

HOW TO BOOKS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1998

Registered number: 2574996

CRITCHLEYS

CHARTERED ACCOUNTANTS

Oxford



HOW TO BOOKS LIMITED

FINANCIAL STATEMENTS

for the year ended 31 December 1998

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8

HOW TO BOOKS LIMITED

COMPANY INFORMATION

31 December 1998

REGISTERED OFFICE	1 Des Roches Square Witan Way Witney Oxon OX8 6BE
TRADING ADDRESS	3 Newtec Place Magdalen Road Oxford OX4 1RE
REGISTERED NUMBER	2574996
DIRECTORS AND SECRETARY	
DIRECTORS	GP Lewis DM Phillips
SECRETARY	DM Phillips
ADVISORS	
BANKERS	Barclays Bank plc Oxford Corporate Group PO Box 858 Oxford OX2 0XP
SOLICITORS	Brookstreet Des Roches 1 Des Roches Square Witan Way Witney Oxon OX8 6BE
AUDITORS	Critchleys Chartered Accountants Boswell House 1-5 Broad Street Oxford OX1 3AW

HOW TO BOOKS LIMITED

DIRECTORS' REPORT

31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of the company is that of publishing books.

Results and business review

The directors believe the results for the year to be satisfactory and in light of plans for the future development of the business look forward to the coming year with confidence.

A review of the year's results and the company's future prospects are dealt with in the Annual Report and Accounts of the company's parent company Oxford Publishing Ventures Limited.

The directors do not propose payment of an ordinary dividend.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31 December 1998	1 January 1998
	Ordinary shares	Ordinary shares
GP Lewis	-	-
DM Phillips	-	-

The interests of the directors in the shares of the parent company, Oxford Publishing Ventures Limited, are disclosed in that company's accounts.

Auditors

Critchleys have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

DM Phillips
Secretary

1 Des Roches Square
Witan Way
Witney
Oxon OX8 6BE

21 May 1999

HOW TO BOOKS LIMITED

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. 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.

21 May 1999

On behalf of the board



GP Lewis
Director

HOW TO BOOKS LIMITED

AUDITORS' REPORT

Auditors' report to the members of

How To Books Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. 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 the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Oxford
17 June 1999

Critchleys
Registered Auditors
Chartered Accountants

HOW TO BOOKS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	2	698,057	541,838
Cost of sales		(181,304)	(105,368)
Gross profit		516,753	436,470
Net operating expenses			
Administrative expenses		(467,297)	(437,984)
Operating profit/(loss)	3	49,456	(1,514)
Investment income	5	-	769
Interest payable	6	(4,500)	(1,079)
Profit/(loss) on ordinary activities before taxation		44,956	(1,824)
Taxation	7	(137)	-
Profit/(loss) on ordinary activities after taxation		44,819	(1,824)
Dividends	8	-	(230,000)
Retained profit/(loss) for the year	16	44,819	(231,824)

Movements in reserves are shown in note 16.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1998 or 1997 other than the profit/(loss) for the year.


HOW TO BOOKS LIMITED

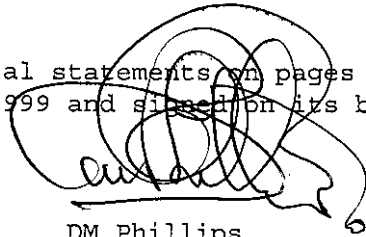
BALANCE SHEET

at 31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	9	21,541	2,579
Current assets			
Stocks	10	147,537	112,363
Debtors	11	177,681	203,057
Cash at bank and in hand		16,178	-
		<u>341,396</u>	<u>315,420</u>
Creditors: amounts falling due within one year	12	(196,201)	(201,572)
Net current assets		<u>145,195</u>	<u>113,848</u>
Total assets less current liabilities		<u>166,736</u>	<u>116,427</u>
Creditors: amounts falling due after more than one year	13	(5,490)	-
		<u>161,246</u>	<u>116,427</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	161,146	116,327
Total shareholders' funds	14	<u>161,246</u>	<u>116,427</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 21 May 1999 and signed on its behalf by:


GP Lewis
Director


DM Phillips
Director

HOW TO BOOKS LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 1998

	Note	1998		1997	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	20	57,345		(27,804)	
Returns on investments and servicing of finance					
Interest received		-		769	
Interest paid		(2,463)		(1,079)	
Interest element of finance lease rental payments		(2,037)		-	
			(4,500)		(310)
Taxation					
Corporation tax paid			(9,739)		(9,000)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(9,678)		(3,438)
			33,428		(40,552)
Equity dividends paid			-		(230,000)
			33,428		(270,552)
Financing					
Capital element of finance lease rentals		(4,535)		-	
			(4,535)		-
Increase/(decrease) in cash			28,893		(270,552)

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

1 Accounting policies**Basis of accounting**

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

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Plant and machinery	33% straight line
Motor vehicles	33% straight line
Fixtures and fittings	33% straight line

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving stock. In the case of work-in-progress, cost comprises actual production costs.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

2 Turnover

The turnover for the year was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	1998 £	1997 £
Geographically		
United Kingdom	621,897	485,453
Overseas Markets	76,160	56,385
	<u>698,057</u>	<u>541,838</u>

3 Operating profit/(loss)

	1998 £	1997 £
Operating profit/(loss) is stated after charging		
Staff costs (note 4)	40,368	-
Auditors' remuneration	5,140	4,713
Operating leases		
Hire of plant and machinery	4,104	3,159
Office rents and rates	12,624	2,878
	<u>60,136</u>	<u>10,750</u>
Depreciation of tangible fixed assets (note 9)		
Owned assets	2,578	859
Leased assets	4,038	-
	<u>6,616</u>	<u>859</u>

4 Directors and employees

	1998 £	1997 £
Staff costs including directors' emoluments		
Wages and salaries	36,235	-
Social security costs	4,133	-
	<u>40,368</u>	<u>-</u>
Average monthly number employed including executive directors:	Number	Number
Administration staff	2	-

5 Investment income

	1998 £	1997 £
Interest receivable	-	769

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

6 Interest payable

	1998 £	1997 £
Bank interest	2,463	1,079
Finance lease interest	2,037	-
	<u>4,500</u>	<u>1,079</u>

7 Taxation

	1998 £	1997 £
Corporation tax on profit on ordinary activities at 21% (1997 21.75%)	-	-
Under provision in earlier years	137	-
	<u>137</u>	<u>-</u>

8 Dividends

	1998 £	1997 £
Dividend of £2300 per share	-	230,000

9 Tangible fixed assets

	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Total £
Cost				
1 January 1998	-	3,438	-	3,438
Additions	9,995	13,838	1,745	25,578
31 December 1998	<u>9,995</u>	<u>17,276</u>	<u>1,745</u>	<u>29,016</u>
Depreciation				
1 January 1998	-	859	-	859
Charge for year	3,054	3,154	408	6,616
31 December 1998	<u>3,054</u>	<u>4,013</u>	<u>408</u>	<u>7,475</u>
Net book amount				
31 December 1998	<u>6,941</u>	<u>13,263</u>	<u>1,337</u>	<u>21,541</u>
1 January 1998	-	2,579	-	2,579

The net book amount of fixed assets includes £11,862 (1997 £0) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

10 Stocks

	1998 £	1997 £
Work in progress	29,167	15,019
Finished goods	118,370	97,344
	<u>147,537</u>	<u>112,363</u>

11 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	134,595	173,264
Other debtors	31,381	18,501
Prepayments and accrued income	11,705	11,292
	<u>177,681</u>	<u>203,057</u>

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	-	12,715
Trade creditors	154,237	103,411
Amounts owed to group undertakings	12,224	58,984
Corporation tax	-	9,602
Other taxation and social security	4,386	454
Other creditors	49	49
Accruals and deferred income	19,430	16,357
Obligations under finance leases and hire purchase contracts - note 13	5,875	-
	<u>196,201</u>	<u>201,572</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company and by cross guarantees between How To Books Limited, BIOS Scientific Publishers Limited and Oxford Publishing Ventures Limited.

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

- 13 Creditors: amounts falling due
after more than one year

	1998 £	1997 £
Other liabilities		
Obligations under finance leases and hire purchase contracts	5,490	-
	<u>5,490</u>	<u>-</u>
Obligations under finance leases and hire purchase contracts		
These are repayable over varying periods by monthly instalments as follows:		
In the next year - see note 12	5,875	-
In the second to fifth years	5,490	-
	<u>11,365</u>	<u>-</u>

Finance lease liabilities are secured on the relevant assets.

- 14 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit/(loss) for the financial year	44,819	(1,824)
Dividends	-	(230,000)
Net addition to/(subtraction from) shareholders' funds	44,819	(231,824)
Opening shareholders' funds	116,427	348,251
Closing shareholders' funds	<u>161,246</u>	<u>116,427</u>

- 15 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

16 Profit and loss account

	1998 £
1 January 1998	116,327
Retained profit for the year	44,819
	<hr/>
31 December 1998	161,146
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17 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 1999

	1998 Land and Buildings £	1998 Plant & Other £	1997 Land and Buildings £	1997 Plant & Other £
Expiring				
Within one year	1,470	885	-	-
Within two to five years	-	3,256	-	3,256
	<hr/>	<hr/>	<hr/>	<hr/>
	1,470	4,141	-	3,256
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

How To Books Limited, together with group companies has guaranteed the bank overdraft of BIOS Scientific Publishers Limited.

18 Ultimate parent undertaking

The company is a wholly owned subsidiary of Oxford Publishing Ventures Limited, a company registered in England and Wales.

19 Related parties

The company's ultimate controlling party is M O'Regan as he, together with his close family company, owns the majority of shares in Oxford Publishing Ventures Limited.

Related party transactions within the group are not disclosed as the company is included in publicly available consolidated accounts.

HOW TO BOOKS LIMITED

NOTES ON FINANCIAL STATEMENTS

31 December 1998

20 Notes to the cash flow statement

Reconciliation of operating profit/(loss)
to operating cash flows

	1998 £	1997 £
Operating profit/(loss)	49,456	(1,514)
Depreciation charges	6,616	859
Increase in stocks	(35,174)	(22,348)
Decrease/(increase) in debtors	25,376	(69,860)
Increase in creditors	11,071	65,059
Net cash inflow/(outflow) from operating activities	57,345	(27,804)

21 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	-	16,178	-	16,178
Bank overdrafts	(12,715)	12,715	-	-
		<u>28,893</u>		
Finance leases	-	4,535	(15,900)	(11,365)
		<u>4,535</u>		
Total	(12,715)	33,428	(15,900)	4,813

Reconciliation of net cash flow to movement in net debt

	1998 £	1997 £
Increase/(decrease) in cash in the year	28,893	(270,552)
Cash outflow from decrease in debt and lease financing	4,535	-
Change in net debt resulting from cash flows	33,428	(270,552)
New finance leases	(15,900)	-
Movement in net debt in the year	17,528	(270,552)
Net debt at 1 January 1998	(12,715)	257,837
Net debt at 31 December 1998	4,813	(12,715)