

T N & SONS LIMITED
(Formerly Thomas Nelson & Sons Limited)

(Registered Number : SC9504)

DIRECTORS' REPORT AND ACCOUNTS

7 January 2000



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T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

DIRECTORS' REPORT FOR THE PERIOD ENDED 7 JANUARY 2000

The directors present their report and accounts of the company for the period ended 7 January 2000.

RESULTS FOR THE PERIOD

The profit for the period year was £17,030,000 (1998: loss for the year £4,905,000). No dividend is recommended for the period (1998: £nil).

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be book publishing for the educational market.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The sales revenues for the core business of educational books showed modest decline. During the year, the Company disposed of certain parts of its business to other group undertakings. On 7 January 2000 the Company disposed of its entire business to a third party (see note 7). The company has no plans to trade in the foreseeable future.

CHANGE OF NAME

The name of the company was changed to T N & Sons Limited on 4 January 2000.

POLICY ON PAYMENT OF CREDITORS

The Company agrees terms and conditions (including payment terms) for trading with suppliers. Payment is generally made on these terms subject to suppliers meeting the agreed terms and conditions. The Company is paying its suppliers on an average of 24 days.

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

DIRECTORS' REPORT FOR THE PERIOD ENDED 7 JANUARY 2000 (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period and up to the date of this report were as follows:

A J Stringer	(resigned 7 January 2000)
B Cullen	
P McKay	(resigned 7 January 2000)
A Davis	(appointed 7 January 2000)
W Lee	(appointed 7 January 2000)
T Dyer	(appointed 7 January 2000)
S Coles	(appointed 7 January 2000)

None of the directors at 7 January 2000 had any beneficial interests in the shares of the company or of any other group company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 period. In preparing those accounts, the directors are required to:

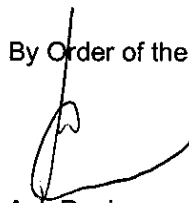
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 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.

AUDITORS

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be put to the members at the Annual General Meeting.

By Order of the Board


A J Davis
Secretary

25th October 2000

AUDITORS' REPORT TO THE MEMBERS OF T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

We have audited the financial statements on pages 4 to 16 provided in financial statements which have been prepared under the historical cost convention.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

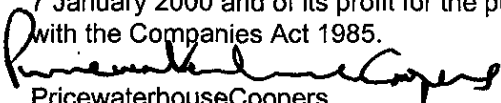
Basis of audit opinion

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 the company's affairs as at 7 January 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southampton

25 October 2000.

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED
7 JANUARY 2000**

	Period to 7 January <u>2000</u> £'000	Year to 31 December <u>1998</u> £'000
TURNOVER (Note 2)	17,319	18,193
Change in stocks of finished goods & work in progress	(1,154)	(832)
Raw materials & consumables	(3,783)	(5,000)
Other external charges	(1,992)	(2,154)
Staff costs:		
- wages	(2,824)	(2,976)
- social security costs	(299)	(278)
- other pension costs	(230)	(202)
Amortisation of goodwill (Note 8)	(1,216)	(5,250)
Depreciation:		
- owned assets (Note 9)	(225)	(231)
Other operating charges	(5,514)	(5,989)
Other operating income	409	401
OPERATING PROFIT/(LOSS) (Note 3)	491	(4,318)
Interest receivable	-	2
Interest payable (Note 4)	-	(25)
Profit on the sale of discontinued operations – (see Note 7)	17,132	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	17,623	(4,341)
Tax (charge) on profit/(loss) on ordinary Activities (Note 5)	(593)	(564)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	17,030	(4,905)
Retained (losses) brought forward	(12,162)	(7,257)
RETAINED PROFITS/(LOSSES) CARRIED FORWARD	4,868	(12,162)

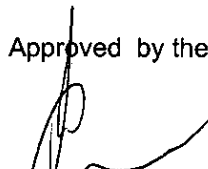
The only recognised gain is the profit for the financial year.
The notes on pages 6 to 16 form part of these accounts.

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

BALANCE SHEET – 7 JANUARY 2000

	7 January 2000 £'000	31 December 1998 £'000
FIXED ASSETS		
Intangible assets (Note 8)	-	10,775
Tangible assets (Note 9)	-	594
Investments (Note 10)	1,764	1,764
	1,764	13,133
CURRENT ASSETS		
Stocks (Note 11)	-	6,192
Debtors (Note 12)	42,854	2,955
Cash at bank and in hand	-	-
	42,854	9,147
CREDITORS : Amounts falling due within one year (Note 13)	(6,545)	(5,722)
NET CURRENT ASSETS	36,309	3,425
TOTAL ASSETS LESS CURRENT LIABILITIES	38,073	16,558
PROVISIONS : For liabilities and charges (Note 21)	(4,506)	-
CREDITORS: Amounts falling due after more than one year (Note 14)	(27,462)	(27,483)
	6,105	(10,925)
CAPITAL AND RESERVES		
Called up share capital (Note 15)	390	390
Capital reserve (Note 16)	847	847
Profit and loss account	4,868	(12,162)
TOTAL SHAREHOLDERS' SURPLUS/DEFICIT (Note 17)	6,105	(10,925)

Approved by the Board on 25th October 2000


A J Davis
DIRECTOR

The notes on pages 6 to 16 form part of these accounts.

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted by paragraph 5a of FRS1 (revised 96) the company has not presented a cashflow statement.

(2) Turnover

Turnover during the period represents the net invoiced amounts of goods and services sold, excluding trade discounts.

(3) Stocks

Stocks are stated at the lower of cost and net realisable value. Within stocks are origination costs which are amortised over four years.

(4) Intangible fixed assets

Goodwill is stated at cost less amortisation. Additional provision is made for any permanent diminution in value.

Amortisation is provided on a straight line basis to write off the cost of the goodwill over its estimated useful economic life. Estimated useful economic life is 20 years.

(5) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on a straight line basis at the following annual rates which are calculated to write off the cost of assets over their estimated useful economic lives.

Short term leasehold property	- Over the term of the lease
Fixtures, fittings and equipment	- 20%
Computer hardware	- 33.33%
Computer software	- 20%
Motor vehicles	- 25%

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

1 ACCOUNTING POLICIES (CONTINUED)

(6) Investments

Investments in subsidiary undertakings in the accounts of the company are stated at cost less provision for any permanent diminution in value.

(7) Deferred taxation

Provision is made for the deferred taxation arising from timing differences only where, in the opinion of the directors, there is a reasonable probability that they will reverse and that taxation will become payable in the foreseeable future.

(8) Foreign currency translation

Transactions denominated in foreign currencies are recorded in sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

(9) Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the company in an independently administered fund. The pension costs charged represent contributions payable by the company to the fund in respect of the accounting period.

(10) Leased assets

Rentals applicable to operating leases are charged to the profit and loss account as incurred.

(11) Related party transactions

Transactions with other entities within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures".

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

2 SEGMENT INFORMATION

Segmental information has not been given as, in the opinion of the directors, it would be seriously prejudicial to the interests of the company.

3 OPERATING PROFIT/(LOSS)

	Period to 7 January 2000 £'000	Year to 31 December 1998 £'000
The operating profit/(loss) is stated after charging:		
Exceptional cost – impairment of goodwill	-	4,000
Auditors' remuneration - audit services	20	22
Operating lease rentals - land and buildings	376	376
- other	368	368

4 INTEREST PAYABLE

	Period to 7 January 2000 £'000	Year to 31 December 1998 £'000
Interest payable on bank loans and overdrafts	-	25
	-	25

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Period to 7 January 2000 £'000	Year to 31 December 1998 £'000
Current year group relief charge/(credit)	476	339
Prior year group relief charge	117	225
Tax charge/(credit) for the year	593	564

The company has a potential deferred tax asset of £Nil (1998: £254,000) in relation to capital allowances not recognised in the accounts.

6 DIVIDEND

No dividend was paid during the period or is proposed at the period end (1998: £nil)

7 PROFIT ON SALE OF DISCONTINUED OPERATIONS

The company sold its Arden Shakespeare business to another group undertaking in September 1999, and disposed of the balance of its business on 7 January 2000 for £34.3 million to a third party realising a profit on disposal of £17.1 million.

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 January 2000

8 INTANGIBLE ASSETS

	<u>Goodwill</u> £'000
Cost	
At 1 January 1999	26,678
Disposals	(26,678)
At 7 January 2000	-
Amortisation	
At 1 January 1999	15,903
Charge for the period	1,216
Disposals	(17,119)
At 7 January 2000	-
Net book amount	
At 7 January 2000	-
At 31 December 1998	10,775

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

9 TANGIBLE ASSETS

	Short term Leasehold	Fixtures, fittings, computer and other equipment and motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 1999	529	4,298	4,827
Additions	24	174	198
Disposals	(553)	(4,472)	(5,025)
At 7 January 2000	-	-	-
Accumulated depreciation			
At 1 January 1999	292	3,941	4,233
Charge for the period	42	183	225
Disposals	(334)	(4,124)	(4,458)
At 7 January 2000	-	-	-
Net book amount			
At 7 January 2000	-	-	-
At 31 December 1998	237	357	594

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

10 INVESTMENTS – SUBSIDIARY UNDERTAKINGS

	<u>Shares in subsidiary undertakings</u>	<u>Loans to Subsidiary Undertakings</u>	<u>Total</u>
	£'000	£'000	£'000
Cost			
At 1 January 1999	1,764	954	2,718
At 7 January 2000	<u>1,764</u>	<u>954</u>	<u>2,718</u>
	<u> </u>	<u> </u>	<u> </u>
Provision for permanent diminution in value			
At 1 January 1999	-	954	954
At 7 January 2000	<u>-</u>	<u>954</u>	<u>954</u>
	<u> </u>	<u> </u>	<u> </u>
Net book amount			
At 7 January 2000	<u>1,764</u>	<u>-</u>	<u>1,764</u>
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1998	<u>1,764</u>	<u>-</u>	<u>1,764</u>
	<u> </u>	<u> </u>	<u> </u>

The details of the company's subsidiary undertakings are as follows:

<u>Subsidiary undertakings</u>	<u>Number of Ordinary shares held</u>	<u>Nature of business</u>
Thomas Nelson (Hong Kong) Limited	1	Non-trading
Thomas Nelson & Sons (Canada) Limited	263,814	Non-trading
Nelson Filmscan Limited	109	Dormant
Young World Productions Limited	100	Dormant
TN (1996) Limited	1,466,934	Dormant

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

10 INVESTMENTS - SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (CONTINUED)

The company holds 100% of the nominal value and voting rights in each of its subsidiary undertakings.

Group accounts are not presented as the company is a wholly-owned subsidiary of The Thomson Corporation Plc, a company incorporated in Great Britain. The directors consider that the value of the company's investment in subsidiary undertakings is not less than the amount stated in the balance sheet.

11 STOCKS	7 January	31 December
	<u>2000</u> £'000	<u>1998</u> £'000
Work in progress	-	738
Finished goods and goods for resale	-	5,454
	-	6,192

Included within work in progress and finished goods and goods for resale were origination costs amortised over four years.

12 DEBTORS	7 January	31 December
	<u>2000</u> £'000	<u>1998</u> £'000
Trade debtors	1,093	1,188
Loan to group undertakings	32,200	1,347
Amounts owed by group undertakings	5,610	-
Other debtors	21	75
Prepayments and accrued income	130	345
Escrow account -	3,800	-
	42,854	2,955

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

13	CREDITORS : Amounts falling due within one year	7 January 2000 £'000	31 December 1998 £'000
	Trade creditors	445	618
	Taxation and social security	15	16
	Accruals and deferred income	1,916	1,977
	Amounts owed to group undertakings	978	495
	Loan from group undertakings	2,255	2,255
	Group relief payable	936	361
		6,545	5,722

The loan from group undertakings is interest free and repayable on demand.

14	CREDITORS : Amounts falling due after more than one year	7 January 2000 £'000	31 December 1998 £'000
	Loan from group undertakings	25,402	25,402
	Amounts owed to group undertakings	2,060	2,081
		27,462	27,483

The loan from group undertakings is interest free and repayable on demand.
Although the loan is repayable on demand, an assurance has been obtained from the provider that repayment will not be required within one year.

15	CALLED UP SHARE CAPITAL	7 January 2000 £'000	31 December 1998 £'000
	390,000 Authorised, allotted and fully paid ordinary shares of £1 each	390	390

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 JANUARY 2000

16 RESERVES

	7 January 2000 £'000	31 December 1998 £'000
Capital reserve	847	847
	<u> </u>	<u> </u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' SURPLUS/(DEFICIT)

	7 January 2000 £'000	31 December 1998 £'000
Opening shareholders' (deficit)/surplus	(10,925)	(6,020)
Profit/(loss) for the period	17,030	(4,905)
	<u> </u>	<u> </u>
Closing shareholders' surplus/(deficit)	6,105	(10,925)
	<u> </u>	<u> </u>

All shareholders' funds are equity in nature.

18 DIRECTORS' EMOLUMENTS

	Period to 7 January 2000 £'000	Year to 31 December 1998 £'000
Aggregate emoluments	172	83
Company contributions paid to money purchase pension scheme	19	2
	<u> </u>	<u> </u>
The aggregate emoluments of the highest paid director were	94	56
Pension contributions	<u>10</u>	<u>2</u>

Retirement benefits are accruing to 1 director in a money purchase pension scheme (1998: 1)

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 January 2000

19 EMPLOYEES

The average number of persons employed by the company during the period was:

	Period to 7 January <u>2000</u> Number	Year to 31 December <u>1998</u> Number
Editorial	27	25
Production	11	12
Marketing	59	56
Administration	17	23
	<u>114</u>	<u>116</u>
	<u><u>114</u></u>	<u><u>116</u></u>

20 LEASES

Operating lease commitments

The company had annual commitments under non-cancellable operating leases as follows:

	Other £'000	7 January <u>2000</u> Land and Buildings £'000	Other £'000	31 December <u>1998</u> Land and Buildings £'000
Within one year	-	-	25	-
Between one and five years	-	-	189	26
More than five years	-	-	-	350
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	214	376
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>214</u></u>	<u><u>376</u></u>

T N & SONS LIMITED (Formerly Thomas Nelson & Sons Limited)

NOTES TO THE ACCOUNTS – 7 January 2000

21 PROVISION FOR LIABILITIES & CHARGES

	Empty Property	Price Adjustment	Legal Fees	Other	Total
	£000's	£000's	£000's	£000'	£000's
At 1 st January 1999	–	–	–		–
Charge for period	<u>2,565</u>	<u>1,732</u>	<u>132</u>	<u>77</u>	<u>4,506</u>
At January 2000	<u>2,565</u>	<u>1,732</u>	<u>132</u>	<u>77</u>	<u>4,506</u>

The empty property provision represents rent and related costs for the remainder of the lease period which expires end of December 2004.

The price adjustment provision relates to consideration adjustments as set out in the agreement for the sale of the Thomas Nelson business to a third party.

The legal fees provision relates to charges in connection with the sale of the Thomas Nelson business to a third party.

22 ULTIMATE PARENT COMPANY

The company is a close company within the meaning of section 414 of the Income and Corporation Taxes Act 1988.

The company's immediate parent company is Thomson Information and Publishing Holdings Limited. Within the meaning of the Companies Act 1985 Thomson Investments Limited ("TIL") is regarded by the directors of the company as being the company's ultimate parent company and ultimate controlling party. Within the meaning of the said Act, The Thomson Corporation ("TTC") is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member and The Thomson Corporation PLC ("TTCPLC") is the drawn up and of which the company is a member. TIL and TTC are incorporated under the laws of the Province of Ontario, Canada. TTCPLC is incorporated in England and Wales.

Copies of the TTC and TTCPLC annual reports are available from:

First Floor
The Quadrangle
180 Wardour Street
London
W1A 4YG

The Thomson Corporation PLC has indicated its willingness to provide continuing financial support to the company to enable it to meet its liabilities as and when they fall due.