

USBORNE PUBLISHING LIMITED

REPORT AND ACCOUNTS

for the year ended

31 JANUARY 2002



ED5
COMPANIES HOUSE

EK441FXJ

0010
15/11/02

USBORNE PUBLISHING LIMITED

DIRECTORS

T.P. Usborne
R.M. Robinson

ASSOCIATE DIRECTORS

D.P. Harte
L. Hunt
R. Jones
D.M. Lowe
J.S. Tyler

SECRETARY

K.M. Ball

REGISTERED OFFICE

Usborne House
83-85 Saffron Hill
London EC1N 8RT

BANKERS

National Westminster Bank plc
1 Princes Street
London EC2R 8PA

AUDITORS

Smith & Williamson
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

SOLICITORS

Davenport Lyons
1 Old Burlington Street
London W1X 1LA

COMPANY NUMBER

1124359

USBORNE PUBLISHING LIMITED

REPORT AND ACCOUNTS for the year ended 31 JANUARY 2002

CONTENTS	Pages
Directors' report	3 - 4
Statement of directors' responsibilities in respect of the accounts	5
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9 - 10
Notes to the accounts	11 - 19

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 January 2002.

Activities

The principal activity of the company continued to be publishing.

Review of business

The company had a satisfactory year and, in the opinion of the directors, the state of the company's affairs and its future prospects are satisfactory. There has been no material change in the company's affairs since the balance sheet date.

Results for the year and dividends

The profit for the year after taxation was £932,193 (2001: £962,156). An interim dividend of £50 per share on both the 'A' and 'B' Ordinary shares was paid on 6 November 2001. The directors do not recommend the payment of a final dividend in respect of the year ended 31 January 2002 (2001: £nil).

Directors

The directors of the company at 31 January 2002, both of whom served throughout the year were:

T.P. Usborne
R.M. Robinson

The interests of the directors and their families in the share capital of the company were as follows:-

	Number of A ordinary £1 shares	
	31 January 2002	31 January 2001
T.P. Usborne	7,375	7,375
R.M. Robinson	-	-
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT (continued)

Charitable donations

During the year the company made donations for charitable purposes amounting to £11,981 (2001: £6,400).

Auditors

Our auditors, Smith & Williamson, have advised us that they have incorporated their audit practice as a separate legal entity, Nexia Audit Limited. A resolution to appoint Nexia Audit Limited will be proposed at the next Annual General Meeting.

**Approved by the Board of Directors
And signed on their behalf**

A handwritten signature in black ink, appearing to read 'K M Ball', written in a cursive style.

**K M Ball
Secretary**

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Smith & Williamson

Independent auditors' report to the shareholders of Usborne Publishing Limited

We have audited the accounts of Usborne Publishing Limited for the year ended 31 January 2002 on pages 7 to 19. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are 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 accounts, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 January 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Smith & Williamson

SMITH & WILLIAMSON
Chartered Accountants
Registered Auditors

No 1 Riding House Street
London W1A 3AS

6 November 2002

USBORNE PUBLISHING LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 JANUARY 2002

	Notes	2002 £	2001 £
Turnover	2	16,542,868	14,597,481
Cost of sales		(10,795,225)	(9,149,547)
Gross profit		5,747,643	5,447,934
Distribution costs		(565,519)	(531,714)
Administrative expenses		(4,059,864)	(3,681,345)
Other operating income	3	645	58,064
Operating profit	6	1,122,905	1,292,939
Interest receivable		81,323	100,746
Provision against investments	10	1,532	4,431
Interest payable	7	(1,976)	(960)
Profit on ordinary activities before taxation		1,203,784	1,397,156
Taxation	8	(271,591)	(435,000)
Profit on ordinary activities after taxation		932,193	962,156
Dividends		(500,000)	-
Retained profit for the financial year	15	432,193	962,156

All the company's activities are classed as continuing and there are no recognised gains or losses in either year other than the profit for the year.

USBORNE PUBLISHING LIMITED

BALANCE SHEET as at 31 JANUARY 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible	9	245,658	234,340
Investments	10	46,846	45,314
		<hr/>	<hr/>
		292,504	279,654
		<hr/>	<hr/>
Current assets			
Stocks	11	7,013,207	6,192,711
Debtors	12	4,828,164	3,986,001
Investments	13	9,905	9,905
Cash at bank and in hand		1,908,094	2,588,167
		<hr/>	<hr/>
		13,759,370	12,776,784
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(4,816,275)	(4,253,032)
		<hr/>	<hr/>
Net current assets		8,943,095	8,523,752
		<hr/>	<hr/>
Net assets		9,235,599	8,803,406
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	10,000	10,000
Share premium account		2,448,469	2,448,469
Capital reserve		1,000	1,000
Capital redemption reserve		9,950	9,950
Profit and loss account	15	6,766,180	6,333,987
		<hr/>	<hr/>
Shareholders' funds	16	9,235,599	8,803,406
		<hr/>	<hr/>

These accounts were approved by the Board of Directors on

Signed on behalf of the Board of Directors


T.P. Usborne – Director

USBORNE PUBLISHING LIMITED

CASH FLOW STATEMENT for the year ended 31 JANUARY 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	(a)	318,343	1,279,050
Returns on investments and servicing of finance			
Interest received		81,323	100,746
Interest paid		(1,976)	(960)
Net cash inflow from returns on investments and servicing of finance		79,347	99,786
Taxation			
UK taxation paid		(413,329)	(347,089)
Overseas taxation paid		(4,799)	(8,884)
Net cash outflow on taxation		(418,128)	(355,973)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(177,445)	(162,872)
Proceeds from sale of tangible fixed assets		17,810	21,007
Net cash outflow from capital expenditure and financial investment		(159,635)	(141,865)
Equity dividends paid			
Dividend paid		(500,000)	-
(Decrease)/increase in cash	(b), (c)	(680,073)	880,998

USBORNE PUBLISHING LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 JANUARY 2002

a)	Reconciliation of operating profit to net cash inflow from operating activities	2002 £	2001 £
	Operating profit	1,122,905	1,292,939
	Depreciation	147,188	167,489
	Loss on sale of tangible fixed assets	1,129	1,128
	Increase in stocks	(820,496)	(621,012)
	Increase in debtors	(842,163)	(130,487)
	Increase in creditors	709,780	568,993

Net cash inflow from operating activities	318,343	1,279,050
---	---------	-----------

b)	Reconciliation of net cash flow to movement in net funds	£	£
	Cash at 1 February 2001	2,588,167	1,707,169
	Net cash (outflow) / inflow	(680,073)	880,998

Cash at 31 January 2002	1,908,094	2,588,167
-------------------------	-----------	-----------

c) Analysis of net funds

	At 1 February 2001 £	Cashflow £	At 31 January 2002 £
Cash in hand and bank	2,759,140	(628,859)	2,130,281
Overdraft	(170,973)	(51,214)	(222,187)
	2,588,167	(680,073)	1,908,094

1. **Accounting policies**

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies adopted are described below.

Accounting convention

The accounts have been prepared under the historical cost convention.

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

Pension costs

The company operates a money purchase pension scheme.

Contributions to the money purchase scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme and represent contributions payable by the company to the fund.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost is defined as direct publication costs, together with a proportion of relevant overheads.

Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments on the following bases:-

Furniture and equipment, fixtures and fittings	- 20%
Computer equipment	- 25%
Book fair stand	- 33 1/3%

Motor vehicles are assumed to have a life of four years when purchased new; when purchased at one year old, they are depreciated at 20% per annum for disposal after four years.

Royalty income

Royalty advances are credited to the profit and loss account when invoiced, royalties in excess of advances are credited when received.

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

1. Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction, unless covered by forward purchases of currency where the forward rate is used.

Assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date unless covered by forward purchases of currency where the forward rate is used. Any profit or loss arising is taken to the profit and loss account.

Deferred taxation

The accounting policy in respect of deferred tax for the year ended 31 January 2002 differs from that used in prior years due to the adoption of Financial Reporting Standard 19 "Deferred Taxation". The effect of the change in accounting policy on the profit reported in the prior year was immaterial and accordingly no adjustment has been made to the comparative figures.

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2. Turnover

Turnover represents the value of goods and services delivered to customers during the period, less returns, and is stated net of value added tax.

Geographical analysis of turnover:

	2002 £	2001 £
U.K	7,224,944	5,677,806
Overseas	9,317,924	8,919,675
	<hr/>	<hr/>
	16,542,868	14,597,481
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

3. Other operating income	2002 £	2001 £
Dividends receivable	645	311
Compensation for termination of contract	-	57,753
	<hr/>	<hr/>
	645	58,064
	<hr/>	<hr/>

4. Employees

The average weekly number of employees, excluding directors, of the company during the year and their aggregate remuneration were as follows:-

	Number	Wages and salaries £	Social security £	Pension costs £	Total £
Year ended 31 January, 2002	129	3,109,742	318,857	107,312	3,535,911
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Year ended 31 January, 2001	113	2,546,146	260,671	88,327	2,895,144
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The average monthly number of employees during the year was as follows:

	2002 No.	2001 No.
Administration	15	15
Editorial and production	72	63
Sales	42	35
	<hr/>	<hr/>
	129	113
	<hr/>	<hr/>

5. Directors' emoluments	2002 £	2001 £
Aggregate emoluments	124,625	117,900
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED
NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

6. Operating profit		
is stated after charging/(crediting):	2002	2001
	£	£
Operating lease rentals		
- Hire of plant and machinery	35,581	34,044
- Other	333,965	316,061
Depreciation	147,188	167,489
Auditors' remuneration - audit	39,600	37,950
- other	19,300	13,000
Foreign exchange gains	(222,475)	(192,174)
	<hr/>	<hr/>
7. Interest payable	£	£
Bank interest	1,976	960
	<hr/>	<hr/>
8. Taxation	£	£
<i>Current taxation</i>		
UK corporation tax based on the profit for the year at 30% (2001: 30%)	355,054	443,619
Adjustment in respect of prior years	(13,271)	(8,619)
	<hr/>	<hr/>
Total current tax charge	341,783	435,000
Deferred tax asset (see note 20)	(70,192)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	271,591	435,000
	<hr/>	<hr/>
Tax reconciliation		
Profit on ordinary activities before tax	1,203,784	1,397,156
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate corporation tax in the UK of 30% (2001:30%)	361,135	419,147
Tax effects of:		
Depreciation for the period in excess of capital allowances	1,389	6,604
Other timing differences (general provision)	(3,442)	12,625
Permanent differences on disposals	-	593
Expenses not deductible for tax purposes	7,705	6,553
Marginal relief	(6,934)	(1,903)
Double tax relief	(4,799)	-
Adjustment in respect of prior years	(13,271)	(8,619)
	<hr/>	<hr/>
Total current tax charge	341,783	435,000
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

9. Tangible fixed assets

	Computers £	Furniture and fittings £	Motor vehicles £	Total £
Cost				
At 1 February 2001	689,966	376,853	194,069	1,260,888
Additions	135,855	14,391	27,199	177,445
Disposals	(155,081)	-	(39,500)	(194,581)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2002	670,740	391,244	181,768	1,243,752
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 February 2001	589,203	339,170	98,175	1,026,548
Charge for year	86,029	19,014	42,145	147,188
Disposals	(155,002)	-	(20,640)	(175,642)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2002	520,230	358,184	119,680	998,094
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 January 2002	150,510	33,060	62,088	245,658
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2001	100,763	37,683	95,894	234,340
	<hr/>	<hr/>	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

10. Investments held as fixed assets

	Shares in group undertakings - Subsidiaries £	Loans to group undertakings - Subsidiaries £	Provision against loan to group companies - Subsidiary £	Total £
At 1 February 2001	15	106,690	(61,391)	45,314
Net movement in year	-	-	1,532	1,532
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2002	15	106,690	(59,859)	46,846
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 January 2002 the company had the following subsidiary undertakings:

Company	Country of Incorporation	Activity	Proportion of Ordinary Shares held	Aggregate amount of share capital and reserves	Profit for year
Usborne Publishing Inc	U.S.A.	Non-trading	100%	see below	see below
Usborne Books at Home Limited	England	Dormant	100%	£2	£nil
Usborne Music Publishing Limited	England	Dormant	100%	£2	£nil
Usborne Reference Publishing Limited	England	Dormant	100%	£2	£nil
Usborne Education Limited	England	Dormant	100%	£2	£nil

Usborne Books at Home Limited, Usborne Music Publishing Limited, Usborne Reference Publishing Limited and Usborne Education Limited have not traded.

The accounts of these companies and Usborne Publishing Inc have been omitted from group accounts since in the opinion of the Directors their inclusion is not material for the purpose of giving a true and fair view.

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

10 Investments held as fixed assets (continued)

Additional information in respect of Usborne Publishing Inc.	£
Cost	7
Share of undistributed post acquisition losses at 1 February 2001	(62,109)
Loss retained in the year	(2,101)
	<hr/>
Balance at 31 January 2002	(64,203)
	<hr/>

11. Stocks	2002	2001
	£	£
Paper	-	219
Work in progress	1,866,058	1,736,824
Finished goods	5,147,149	4,455,668
	<hr/>	<hr/>
	7,013,207	6,192,711
	<hr/>	<hr/>
12. Debtors	£	£
Trade debtors	4,282,504	3,816,146
Other debtors	415,130	52,093
Prepayments and accrued income	130,530	117,762
	<hr/>	<hr/>
	4,828,164	3,986,001
	<hr/>	<hr/>
13. Investments	£	£
Listed investments – at cost		
(Market value £ 116,516 2001: £56,473)	9,905	9,905
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

14. Creditors: amounts falling due within one year	2002	2001
	£	£
Trade creditors	3,187,960	2,250,865
Bills of exchange payable	-	101,586
Amounts due to subsidiary undertakings	37,882	31,305
Corporation tax	287,990	434,527
Other taxation and social security	93,477	88,124
Other creditors	99,992	186,016
Accruals and deferred income	1,108,974	1,160,609
	<hr/>	<hr/>
	4,816,275	4,253,032
	<hr/>	<hr/>
15. Profit and loss account		£
Balance at 1 February 2001		6,333,987
Retained profit for the year		432,193
		<hr/>
Balance at 31 January 2002		6,766,180
		<hr/>
16. Reconciliation of movements in shareholders' funds		
	2002	2001
	£	£
Opening shareholders' funds	8,803,406	7,841,250
Profit for the financial year	432,193	962,156
	<hr/>	<hr/>
Closing shareholders' funds	9,235,599	8,803,406
	<hr/>	<hr/>
All attributable to equity interests.		

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 2002 (continued)

17. Called up share capital	2002 £	2001 £
Authorised:		
7,375 'A' Ordinary shares of £1 each	7,375	7,375
2,625 'B' Ordinary shares of £1 each	2,625	2,625
9,950 undesignated shares of £1 each	9,950	9,950
	<hr/>	<hr/>
	19,950	19,950
	<hr/>	<hr/>
Allotted and fully paid		
7,375 'A' Ordinary shares of £1 each	7,375	7,375
2,625 'B' Ordinary shares of £1 each	2,625	2,625
	<hr/>	<hr/>
	10,000	10,000
	<hr/>	<hr/>

The "A" shares and "B" shares rank pari passu in all respects except that the "A" shares carry the right to payment of the first £1,000,000 of dividends declared by the company.

18. Commitments

At 31 January 2002 the company had outstanding forward foreign exchange contracts totalling £207,847 (2001: £2,039,734).

19. Operating lease commitments

At 31 January 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings £	Other £
Leases which expire:		
Within 2-5 years	56,578	34,773
After 5 years	299,640	-
	<hr/>	<hr/>
	356,218	34,773
	<hr/>	<hr/>

20. Deferred taxation

The amount of recognised deferred tax asset, is as follows:

	2002 £
Accelerated capital allowances	(64,192)
Other timing differences	(6,000)
	<hr/>
	(70,192)
	<hr/>