Company Registration No. 3031538 (England and Wales)

RYLAND PETERS & SMALL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002

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RYLAND PETERS & SMALL LIMITED

COMPANY INFORMATION

Directors	D T Peters J S Scholl
Secretary	J S Scholl
Company number	3031538
Registered office	11 Conway Street London W1T 6BL
Auditors	BDO Stoy Hayward Prospect Place 85 Great North Road Hatfield Herts AL9 5BS

RYLAND PETERS & SMALL LIMITED

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RYLAND PETERS & SMALL LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report and financial statements for the year ended 31 March 2002.

Principal activities and review of the business
The principal activity of the company continued to be that of publishers of illustrated books.

The directors are satisfied with the result for the year and the financial position at the end of the year.

Results and dividends
The results for the year are set out on page 4.

Directors
The following directors have held office since 1 April 2001:

D T Peters
J S Scholl

Directors' interests
The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 10p each	
	31 March 2002	**1 April 2001**
J S Scholl	30,303	30,303
D T Peters	30,303	30,303

	Deferred shares of £ 1 each	
	31 March 2002	**1 April 2001**
J S Scholl	-	323,029
D T Peters	-	323,029

	Deferred shares of 10p each	
	31 March 2002	**1 April 2001**
J S Scholl	3,230,290	-
D T Peters	3,230,290	-

The company has an unapproved share option scheme. The scheme holds 121,214 ordinary shares and 1,292,124 deferred shares. On 1 May 2001 the directors executed a Deed of Cancellation in respect of all their above options. By a special resolution passed by the Company on 1 May 2001, the 1,938,182 Deferred Ordinary shares of £1 each were split into 19,381,820 Deferred Ordinary Shares of 10p each. Further, 121,214 Odinary shares of 10p in the Company, being those shares, for identification purposes held by RP&S Trustees Limited, were redesignated as Deferred Ordinary Shares of 10p having the same rights and privileges as the existing deferred Ordinary Shares set out in the Articles of Association of the Company adopted on 27 April 1999.

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that BDO Stoy Hayward be reappointed as auditors of the company will be put to the Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

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 then 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.

On behalf of the board

J S Scholl

Director

19 June 2003

RYLAND PETERS & SMALL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RYLAND PETERS & SMALL LIMITED

We have audited the financial statements of Ryland Peters & Small Limited on pages 4 to 16 for the year ended 31 March 2002, which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of the 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 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.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely on this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

19 June 2003

Chartered Accountants
and Registered Auditor

Prospect Place
85 Great North Road
Hatfield
Herts
AL9 5BS

RYLAND PETERS & SMALL LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
Turnover	**2**	6,368,696	4,839,710
Cost of sales		(2,928,543)	(2,755,734)
Gross profit		3,440,153	2,083,976
Distribution costs		(1,120,131)	(620,696)
Administrative expenses		(1,461,493)	(1,439,290)
Other operating income		721	181
Operating profit	**3**	859,250	24,171
Other interest receivable and similar income		9,351	13,009
Amounts written off investments	**4**	-	(417,935)
Interest payable and similar charges	**5**	(1,793)	(2,126)
Profit/(loss) on ordinary activities before taxation		866,808	(382,881)
Tax on profit/(loss) on ordinary activities	**6**	(1,819)	(2,646)
Profit/(loss) on ordinary activities after taxation	**15**	864,989	(385,527)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 7 to 16 form part of these financial statements.

RYLAND PETERS & SMALL LIMITED

BALANCE SHEET
AS AT 31 MARCH 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	**7**		76,786		100,620
Investments	**8**		1		1
			76,787		100,621
Current assets					
Stocks	**9**	931,069		923,113	
Debtors	**10**	2,040,557		2,051,680	
Cash at bank and in hand		818,622		342,604	
		3,790,248		3,317,397	
Creditors: amounts falling due within one year	**11**	(2,331,032)		(2,737,137)	
Net current assets			1,459,216		580,260
Total assets less current liabilities			1,536,003		680,881
Creditors: amounts falling due after more than one year	**12**		(10,495)		(20,362)
			1,525,508		660,519
Capital and reserves					
Called up share capital	**14**		1,956,364		1,956,364
Share premium account	**15**		83,293		83,293
Profit and loss account	**15**		(514,149)		(1,379,138)
Shareholders' funds	**16**		1,525,508		660,519
Equity interests			(424,795)		(1,277,663)
Non-equity interests			1,950,303		1,938,182
			1,525,508		660,519

The notes on pages 7 to 16 form part of these financial statements.
The financial statements were approved by the Board on 19 June 2003

J S Scholl
Director

RYLAND PETERS & SMALL LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	2002		2001	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		616,179		(84,235)
Returns on investments and servicing of finance				
Interest received	9,351		13,009	
Interest paid	(1,793)		(2,057)	
Net cash inflow for returns on investments and servicing of finance		7,558		10,952
Taxation		(1,447)		(2,243)
Capital expenditure				
Payments to acquire tangible assets	-		(37,825)	
Net cash outflow for capital expenditure		-		(37,825)
Net cash inflow/(outflow) before management of liquid resources and financing		622,290		(113,351)
Financing				
Repayment of other short term loans	-		(71,047)	
Capital element of hire purchase contracts	(10,867)		(3,103)	
Net cash outflow from financing		(10,867)		(74,150)
Increase/(decrease) in cash in the year		611,423		(187,501)

The notes on pages 7 to 16 form part of these financial statements.

RYLAND PETERS & SMALL LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

1	**Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**	**2002**	**2001**
		£	**£**
	Operating profit	859,250	24,171
	Depreciation of tangible assets	23,834	31,426
	Increase in stocks	(7,956)	(572,080)
	Decrease/(increase) in debtors	11,123	(581,317)
	(Decrease)/Increase in creditors within one year	(270,072)	1,013,565
	Net cash inflow/(outflow) from operating activities	616,179	(84,235)

2	**Analysis of net funds**	**1 April 2001**	**Cash flow**	**Other non-cash changes**	**31 March 2002**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	342,604	476,018	-	818,622
	Bank overdrafts	(180,521)	135,405	-	(45,116)
		162,083	611,423	-	773,506
	Debt:				
	Finance leases	(25,562)	10,867	-	(14,695)
	Net funds	136,521	622,290	-	758,811

3	**Reconciliation of net cash flow to movement in net funds**	**2002**	**2001**
		£	**£**
	Increase/(decrease) in cash in the year	611,423	(187,501)
	Cash outflow from decrease in debt and lease financing	10,867	74,152
	Change in net debt resulting from cash flows	622,290	(113,349)
	New finance lease	-	(21,000)
	Movement in net funds in the year	622,290	(134,349)
	Opening net funds	136,521	270,870
	Closing net funds	758,811	136,521

RYLAND PETERS & SMALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

1 Accounting policies

1 .1 Accounting convention

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards.

1 .2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1 .3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	over the life of the lease.
Plant and machinery	25% reducing balance
Fixtures, fittings & equipment	25% reducing balance

1 .4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1 .5 Investments

Fixed asset investments are stated at cost less provision for an impairment in value. The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

1 .6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1 .7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1 .8 Deferred taxation

The company has adopted FRS 19 'Deferred Tax' for the first time. There is no impact on the result for the period. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

1 .9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1 **Accounting policies** **(continued)**

1.10 Employee share ownership plan.

The company is deemed to have control of the assets, liabilities, income and costs of the Ryland Peters & Small Limited Share Ownership Plan (ESOP). It has therefore been included in the financial statements of the company in accordance with UITF 13.

1.11 Consolidated financial statements.

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Acts 1985 as the group it heads qualifies as a 'medium' sized group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2 Turnover

In the opinion of the directors it would be seriously prejudicial to the interest of the company to disclose information regarding turnover.

3 Operating profit

	2002	2001
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	23,834	31,426
Operating lease rentals - other assets	120,482	116,327
Auditors' remuneration	9,000	7,500
Loss on disposal of fixed assets	-	3,046
Net (profit)/loss on foreign currency translation	3,202	53,384

4 Amounts written off investments

	2002	2001
	£	£
Amounts written off fixed asset investments:		
- permanent diminution in value	-	417,935

5 Interest payable

	2002	2001
	£	£
On bank loans and overdrafts	-	209
Hire purchase interest	1,793	1,848
On overdue tax	-	69
	1,793	2,126

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

6 Taxation	2002 £	2001 £
Domestic current year tax		
U.K. corporation tax	1,819	2,302
Adjustment for prior years	-	344
Current tax charge	1,819	2,646
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	866,808	(382,881)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00 % (2001: 20.00 %)	173,362	(76,576)
Effects of:		
Non deductible expenses	1,035	84,051
Depreciation add back	4,767	6,285
Capital allowances	(4,714)	(8,215)
Tax losses utilised	(172,580)	(2,943)
Adjustments to previous periods	-	344
Other tax adjustments	(51)	(300)
	(171,543)	79,222
Current tax charge	1,819	2,646

The company has estimated losses of £ 76,981 (2001: £ 939,879) available for carry forward against future trading profits.

7 **Tangible fixed assets**

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 April 2001 & at 31 March 2002	10,573	38,436	239,391	288,400
Depreciation				
At 1 April 2001	1,057	10,226	176,497	187,780
Charge for the year	1,057	7,053	15,724	23,834
At 31 March 2002	2,114	17,279	192,221	211,614
Net book value				
At 31 March 2002	8,459	21,157	47,170	76,786
At 31 March 2001	9,516	28,210	62,894	100,620

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery
	£
Net book values	
At 31 March 2002	11,812
At 31 March 2001	15,750
Depreciation charge for the year	
31 March 2002	3,937
31 March 2001	5,250

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 April 2001 & at 31 March 2002	1

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
RP&S Trustees Limited	England	Ordinary	100
Ryland Peters & Small (Holdings) Limited	England	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2002 £	Profit for the year 2002 £
RP&S Trustees Limited	1	-
Ryland Peters & Small (Holdings) Limited	100	-

Investments - own shares

The company established an Employee Share Ownership Plan (ESOP) to purchase shares in the company for distribution at a later date, in accordance with the terms of the ESOP created by the Ryland, Peters & Small Employees' No.1 Trust and the Ryland, Peters & Small Employees' No.2 Trust deeds dated 26 April 1999. The shares are held by an independent trustee. During the year ended 31 March 2001, the Trust held an equivalent of 121,214 ordinary shares of 10p each (2001 - 121,214) and 12,921,230 deferred shares of 10p each (2001 - 1,292,123 deferred shares of £1 each).

9 Stocks and work in progress

	2002 £	2001 £
Work in progress	199,441	300,815
Finished goods and goods for resale	731,628	622,298
	931,069	923,113

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

10 Debtors	2002 £	2001 £
Trade debtors	1,784,536	1,789,176
Other debtors	228,421	234,904
Prepayments and accrued income	27,600	27,600
	2,040,557	2,051,680

Trade debtors are stated after a provision for returns of £79,086 (2001, £129,086) and a provision for bad debts of £396 (2001, £61,024).

11 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	45,116	180,521
Net obligations under hire purchase contracts	4,200	5,200
Trade creditors	1,991,791	2,220,072
Corporation tax	2,674	2,302
Other taxes and social security costs	197,443	195,486
Directors' current accounts	73,308	78,297
Other creditors	-	24,616
Accruals and deferred income	16,500	30,643
	2,331,032	2,737,137

12 Creditors: amounts falling due after more than one year	2002 £	2001 £
Net obligations under hire purchase contracts	10,495	20,362

Net obligations under hire purchase contracts		
Repayable within one year	4,200	5,200
Repayable between one and five years	10,495	20,362
	14,695	25,562
Included in liabilities falling due within one year	(4,200)	(5,200)
	10,495	20,362

13 Pension costs

Defined contribution

	2002 £	2001 £
Contributions payable by the company for the year	30,292	9,606

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

14 Share capital	2002	2001
	£	£
Authorised		
618,180 Ordinary shares of 10p each	61,818	61,818
1,938,182 Deferred shares of £ 1 each	-	1,938,182
20,000,000 Deferred shares of 10p each	2,000,000	-
	2,061,818	2,000,000
Allotted, called up and fully paid		
60,606 Ordinary shares of 10p each	6,061	18,182
1,938,182 Deferred shares of £ 1 each	-	1,938,182
19,503,034 Deferred shares of 10p each	1,950,303	-
	1,956,364	1,956,364

On the 27th April 1999, by a special resolution each of the authorised and issued A Ordinary Shares of 10p and B Ordinary Shares of 10p in the capital of the Company were redesignated as an Ordinary Share of 10p having the rights attaching thereto set out in the new Articles of Association adopted by the Company. By the passing of this Resolution each of the authorised and issued Preference Shares of £1 in the capital of the Company was redesignated as a Deferred Share of £1 also having the rights and privileges set out in the New Articles. The authorised share capital of the Company was increased beyond its registered capital of £1,956,364 by £43,636 by the creation of 436,361 Ordinary Shares of 10p each also having the rights attaching thereto set out in the New Articles.

The rights attached to the deferred shares are as follows:

(a) On a return of capital or winding up or otherwise, deferred shareholders are entitled to the repayment of the amounts paid up or credited as paid up on such shares after payment in respect of each Ordinary Share of the amount paid up on such share and £10,000,000.

(b) no entitlement to receive or participate in any way in any profits or assets of the company.

(c) no entitlement to vote at any general meeting of the Company.

(d) the shares are redeemable at any time at an aggregate price not exceeding 1p.

By a special resolution passed by the Company on 1 May 2001, 121,214 Ordinary Shares of 10p in the Company, being those share, for identification purposes held by RP&S Trustees Limited, were redesignated as Deferred Ordinary Shares of 10p having the same rights and privileges as the existing Defferred Ordinary Shares of £1 each set out in the Articles of Association of the Company adopted on 27 April 1999.

The 1,938,182 Deferred Odinary Shares of £1 each were split into 19,381,820 Deferred Ordinary Shares of 10p each. The Authorised number of Deferred Ordinary Shares of 10p each was increased to 20,000,000 shares increasing the total authorised share capital to £2,061,818. On 1 May 2001 David Peters and Jeremy Scholl executed a Deed of Cancellation in respect of the options granted to them on 27 April 1999.

15 Statement of movements on reserves

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 2001	83,293	(1,379,138)
Retained profit for the year	-	864,989
Balance at 31 March 2002	83,293	(514,149)

16 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Profit/(Loss) for the financial year	864,989	(385,527)
Opening shareholders' funds	660,519	1,046,046
Closing shareholders' funds	1,525,508	660,519

17 Financial commitments

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002	2001
	£	£
Expiry date:		
Between two and five years	110,400	110,400

18 Directors' emoluments

	2002	2001
	£	£
Emoluments for qualifying services	126,327	110,921
Company pension contributions to money purchase schemes	24,080	5,454
	150,407	116,375

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2001- 2).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 2 (2001- 2).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Sales	6	12
Production	23	18
Administrative	3	2
	32	32

Employment costs

	£	£
Wages and salaries	884,235	851,905
Social security costs	91,285	86,354
Other pension costs	30,292	9,606
	1,005,812	947,865

20 Related party transactions

During the year the company received management fees from Ryland Peters & Small Inc of £73,558 (2001 - £65,658).

Ryland Peters & Small Inc acts as sales agent for the company in the United States. During the year it was paid commission of £790,665 (2001 - £265,508).

Included in other debtors is an amount owed by Ryland Peters & Small Inc of £109,436 (2001 - £126,977).

Jeremy Scholl and Company was paid £29,214 for accounting services.

At 31 March 2002 £2,964 (2001 - £28,297) was owed to Jeremy Scholl and £70,344 (2001 - £50,000) was owed to David Peters by the company.