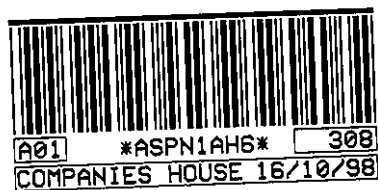


# ARTHUR ANDERSEN

ORBIS PUBLISHING LIMITED

ACCOUNTS - 31 DECEMBER 1997

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



The company's registered number is 966900.

**ORBIS PUBLISHING LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1997.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the company continues to be that of partwork publishing.

The directors expect the general level of activity to increase in the coming year.

**RESULTS AND DIVIDENDS**

Results are as follows:

	£
Accumulated deficit at 31 December 1996	(8,023,293)
Loss for the financial year	(1,122,103)
Accumulated deficit at 31 December 1997	<u>(9,145,396)</u>

The directors do not recommend the payment of a dividend (1996 - £Nil).

**DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year and subsequently are as follows:

M. Drago (Italy) (Chairman)  
W.D. Warburton (resigned 31 December 1997)  
S. A. Rayner  
P.W. Soar  
J. L. McNamara (resigned 19 December 1997)  
R. Drago (Italy)  
P. Boroli (Italy)  
S. McMurtrie  
R. McBride (appointed 3 September 1997) (resigned 29 May 1998)  
J. North (appointed 15 June 1998)

They had no beneficial interests in the issued share capital of any group company, required to be disclosed under Schedule 7 of the Companies Act 1985.

**YEAR 2000**

A review of all our systems has shown that all of our primary systems, hardware and software are year 2000 compliant, however a few minor systems are not, and measures are being taken to either upgrade or replace them.

**THE EURO**

A review of our accounting software shows no additional cost is to be incurred.

**ORBIS PUBLISHING LIMITED**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and 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; and
- prepare the accounts on a 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.

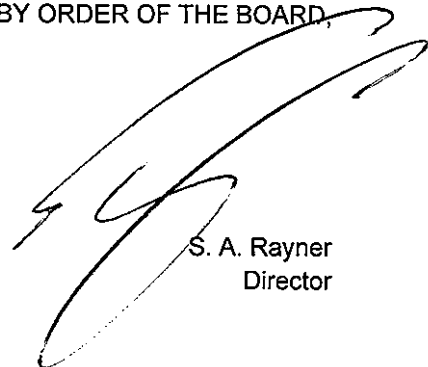
**AUDITORS**

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Griffin House  
161 Hammersmith Road  
London W6 8SD

29 July 1998

BY ORDER OF THE BOARD,



S. A. Rayner  
Director

**Auditors' Report to the Members of ORBIS PUBLISHING LIMITED:**

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

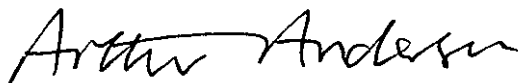
**Basis of opinion**

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 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 circumstances of the company, 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 affairs of the company as at 31 December 1997 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London  
WC2R 2PS

29 July 1998

**ORBIS PUBLISHING LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

		1997 £	1996 £
	Notes		
TURNOVER	2	35,449,817	44,655,239
Cost of sales		(15,330,252)	(21,952,835)
GROSS PROFIT		<u>20,119,565</u>	<u>22,702,404</u>
Other operating expenses (net)	3	(20,416,712)	(23,287,568)
OPERATING LOSS		<u>(297,147)</u>	<u>(585,164)</u>
Investment income	4	89,002	399,930
Interest payable and similar charges	5	(603,658)	(513,210)
Amounts written off investment	10	(305,536)	0
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(1,117,339)</u>	<u>(698,444)</u>
Tax on loss on ordinary activities	8	(4,764)	(5,604)
LOSS FOR THE FINANCIAL YEAR		<u>(1,122,103)</u>	<u>(704,048)</u>
ACCUMULATED DEFICIT, beginning of year		(8,023,293)	(7,319,245)
ACCUMULATED DEFICIT, end of year		<u><u>(9,145,396)</u></u>	<u><u>(8,023,293)</u></u>

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses other than the loss for the year of £1,122,103 (1996 - £704,048).

**ORBIS PUBLISHING LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 1997**

		1997 £	1996 £
FIXED ASSETS	Notes		
Tangible assets	9	123,992	216,236
Investments	10	160,467	160,467
		<u>284,459</u>	<u>376,703</u>
CURRENT ASSETS			
Stocks	11	1,596,821	2,243,441
Debtors	12	24,717,986	23,082,891
Cash at bank and in hand		3,155,095	1,774,433
		<u>29,469,902</u>	<u>27,100,765</u>
CREDITORS: Amounts falling due within one year	13	(23,779,757)	(20,380,761)
NET CURRENT ASSETS		<u>5,690,145</u>	<u>6,720,004</u>
NET ASSETS		<u>5,974,604</u>	<u>7,096,707</u>
CAPITAL AND RESERVES			
Called-up share capital	14		
Equity shares		120,000	120,000
Non-equity shares		15,000,000	15,000,000
Profit and loss account		(9,145,396)	(8,023,293)
SHAREHOLDERS' FUNDS	15	<u>5,974,604</u>	<u>7,096,707</u>

Signed on behalf of the Board



S. McMurtrie  
Director

29 July 1998

The accompanying notes are an integral part of this balance sheet.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**1. ACCOUNTING POLICIES**

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

**a) Basis of accounting**

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

In accordance with Section 228 of the Companies Act 1985 consolidated accounts have not been prepared as the company is a wholly-owned subsidiary of De Agostini (UK) Limited, registered in England and Wales and which prepares consolidated accounts. ( Note 17).

The company is exempt from the requirement of FRS1 (revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of De Agostini (UK) Limited in whose financial statements the company is consolidated. (Note 17).

**b) Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

Fixtures and fittings	25% per annum
Computers	50% per annum

**c) Investments**

Fixed asset investments are shown at cost less amounts written off for provision for permanent diminution in value.

**d) Stocks**

Stocks are stated at the lower of cost and net realisable value.

Work in progress represents recoverable editorial and production costs on future partwork issues.

**e) Deferred advertising**

Advertising costs incurred in promotion of partworks are deferred until the launch of the related partwork, at which point they are expensed in full. Provision is made to reflect any uncertainty surrounding the recoverability of such expenditure.

**f) Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Tax losses are surrendered to other group undertakings without charge.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**1. ACCOUNTING POLICIES (Continued)**

**g) Pension costs**

The company provides pensions for certain of its employees through a defined contribution scheme. The assets of the defined contribution scheme are held independently of the company by Scottish Amicable.

The amount charged to the profit and loss account represents the contributions payable by the company in the year.

Further information on pension costs is provided in Note 16c).

**h) Foreign currency**

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

**i) Turnover**

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services supplied in the normal course of business, and royalties received and receivable arising from partwork sales.

**j) Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges for the year and future commitments is given in Note 16e).

**2. SEGMENT INFORMATION**

Contributions to turnover were as follows:

	1997 £	1996 £
By activity:		
Trade sales and royalties	35,449,817	44,655,239
	<hr/>	<hr/>
	1997 £	1996 £
By geographical area:		
United Kingdom	15,436,161	10,106,512
Rest of Europe	5,944,851	14,355,024
Australia & New Zealand	2,568,571	3,144,420
Asia	9,263,290	14,504,785
North America	405,299	503,778
South Africa	672,875	1,825,399
Rest of World	1,158,771	215,321
	<hr/>	<hr/>
	35,449,817	44,655,239

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**3. OTHER OPERATING EXPENSES (NET)**

	1997 £	1996 £
Distribution costs	5,340,992	7,477,408
Selling and marketing costs	9,788,313	5,873,080
Administrative expenses	5,222,041	8,461,917
	<u>20,351,346</u>	<u>21,812,405</u>
Other operating charges :		
- payable to subsidiary undertaking	462,742	495,983
- payable to other group undertakings	149,184	1,019,180
- receivable from other group undertakings	(241,024)	(40,000)
	<u>20,722,248</u>	<u>23,287,568</u>

**4. INVESTMENT INCOME**

Investment income comprises :

	1997 £	1996 £
Interest receivable and similar income	89,002	399,930
	<u>89,002</u>	<u>399,930</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1997 £	1996 £
On bank loans and overdrafts:	587,195	511,805
Other interest payable	16,463	1,405
	<u>603,658</u>	<u>513,210</u>

**6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is stated after charging (crediting) :

	1997 £	1996 £
Depreciation of tangible fixed assets	166,132	303,478
Operating lease rentals	320,000	353,450
Auditors' remuneration		
- audit fees	46,602	45,000
- non-audit fees	0	4,760
Staff costs (Note 7)	<u>2,175,812</u>	<u>2,532,538</u>

Orbis Publishing Limited bears the cost of auditors' remuneration for certain UK group undertakings, non audit fees were nil in the year (1996 £0).

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**7. STAFF COSTS**

Particulars of employees (including executive directors) are as shown below:

Employee costs during the year amounted to:

	1997 £	1996 £
Wages and salaries	1,911,441	2,208,890
Social security costs	184,595	222,154
Other pension costs	79,777	101,494
	<u>2,175,812</u>	<u>2,532,538</u>

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

	1997 Number	1996 Number
Production	5	8
Marketing & Distribution	15	27
Editorial	14	20
Administration	26	24
	<u>60</u>	<u>79</u>

Directors' remuneration:

The remuneration of the directors was as follows:

	1997 £	1996 £
Emoluments	258,094	338,263
Company contributions to money purchase pension schemes	17,750	7,563
	<u>275,844</u>	<u>345,826</u>
Fees paid to third parties in respect of directors' services	<u>0</u>	<u>120,000</u>

The number of directors who were members of pension schemes was as follows:

	1997 Number	1996 Number
Money purchase schemes	<u>1</u>	<u>1</u>

The above amounts for remuneration include the following in respect of the highest paid director:

	1997 £	1996 £
Emoluments and long term incentive schemes	131,021	125,000
	<u>131,021</u>	<u>125,000</u>

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

	1997 £	1996 £
Overseas taxation	4,764	5,604

There is no charge to UK corporation tax, due to the availability of brought forward tax losses and tax losses surrendered to group companies at nil charge (1996 - £Nil).

**9. TANGIBLE FIXED ASSETS**

The movement in the year was as follows:

	Computers £	Fixtures & Fittings £	Total £
<b>COST</b>			
Beginning of year	1,384,998	411,307	1,796,305
Additions	79,989	0	79,989
Disposals	(1,006,886)	(45,392)	(1,052,278)
End of year	458,101	365,915	824,016
<b>DEPRECIATION</b>			
Beginning of year	1,271,582	308,487	1,580,069
Charge	117,296	48,836	166,132
Disposals	(1,000,798)	(45,379)	(1,046,177)
End of year	388,080	311,944	700,024
<b>NET BOOK VALUE</b>			
Beginning of year	113,416	102,820	216,236
End of year	70,021	53,971	123,992

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**10. FIXED ASSET INVESTMENTS**

The following are included in the net book value of fixed asset investments:

	Subsidiary undertakings £	Associated undertaking £	Loans £	Total £
<b>COST</b>				
Beginning of year	70,928	784,844	1,036,114	1,891,886
Additions	305,536	0	0	305,536
	<u>376,464</u>	<u>784,844</u>	<u>1,036,114</u>	<u>2,197,422</u>
<b>AMOUNTS WRITTEN OFF</b>				
Beginning of year	35,001	660,304	1,036,114	1,731,419
Charge for the year	305,536	0	0	305,536
	<u>340,537</u>	<u>660,304</u>	<u>1,036,114</u>	<u>2,036,955</u>
<b>NET BOOK VALUE</b>				
Beginning and end of year	<u>35,927</u>	<u>124,540</u>	<u>0</u>	<u>160,467</u>

Details of investments held at 31 December 1997:

	Description of shares held	Proportion of nominal value of ordinary shares held	Country of incorporation or registration	Principal activity
<b>Principal subsidiary undertakings:</b>				
Orbis Publishing GmbH	Ordinary	100%	Germany	Publishing
Oriole Publishing Limited	Ordinary	100%	England	Publishing
<b>Principal associated undertaking:</b>				
The Templar Company plc	Ordinary	29.63%	England	Publishing

**Loans**

During 1993 a loan of £3,173,102 was made to Atlas Editions Partworks, another IGDA group company, for the launch of Dinosaurs! in the USA. The loan was repayable over the life of the publication dependent on the profitability of the launch. The publication has ceased and it is unlikely that the outstanding loan at year end will be repaid and hence it has been fully provided for.

During the year Orbis Publishing Limited subscribed further for 3,056 shares from Oriole Publishing Limited for consideration of £305,536. The subsequent investment was fully provided for.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**11. STOCKS**

The following are included in the net book value of stocks:

	1997 £	1996 £
Raw materials	45,937	96,563
Work in progress	1,489,690	2,115,613
Finished goods and goods for resale	61,194	31,265
	<u>1,596,821</u>	<u>2,243,441</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

**12. DEBTORS**

The following amounts are included in debtors falling due within one year:

	1997 £	1996 £
Trade debtors	3,629,897	2,803,623
Amounts owed by group undertakings	19,610,079	17,522,503
Amounts owed by joint venture partner	88,059	371,344
VAT	704,852	1,533,511
Other debtors	184,148	212,283
Prepayments and accrued income	500,951	639,627
	<u>24,717,986</u>	<u>23,082,891</u>

**13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

The following amounts are included in creditors falling due within one year:

	1997 £	1996 £
Bank loans and overdrafts	12,244,639	7,615,226
Trade creditors	4,240,462	3,697,224
Amounts owed to group undertakings	4,764,146	5,930,135
Other creditors		
- overseas sales tax	0	84,904
- social security and PAYE	146,126	135,776
- royalties payable	1,148,997	1,405,263
- other creditors	28,247	51,017
Accruals and deferred income	1,207,140	1,461,216
	<u>23,779,757</u>	<u>20,380,761</u>

Bank overdrafts of £5,509 (1996 - £331,226) are secured by fixed and floating charges over group assets.

Bank loans of £12,239,130 (1996 - £7,284,000) are repayable otherwise than by instalments and bear interest at various rates between 1.00% and 7.8125% (1996 - 6.9375% and 7.4375%) per annum.

All loans are unsecured and are repayable within one year.

No interest is payable on amounts owed to other group companies.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**14. CALLED-UP SHARE CAPITAL**

		1997 £	1996 £
Authorised:			
Equity	270,000 ordinary shares of £1 each	270,000	270,000
Non-equity	15,000,000 redeemable preference shares of £1 each	15,000,000	15,000,000
		<u>15,270,000</u>	<u>15,270,000</u>
Allotted, called-up and fully paid:			
Equity	120,000 ordinary shares of £1 each	120,000	120,000
Non-equity	15,000,000 redeemable preference shares of £1 each	15,000,000	15,000,000
		<u>15,120,000</u>	<u>15,120,000</u>

The redeemable preference shares carry no entitlement to dividend.

The holders of the redeemable preference shares may at their option call for whole or partial redemption at any time before 31 December 2011 upon giving the company not less than twelve months notice.

Holders of the redeemable preference shares have equal voting rights to those of the ordinary shareholders.

On a winding-up, holders of the redeemable preference shares rank before the ordinary shareholders for repayment of the subscription price of their shares, any remaining balance of assets being distributed on an equal ranking, in proportion to the amounts paid up on each class of share.

**15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	1997 £	1996 £
Loss for the financial year	(1,122,103)	(704,048)
Opening shareholders' funds	7,096,707	7,800,755
Closing shareholders' funds	<u>5,974,604</u>	<u>7,096,707</u>

**16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

**a) Capital commitments**

There were no capital commitments at year end (1996 - £Nil).

**b) Contingent liabilities**

1. The company has unlimited guarantees in favour of Oriole Publishing Limited, a subsidiary undertaking, and De Agostini Rights Limited, a fellow subsidiary undertaking of De Agostini (UK) Limited, and is party to a composite cross guarantee with De Agostini Rights Limited and De Agostini (UK) Limited.
2. At year end the company had guarantees amounting to £2,000 (1996 - £2,000). This relates entirely to a guarantee to H. M. Customs and Excise for VAT deferment.

**c) Pension arrangements**

The pension cost charge for the year was £79,777 (1996 - £101,494). Prepaid contributions of £0 (1996 - £64) at the year end are shown in the balance sheet under prepayments.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1997**

**16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued)**

**d) VAT**

The company is registered for VAT purposes in a group of companies which share a common registration number. As a result it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to additional liability for this company. The directors are of the opinion that no liability is likely to arise from the failure of other companies.

**e) Lease commitments**

The minimum annual rentals under non-cancellable operating leases are as follows:

	1997 £	1996 £
Land and buildings		
Operating leases which expire		
- after 5 years	320,000	320,000
	<u>320,000</u>	<u>320,000</u>

Leases of land and buildings are typically subject to periodic rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

**17. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of De Agostini (UK) Limited, registered in England and Wales, which prepares consolidated accounts. These accounts are available to the public at the registered office, 31 Southampton Row London WC1B. The ultimate parent company is Istituto Geografico De Agostini S.p.A. (I.G.D.A.), incorporated in Italy. The accounts of I.G.D.A. are not available to the public.

**18. RELATED PARTY TRANSACTIONS**

As a subsidiary of De Agostini (UK) Limited, the company has taken advantage of the exemption in FRS8 'Related Party Transactions' not to disclose transactions with other members of the group headed by De Agostini (UK) Limited.

**19. SUBSEQUENT EVENTS**

On the 27 July 1998 the shares of De Agostini (UK) Limited were transferred to De Agostini Partworks Holding B.V.