

John Wiley & Sons Limited

**Directors' report and financial
statements**

Registered number 641132

Year ended 30 April 2002



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Directors' report

The directors present the audited financial statements of John Wiley & Sons Limited for the year ended 30 April 2002.

Principal activity and business review

The principal activity of the company continues to be the publishing of books, journals and electronic products for the scientific, technical, educational and professional markets.

The past year saw the group achieve strong turnover and operating profit growth. The group continues to make investments in electronic products and delivery, whilst maintaining and improving its core products and supporting systems.

Results and dividends

The results for the year are set out on page 5. An interim dividend of £1,250,000 (2001: £1,330,000) has been paid. The directors do not propose a final dividend.

Directors and their interests

The directors of the company who served during the year were as follows:

Dr JH Jarvis
CJ Dicks
PW Ferris
RC Long
WJ Pesce (USA)
Mrs AP Poulter

No director has any interests required to be disclosed under the provisions of the Companies Act 1985.

Charitable donations

The company contributed £25,241 (2001: £28,610) to charities during the year. There were no contributions made for political purposes during the year (2001: £nil).

Employees

Applications for employment of disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event 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.

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report *(continued)*

Auditors

During the year KPMG LLP were appointed as auditors of the company. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CJ Dicks
Director

The Atrium
Southern Gate
Chichester
West Sussex
PO19 8SQ

November 25th 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Independent auditors' report to the members of John Wiley & Sons Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements 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 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 is not disclosed.

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 as at 30 April 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditors

29 November 2002

Profit and loss account
for the year ended 30 April 2002

	<i>Notes</i>	2002 £000	2001 £000
Turnover	2	63,038	59,646
Cost of sales		(30,845)	(30,144)
Gross profit		32,193	29,502
Other operating expenses	3	(22,560)	(21,077)
Operating profit		9,633	8,425
Other income	4	1,117	1,161
Profit on ordinary activities before taxation	5	10,750	9,586
Tax on profit on ordinary activities	7	(1,576)	(1,838)
Profit on ordinary activities after taxation		9,174	7,748
Dividends	8	(1,250)	(1,330)
Retained profit for the year		7,924	6,418
Retained profit at beginning of the year		6,578	160
Retained profit at end of the year		14,502	6,578


There were no gains or losses other than the retained profit as presented above. The whole of the results presented above relate to continued activities.

Balance sheet

as at 30 April 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Intangible assets	9	225	325
Tangible assets	10	4,499	4,437
Investments	11	2,212	2,119
		<hr/> 6,936	<hr/> 6,881
Current assets			
Stocks	12	6,373	5,646
Debtors	13	39,862	43,207
Cash at bank and in hand		16,887	3,593
		<hr/> 63,122	<hr/> 52,446
Creditors: amounts falling due within one year	15	(54,749)	(51,911)
		<hr/> 8,373	<hr/> 535
Net current assets			
		<hr/> 15,309	<hr/> 7,416
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(307)	(338)
		<hr/> 15,002	<hr/> 7,078
Net assets			
Capital and reserves			
Called up share capital	17	500	500
Profit and loss account		14,502	6,578
		<hr/> 15,002	<hr/> 7,078
Equity shareholders' funds	18		
		<hr/> 15,002	<hr/> 7,078

These financial statements were approved by the board of directors on 25th Nov 2002 and were signed on its behalf by:


Dr JH Jarvis
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The comparative figures have been restated accordingly. The company has also followed the transitional arrangements of FRS 17 'Retirement benefits'.

Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

The company is exempt by virtue of provisions contained in FRS 1 (Revised) to present a cash flow statement as it is a wholly owned subsidiary of John Wiley & Sons, Inc. in whose consolidated accounts the company's cash flows are included and which are publicly available.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents the value, net of Value Added Tax, of goods and services provided to customers net of discounts and returns.

Goodwill

Goodwill, which represents the excess of purchase price over the book value of assets acquired, is shown at cost, and is amortised over a period of 5-10 years. Provision is made for any impairment.

Intangible assets

Intangible assets are included at cost and depreciated over a period of five years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life, as follows:

Leasehold improvements	-	5-10%
Furniture and fixtures	-	15%
Plant and equipment	-	20-33%
Motor cars	-	20-25%

Notes (continued)

1 Accounting policies (continued)

Investments

Investments are stated at cost less any provision for impairment.

Stocks

Stocks comprise work-in-progress, finished goods and small amounts of raw materials, which are valued at the lower of first-in, first-out cost and net realisable value.

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

Included within stock and work-in-progress are composition costs which are charged to the profit and loss account over three years on a reducing balance basis.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which has arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Editorial costs

Editorial and related costs are expensed as incurred.

Foreign currency translation

Transactions expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the transaction date and amounts receivable and payable in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss resulting from a change in exchange rates subsequent to the date of the transaction is taken directly to the profit and loss account.

Subscription revenues

Subscription revenues are generally collected in advance. These revenues are deferred and recognised when the related issue is sent to subscribers.

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

Retirement benefits for employees are provided by a defined benefit scheme which is funded by contributions from the company. The assets of the pension fund are held independently of the company. The amount charged to the profit and loss account represents the estimated regular cost of providing the benefits accrued in the year adjusted by spreading surpluses across the remaining average service life of employees in accordance with the requirements of the Statement of Standard Accounting Practice No.24. Any differences between amounts charged to the profit and loss account and contributions is shown as a creditor or prepayment in the balance sheet.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis.

2 Segment information

The geographical analysis of turnover is as follows:

	2002 £000	2001 £000
United Kingdom	16,767	15,800
Continental Europe	16,992	16,714
Africa	1,132	1,246
United States	12,634	11,710
Rest of the World	15,513	14,176
	<hr/> 63,038 <hr/>	<hr/> 59,646 <hr/>

The company has a single class of business, which is the publishing of books, journals and electronic products in the scientific, technical, educational and professional markets. There is no suitable basis of allocating the company assets and liabilities to geographical segments.

Notes (continued)

3 Other operating expenses

	2002 £000	2001 £000
Distribution costs	2,847	2,991
Selling and marketing costs	7,519	6,147
Editorial costs	4,573	4,457
Administrative expenses	7,621	7,482
	<u>22,560</u>	<u>21,077</u>

4 Other income

	2002 £000	2001 £000
Interest receivable and other similar income	1,262	1,456
Interest payable and similar charges on bank loans and overdrafts	(15)	(16)
Foreign exchange loss	(130)	(279)
	<u>1,117</u>	<u>1,161</u>

5 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Amortisation of goodwill and other intangible assets	100	122
Depreciation	1,626	1,759
Profit on disposal of fixed assets	(45)	(11)
Operating lease rentals for land and buildings	927	914
Auditor's remuneration:		
- audit	80	70
- non-audit services	74	49
	<u></u>	<u></u>

Notes (continued)

6 Staff costs

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

	Number of employees	
	2002	2001
Production and editorial	153	141
Marketing and promotion	93	82
Distribution and customer service	120	106
Administration	102	90
	<u>468</u>	<u>419</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	Reclassified £000
Wages and salaries	13,210	12,821
Social security costs	984	863
Pension costs	1,482	1,218
	<u>15,676</u>	<u>14,902</u>

In 2001 staff benefits of £256,260 were included in social security costs. These costs have been reclassified to wages and salaries.

Directors' remuneration:

The employee costs shown above include the following remuneration of directors of the company:

	2002	2001
	£000	£000
Emoluments	<u>868</u>	<u>875</u>

The above amounts do not include any gains made on the exercise of share options. The number of directors who exercised their share options during the year was 3 (2001: 2). Retirement benefits are accruing to 5 directors (2001: 5) under retired benefit schemes.

The emolument of the highest paid director was £249,396 (2001: £289,978). His accrued pension under the company's defined benefits scheme at 30 April 2002 was £84,198 (2001: £76,222) and the accrued lump sum was £189,444 (2002: £115,762). During the year, the highest paid director exercised share options in the parent company, John Wiley & Sons Inc..

Notes (continued)

7 Taxation

Analysis of charge in the period

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the period	2,340	1,860
Adjustments in respect of prior periods	(651)	-
	<hr/>	<hr/>
Total current tax	1,689	1,860
Deferred taxation	(113)	(22)
	<hr/>	<hr/>
Tax on profit on ordinary activities	1,576	1,838
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge is lower (2001: lower) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	10,750	9,586
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	3,225	2,876
<i>Effects of:</i>		
Expenses not deductible for tax purposes	82	56
Capital allowances for period in excess of depreciation	31	105
Group relief	(998)	(1,177)
Adjustments to tax charge in respect of previous periods	(651)	-
	<hr/>	<hr/>
Total current tax charge (see above)	1,689	1,860
	<hr/>	<hr/>

8 Dividends

	2002 £000	2001 £000
Dividends paid	1,250	1,330
	<hr/>	<hr/>

Notes (continued)

9 Intangible assets

The movement in the year was as follows:

	Goodwill £000	Publishing rights £000	Total £000
Costs			
At beginning and end of year	714	500	1,214
Amortisation			
At 1 May 2001	714	175	889
Charge for the year	-	100	100
At 30 April 2002	714	275	989
Net book value			
At 30 April 2002	-	225	225
At 30 April 2001	-	325	325

10 Tangible fixed assets

	Land £000	Leasehold improve- ments £000	Furniture & fixtures £000	Plant & Equipment £000	Motor cars £000	Total £000
Cost						
At 1 May 2001	1,257	1,345	3,722	7,519	1,458	15,301
Additions	-	196	226	1,034	273	1,729
Disposals	-	-	-	-	(436)	(436)
At 30 April 2002	1,257	1,541	3,948	8,553	1,295	16,594
Depreciation						
At 1 May 2001	-	1,186	2,809	6,033	836	10,864
Charge for the year	-	151	342	896	237	1,626
Disposals	-	-	-	-	(395)	(395)
At 30 April 2002	-	1,337	3,151	6,929	678	12,095
Net book value						
At 30 April 2002	1,257	204	797	1,624	617	4,499
At 30 April 2001	1,257	159	913	1,486	622	4,437

Notes (continued)

11 Investments

	2002 £000	2001 £000
Investment in shares of subsidiary undertakings	2,212	2,119

The company has investments in the following subsidiary undertakings:

	Country of incorporation	Principal activity	Interest in ordinary share capital %
Capstone Publishing Limited	England and Wales	Publishing	85
Inpharm Internet Services Limited	England and Wales	Electronic publishing	75.4

12 Stocks

	2002 £000	2001 £000
Raw materials	68	94
Work in progress	3,217	2,788
Finished goods	3,088	2,764
	6,373	5,646

13 Debtors

	2002 £000	2001 £000
Amounts falling due within one year:		
Trade debtors	8,763	11,954
Amounts owed by parent company	906	906
Amounts owed by other group undertakings	7,269	6,602
Loan due from other group undertaking	20,410	21,456
Prepayments and accrued income	2,141	2,029
	39,489	42,947
Amounts falling due after one year:		
Deferred tax asset (note 14)	373	260
	39,862	43,207

Notes (continued)

14 Deferred tax asset

	2002 £000	2001 £000
Deficit of tax allowances over book depreciation of fixed assets	281	160
Timing difference relating to pension costs	92	100
	<hr/>	<hr/>
	373	260
	<hr/>	<hr/>
The movement on deferred taxation comprises:		
At 1 May 2001	260	238
Credited/(charged) to profit and loss, in respect of:		
- fixed assets	121	84
- pensions	(8)	(62)
	<hr/>	<hr/>
At 30 April 2002	373	260
	<hr/>	<hr/>

15 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	4,676	6,221
Amounts owed to group undertakings	24,025	24,487
Other creditors:		
- UK corporation tax payable	1,598	2,082
- Other taxes and social security	303	295
Accruals	2,835	2,767
Deferred subscription revenue	21,312	16,059
	<hr/>	<hr/>
	54,749	51,911
	<hr/>	<hr/>

16 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Pension accrual (note 19b)	307	337
Deferred subscription revenue	-	1
	<hr/>	<hr/>
	307	338
	<hr/>	<hr/>

Notes (continued)

17 Called up share capital

	2002 £000	2001 £000
<i>Authorised, allotted, called up and fully paid</i>		
500,000 ordinary shares of £1 each	500	500

18 Reconciliation of movements on shareholders' funds

	2002 £000	2001 £000
Profit for the financial year	9,174	7,748
Dividends	(1,250)	(1,330)
Net addition to shareholders' funds	7,924	6,418
Shareholders' funds at beginning of year	7,078	660
Shareholders' funds at end of year	15,002	7,078

19 Pension scheme

The majority of the employees of the group participate in the John Wiley & Sons Limited Retirement Benefits Scheme. The pension cost for the year was £1,140,000 (2001: £1,200,548).

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the unit method for lump sum death benefits and projected unit method for other benefits. The most recent valuation was at 1 May 1999. The assumptions, which have the most significant effect on the results of the valuation were that salaries would increase by 5% per annum, pensions in payment would increase by 3% per annum, dividend growth would be 4% per annum and the return on the scheme investment would be 8.0% per annum.

At the date of the latest actuarial valuation, the market value of the group scheme assets (excluding deposits relating to additional voluntary contributions) was £18,970,990 and the actuarial value of the assets was sufficient to cover 89% of the benefits that had accrued to members after allowing for expected future increases in earnings. There was a provision of £307,074 in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24, 'Accounting for pension costs', under FRS 17, 'Retirement benefits', the following transitional disclosures are noted:

The valuation at 1 May 1999 has been updated by the actuary on an FRS 17 basis as at 30 April 2002. The major assumptions used in this valuation were:

Rate of increase in salaries	4.00%
Rate of increase in pensions in payment	3.00%
Discount rate	6.00%
Inflation assumption	2.75%

Notes (continued)

19 Pension Scheme (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, together with the assumed rate of return, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Assumed rate of return	Value at 30 April 2002 £000
Equities	8.5%	15,316
Bonds	5.5%	2,012
Property	7.5%	440
Cash	4.5%	997
Total market value of assets		18,765
Present value of scheme liabilities		(27,109)
Deficit in the scheme – pension liability		(8,344)
Related deferred tax asset		2,503
Net pension liability		(5,841)

The amount of this net pension liability would have a consequential effect on reserves.

20 Financial commitments

a) Lease commitments:

The company rents office and warehouse premises with leases expiring between 2001 and 2012 at current annual rentals totalling £926,640 (2001: £914,000). The rents are subject to renegotiation at various intervals specified in the leases.

	Land and Buildings 2002 £000	Land and Buildings 2001 £000
Operating leases which expire:		
Within one year	437	184
Within 2-5 years	157	112
After 5 years	333	618
At end of year	927	914

Notes (continued)

20 Financial commitments (continued)

b) Capital commitments:

At 30 April 2002 the company had capital commitments authorised but not contracted totalling £8,085,000 (2001:£137,000), including the construction and acquisition of new freehold premises amounting to £7,950,000. Subsequent to the balance sheet date the company acquired and took occupation of these new freehold premises.

21 Related party transactions

As a subsidiary of John Wiley & Sons, Inc., the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by John Wiley & Sons, Inc.

22 Ultimate parent company

The smallest group in which the results of the company are consolidated is that headed by Wiley Europe Limited, of which the company is a wholly owned subsidiary and whose principal place of business is The Atrium, Southern Gate, Chichester, West Sussex, where consolidated accounts of the UK group are available. The largest group in which they are also consolidated is that headed by John Wiley & Sons, Inc., incorporated in the State of New York, USA, whose principal place of business is at 111 River Street, Hoboken, New Jersey, NJ 07030, USA, where consolidated accounts of this group are available to the public.