after more than one year	374,066	2,662,001
Increase in net current assets, as shown below	6,498,708	2,893,434
	-----	-----
	£ 8,613,972	£ 6,298,833
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	£ 2,813,632	£ (280,419)
Debtors	4,488,779	1,677,768
Creditors falling due within one year	(802,261)	1,493,012
	-----	-----
	6,500,150	2,890,361
Movement in net liquid funds		
- cash at bank and in hand	(1,442)	3,073
	-----	-----
	£ 6,498,708	£ 2,893,434
	=====	=====

The accompanying notes are an integral part of this statement.

BEN JOHNSON AND COMPANY LIMITED

NOTES TO ACCOUNTS -- 31 DECEMBER 1983

1. ACCOUNTING POLICIES:

The principal accounting policies are -

a. Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

b. Tangible fixed assets

All the tangible fixed assets of the company, other than 10 acres of freehold land which were revalued in 1976, are stated at the amount at which they were revalued on 31 December 1964 plus additions at cost and less disposals subsequent to that date.

Regional development grants are deducted from the cost of additions.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows -

Freehold buildings	-	3% per annum
Plant and machinery	-	5% - 20% per annum
Motor vehicles	-	20% per annum

No depreciation is provided on freehold land.

The acquisition of certain plant is being financed by leases. The plant acquired has been capitalised at its cost value and is depreciated in accordance with the above rates. The future liability to the leasing companies has been shown, net of deferred interest, as a liability in the balance sheet. Interest payable to the lessors is being charged against profits at the effective rate of interest for the duration of the primary periods of the leases.

c. Stocks

Stocks are stated at the lower of average cost and net realisable value. Cost includes material, labour and an appropriate proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

d. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided except where, in the opinion of the directors, there is reasonable evidence that such taxation will not become payable in the foreseeable future and there is no indication that the situation is likely to change thereafter.

e. Pension costs

It is the policy of the company to fund pension liabilities, on the advice of external actuaries, by payments to independent trusts. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every 3 years.

f. Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange current at the date of the transaction. Foreign currency items in the year end balance sheet are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

g. Consolidated accounts

The company had one subsidiary company at 31 December 1983. Consolidated accounts have not been prepared because the company is itself a wholly-owned subsidiary.

h. Investments

The investment in subsidiary company is stated at cost less amounts written off.

i. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services supplied in the normal course of business.

2. SEGMENT INFORMATION:

The analysis of turnover by activity and geographical market has been omitted as, in the opinion of the directors, this would be prejudicial to the business of the company.

3. OTHER OPERATING EXPENSES (NET):

	<u>1983</u>	<u>1982</u>
Selling and marketing costs	£ 735,578	£ 697,977
Administrative expenses	1,805,704	1,530,164
	<u>£ 2,541,282</u>	<u>£ 2,228,141</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1983</u>	<u>1982</u>
On bank loans, overdrafts and other loans - repayable within five years, not by instalments	£ 295,205	£ 367,574
On finance leases	33,699	92,418
	<u>£ 328,904</u>	<u>£ 459,992</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after
crediting -

	<u>1983</u>	<u>1982</u>
Rent receivable (net)	£ 23,042	£ 14,553
Gain on disposal of tangible fixed assets	-	7,219
	<u>=====</u>	<u>=====</u>
and after charging -		
Loss on disposal of tangible fixed assets	£ 15,180	£ -
Depreciation and amounts written off		
- tangible fixed assets (leased)	178,734	225,413
- tangible fixed assets (owned)	444,525	389,363
Hire of plant and machinery	731,759	528,333
Auditors' remuneration	20,439	11,800
Staff costs (Note 6)	<u>7,080,264</u>	<u>6,136,660</u>

6. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown below -

	<u>1983</u>	<u>1982</u>
Employee costs during the year amounted to -		
Wages and salaries	£ 6,206,295	£ 5,346,248
Social security costs	421,826	420,675
Other pension costs	452,143	369,737
	<u>£ 7,080,264</u>	<u>£ 6,136,660</u>
	=====	=====

The average weekly number of persons employed by the company during the year was as follows -

Production	447	375
Distribution	33	32
Sales	5	5
Administration	118	108
	=====	=====

Directors' remuneration -

The employee costs shown above include the following remuneration in respect of directors of the company -

Other emoluments (including pension contributions)	£ 265,941	£ 207,688
	=====	=====

The directors' remuneration shown above (excluding pensions and pension contributions) included -

Chairman and highest paid director	£ 76,450	£ 55,551
	=====	=====

Number of other directors receiving emoluments between -

£ 0 - £ 5,000	4	4
10,001 - 15,000	1	1
20,001 - 25,000	-	1
25,001 - 30,000	-	1
30,001 - 35,000	3	1
35,001 - 40,000	-	1
50,001 - 55,000	1	-
	=====	=====

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

Due to the incidence of tax losses, no current taxation charge is required in 1982 or 1983.

8. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets -

	<u>1983</u>	<u>1982</u>
Freehold land and buildings	£ 3,826,945	£ 2,419,384
Plant and machinery		
- owned	2,002,037	2,190,607
- leased	1,392,683	1,935,886
	<u>£ 7,221,665</u>	<u>£ 6,545,877</u>

a. The movement in the year was as follows -

	<u>Freehold land and buildings</u>	<u>Plant and machinery</u>		<u>Total</u>
		<u>Owned</u>	<u>Leased</u>	
COST OR VALUATION				
Beginning of year	£ 2,730,852	£ 3,667,287	£ 2,607,407	£ 9,005,546
Additions	1,501,688	239,510	-	1,741,198
Disposals	-	(219,789)	(460,346)	(680,135)
End of year	<u>4,232,540</u>	<u>3,687,008</u>	<u>2,147,061</u>	<u>10,066,609</u>
DEPRECIATION				
Beginning of year	311,468	1,476,680	671,521	2,459,669
Charge	94,127	350,398	178,734	623,259
Disposals	-	(142,107)	(95,877)	(237,984)
End of year	<u>405,595</u>	<u>1,684,971</u>	<u>754,378</u>	<u>2,844,944</u>
Net book value, beginning of year	<u>£ 2,419,384</u>	<u>£ 2,190,607</u>	<u>£ 1,935,886</u>	<u>£ 6,545,877</u>
Net book value, end of year	<u>£ 3,826,945</u>	<u>£ 2,002,037</u>	<u>£ 1,392,683</u>	<u>£ 7,221,665</u>

Freehold land included in the above at £265,000 (1982 - £265,000) is not depreciated.

b. Basis of valuation

Plant and machinery is shown at cost. Freehold land and buildings are shown at valuation in 1964 and 1976 with subsequent additions at cost as shown below -

	<u>1983</u>	<u>1982</u>
Professionally valued		
- existing use (1964)	£ 481,000	£ 481,000
- existing use (1976)	180,000	180,000
	-----	-----
Total at valuation	661,000	661,000
At cost	3,571,540	2,069,854
	-----	-----
Cost or valuation end of year	£ 4,232,540	£ 2,730,854
	=====	=====

Freehold buildings included at valuation with an original cost of £111,392, are fully depreciated, based on cost, as at 31 December 1983 and 1982.

Freehold land included at valuation with an original cost of £32,500 is not depreciated.

9. FIXED ASSET INVESTMENT:

The company has a fixed asset investment which is fully written down. This represents a holding of 100% of the issued ordinary share capital of Ben Johnson Trading Limited, a company incorporated in England whose principal activity is the sale of telephone directories.

10. STOCKS:

The following are included in stocks -

	<u>1983</u>	<u>1982</u>
Raw materials and consumables	£ 2,495,596	£ 733,102
Work in progress	1,376,770	344,628
Finished goods and goods for resale	135,106	116,110
	-----	-----
	£ 4,007,472	£ 1,193,840
	=====	=====

In the opinion of the directors, the estimated replacement cost of stocks does not materially exceed the book value.

11. DEBTORS:

The following are included in debtors -

	<u>1983</u>	<u>1982</u>
Amounts falling due within one year -		
Trade debtors	£ 4,485,124	£ 2,534,272
Amounts owed by holding company and fellow-subsiidiaries	3,004,001	1,687,459
VAT	1,233,689	153,270
Other debtors	199,094	76,108
Prepayments and accrued income	184,400	166,420
	<u>£ 9,106,308</u>	<u>£ 4,617,529</u>
	=====	=====

12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year -

	<u>1983</u>	<u>1982</u>
Current portion of finance lease repayments £	133,283	£ 288,638
Bank loans and overdrafts	1,933,327	3,126,658
Trade creditors	2,167,440	1,082,366
Amounts owed to holding company and fellow-subsiidiaries	341,531	-
Other creditors	411,746	172,094
- social security and PAYE	1,234,766	750,076
Accruals and deferred income		
	<u>£ 6,222,093</u>	<u>£ 5,419,832</u>
	=====	=====

The bank loans and overdrafts are guaranteed by the ultimate parent company.

13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year -

	<u>1983</u>	<u>1982</u>
Finance lease repayments	£ 12,359	£ 386,425
	=====	=====

The future minimum lease payments to which the company is committed as at 31 December 1983 under finance leases are as follows -

1984	£ 149,574
1985	13,870
	<u>163,444</u>
Finance charges allocated to future periods	(17,802)
	<u>£ 145,642</u>
	<u>=====</u>

14. DEFERRED TAXATION:

Deferred taxation has not been provided because in the opinion of the directors it will not become payable in the foreseeable future.

There are however timing differences and losses available for carry forward (on the basis of the proposed legislation contained in the Chancellor's budget speech of 13 March 1984) calculated at 35% (1982 - 52%) as follows -

	<u>1983</u>	<u>1982</u>
Excess of tax allowances over book depreciation of fixed assets	£ 1,534,750	£ 2,085,500
Other timing differences related to - current assets and liabilities	(51,975)	(50,000)
Tax effect of losses carried forward	(1,153,513)	(2,035,500)
	<u>£ 329,262</u>	<u>£ -</u>
	<u>=====</u>	<u>=====</u>

Tax losses available at 31 December 1983 for offset against future taxable trading income amounted to approximately £3,295,000.

15. CALLED UP SHARE CAPITAL:

	<u>1983</u>	<u>1982</u>
Authorised -		
Ordinary shares of £1 each	£ 6,157,850	£ 157,850
	<u>=====</u>	<u>=====</u>
Allotted, called up and fully paid -		
Ordinary shares of £1 each	£ 5,157,850	£ 157,850
	<u>=====</u>	<u>=====</u>

The authorised share capital of the company was increased by 6,000,000 ordinary £1 shares on 5 August 1983. On that date 5,000,000 ordinary £1 shares were issued at par fully paid to Donnelley Satellite Services Limited, the immediate parent company.

16. RESERVES:

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise -

	<u>1983</u>	<u>1982</u>
Distributable		
- profit and loss account	£ 4,623,380	£ 2,006,803
Non-distributable		
- capital contribution	4,000,000	4,000,000
- revaluation reserve	321,394	389,409
	<u>£ 8,944,774</u>	<u>£ 6,396,212</u>
	=====	=====
		<u>Revaluation reserve</u>
Beginning of year		£ 389,409
Amortisation of revaluation surplus		(68,015)
		<u>£ 321,394</u>
End of year		=====

Where depreciation charges are increased following a revaluation of fixed assets, an amount equal to such increase is transferred to the profit and loss account annually.

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a. Capital commitments

At the end of the year, capital commitments were -

	<u>1983</u>	<u>1982</u>
Contracted for	£ 214,000	£ 18,000
Authorised but not contracted for	-	120,000
	<u>£ 214,000</u>	<u>£ 138,000</u>
	=====	=====

b. Pensions arrangements

The company operates a defined benefit pension scheme covering the majority of full time employees. The company's contribution to the pension scheme for the year amounted to £452,143 (1982 - £369,737).

An actuarial valuation of the scheme was last performed in April 1982, which confirmed that the scheme was fully funded at that date.

18. ULTIMATE HOLDING COMPANY:

The company's ultimate holding company is R.R. Donnelley & Sons Company which is incorporated in the State of Delaware, USA.