



**De Agostini UK Limited**

Accounts for the year ended 31 December 2000  
together with the directors' and auditors' reports

Registered number: 0966900



## Directors' report

For the year ended 31 December 2000

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 2000.

### Principal activity and business review

The principal activity of the company continues to be that of multi-media publishing.

The directors expect the general level of activity to increase in the coming year. The company continues to invest in testing new publications. This ensures a steady flow of new publications, which contribute to the growth of the business.

### Results and dividends

The accounts for the year ended 31 December 2000 are set out on pages 4 to 16. The profit for the year, after taxation, was £907,067 (1999 - £1,551,916).

Details of significant events since the balance sheet date are contained in note 19 to the accounts.

The directors do not recommend the payment of a dividend (1999: £Nil).

### Directors and their interests

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

M. Drago	(Chairman)
S. Rayner	(Secretary)
R. Drago	
P. Boroli	
E. Coombs	(resigned 4 December 2000)
G. Williams	
A. O'Connell	

The directors 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.

## Directors' report (continued)

### 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 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

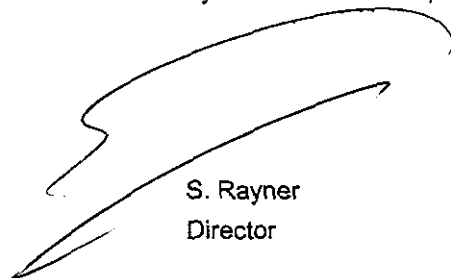
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the 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

By order of the Board,



S. Rayner  
Director

14 September 2001

**To the Shareholders of De Agostini UK Limited:**

We have audited the accounts on pages 4 to 16 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 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.

**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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

14 September 2001

## Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
<b>Turnover</b>	1, 2	33,552,218	32,265,711
Cost of sales		(14,688,573)	(13,175,103)
<b>Gross profit</b>		18,863,645	19,090,608
Operating expenses (net)	3	(17,238,877)	(17,194,992)
<b>Operating profit</b>		1,624,768	1,895,616
Interest receivable	4	150,475	97,883
Interest payable and similar charges	5	(60,860)	(39,865)
Loss on disposal of investments	10	-	(20,096)
<b>Profit on ordinary activities before taxation</b>	6	1,714,383	1,933,538
Tax on profit on ordinary activities	8	(791,487)	(381,622)
<b>Profit for the financial year</b>		922,896	1,551,916
<b>Accumulated deficit, beginning of year</b>		(15,013,694)	(16,565,610)
<b>Accumulated deficit, end of year</b>		(14,090,798)	(15,013,694)

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

There are no recognised gains or losses other than the profit for the year of £922,896 (1999: profit £1,551,916).

**Balance sheet**  
31 December 2000

	Notes	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	9	160,530	155,561
Investments	10	15,831	15,831
		<u>176,361</u>	<u>171,392</u>
<b>Current assets</b>			
Stocks	11	3,096,863	2,456,038
Debtors	12	10,091,515	8,553,226
Cash at bank and in hand		1,933,489	942,723
		<u>15,121,867</u>	<u>11,951,987</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(11,329,026)</u>	<u>(9,077,073)</u>
<b>Net current assets</b>		<u>3,792,841</u>	<u>2,874,914</u>
<b>Net assets</b>		<u>3,969,202</u>	<u>3,046,306</u>
<b>Capital and reserves</b>			
Called-up share capital			
- Equity shares	14	120,000	120,000
- Non-equity shares	14	17,940,000	17,940,000
Profit and loss account	15	<u>(14,090,798)</u>	<u>(15,013,694)</u>
<b>Shareholders' funds</b>		<u>3,969,202</u>	<u>3,046,306</u>
<b>Shareholders' funds may be analysed as:</b>			
Equity interests		<u>(13,970,798)</u>	<u>(14,893,694)</u>
Non-equity interests		<u>17,940,000</u>	<u>17,940,000</u>
		<u>3,969,202</u>	<u>3,046,306</u>

The accounts on pages 4 to 16 were approved by the board of directors on 14 September 2001 and signed on its behalf by:

  
G. Williams  
Director

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

## Notes to accounts

For the year ended 31 December 2000

### 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.

The company is exempt from the requirement of FRS1 to include a cash flow statement as part of its financial statements because it is a wholly-owned subsidiary of De Agostini S.p.A. in whose financial statements the company is consolidated and which are publicly available (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	4 years
Computers	2 years

#### c) Investments

Fixed asset investments are shown at cost less any provision for impairment.

#### 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. A provision is made to reflect any uncertainty surrounding the recoverability of such expenditure.

#### f) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, at the balance sheet date. Tax losses are surrendered to other group undertakings without charge.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

## Notes to accounts (continued)

### 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. From 1 January 2001 the assets of the defined contribution scheme were transferred by the company to Clerical and Medical.

The amount charged to the profit and loss account represents the contributions payable by the company in the year. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

Further information on pension costs is provided in note 16.

#### h) Foreign currency

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

#### i) Turnover

Turnover comprises amounts receivable (net of VAT and trade discounts) of goods and services supplied in the normal course of business, and the 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 16.

### 2 Segment information

Contributions to turnover were as follows:

	2000 £	1999 £
By geographical area:		
United Kingdom & Republic of Ireland	23,019,101	21,945,751
Rest of Europe	2,164,291	3,102,774
Australia and New Zealand	4,589,990	3,506,048
Asia	2,661,833	2,076,519
North America	532,188	1,238,508
South Africa	560,291	374,093
Rest of World	24,524	22,018
	<u>33,552,218</u>	<u>32,265,711</u>



# Notes to accounts (continued)

## 3 Operating expenses (net)

	2000 £	1999 £
Distribution costs	4,253,774	4,467,095
Selling and marketing costs	9,501,436	6,470,595
Administrative expenses	5,546,868	5,929,757
Provision against receivable from a subsidiary undertaking	-	612,825
	<u>19,302,078</u>	<u>17,480,272</u>
Other operating charges:		
Management fees		
- payable to other group undertakings	113,765	-
- receivable from other group undertakings	(2,176,966)	(285,280)
	<u>17,238,877</u>	<u>17,194,992</u>

## 4 Interest receivable

	2000 £	1999 £
Interest receivable and similar income	<u>150,475</u>	<u>97,883</u>

## 5 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	<u>60,860</u>	<u>39,865</u>
	<u>60,860</u>	<u>39,865</u>

## 6 Profit on ordinary activities before and after taxation

Profit on ordinary activities before and after taxation is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets	115,374	107,029
Operating lease rentals	320,000	320,000
Loss on disposal of tangible fixed assets	-	1,197
Auditors' remuneration		
- audit fees	53,050	39,000
Staff costs (note 7)	<u>3,290,005</u>	<u>2,581,308</u>

De Agostini UK Limited bears the cost of auditors' remuneration for certain UK group undertakings. Non audit fees were £Nil in the year (1999: £Nil)

## Notes to accounts (continued)

### 7 Staff costs

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

Employee costs during the year amounted to:

	2000 £	1999 £
Wages and salaries	2,840,891	2,249,560
Social security costs	315,543	221,973
Other pension costs	133,571	109,775
	<u>3,290,005</u>	<u>2,581,308</u>

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

	2000 Number	1999 Number
Production	6	6
Marketing and distribution	24	20
Editorial	6	6
Administration	26	21
	<u>62</u>	<u>53</u>

#### *Directors' remuneration:*

The remuneration of the directors was as follows:

	2000 £	1999 £
Emoluments	400,473	362,857
Company contributions to money purchase pension schemes	35,417	20,500
Compensation for loss of office	-	28,500
	<u>435,890</u>	<u>411,857</u>

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

	2000 Number	1999 Number
Money purchase schemes	<u>3</u>	<u>3</u>

## Notes to accounts (continued)

### 7 Staff costs (continued)

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

	2000 £	1999 £
Emoluments and long term incentive schemes	<u>191,362</u>	<u>162,298</u>

In 1998 the company made a loan of £25,000 to E. Coombs, a director of the company who subsequently resigned on 4 December 2000. The balance outstanding at the end of the year was £NIL (1999: £7,150). No interest has been charged on this loan which was repaid in full during the year to 31 December 2000.

### 8 Tax on profit on ordinary activities

	2000 £	1999 £
Overseas taxation	<u>791,487</u>	<u>381,622</u>

There is no charge to UK corporation tax due to the availability of brought forward tax losses (1999 - £nil).

The amount charged to overseas taxation of £791,487 related to irrecoverable overseas tax which was written off in the year (1999 - £381,622).

## Notes to accounts (continued)

### 9 Tangible fixed assets

The movement in the year was as follows:

	Computers £	Fixtures and fittings £	Total £
<b>Cost</b>			
As at 1 January 2000	335,865	250,140	586,005
Additions	108,531	11,812	120,343
Disposals	-	(4,541)	(4,541)
At 31 December 2000	<u>444,396</u>	<u>257,411</u>	<u>701,807</u>
<b>Depreciation</b>			
As at 1 January 2000	274,573	155,871	430,444
Charge for the year	79,837	35,537	115,374
Disposals	-	(4,541)	(4,541)
At 31 December 2000	<u>354,410</u>	<u>186,867</u>	<u>541,277</u>
<b>Net book value</b>			
As at 1 January 2000	<u>61,292</u>	<u>94,269</u>	<u>155,561</u>
At 31 December 2000	<u>89,986</u>	<u>70,544</u>	<u>160,530</u>

### 10 Fixed asset investments

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

	Subsidiary Undertakings £
<b>Cost</b>	
At 1 January 2000	<u>15,831</u>
At 31 December 2000	<u>15,831</u>
<b>Net book value</b>	
At 1 January 2000	<u>15,831</u>
At 31 December 2000	<u>15,831</u>

## Notes to accounts (continued)

### 10 Fixed asset investments (continued)

The company has investments in the following subsidiary undertakings:

	Description of shares held	Country of incorporation or registration	Principal activity	Proportion of nominal value of ordinary shares held
Oriole Publishing Limited	Ordinary	England	Publishing	100%
De Agostini Deutschland GmbH	Ordinary	Germany	Publishing	100%

In 1999, the company entered into an agreement to sell the whole of the issued share capital of its subsidiary, De Agostini Deutschland GmbH to De Agostini Partworks BV. This agreement has subsequently been rescinded.

#### *Acquisition of trade and assets*

The following table sets out the book values of the identifiable assets and liabilities transferred to De Agostini UK Ltd on 1 January 2000:

	De Agostini Rights Limited £	De Agostini Cartographic Services Limited £	De Agostini Editions Limited £	Total £
<b>Current assets</b>				
Trade debtors	4,587	-	23,921	28,508
Amounts owed by group undertakings	176,402	144,766	30,547	351,715
VAT	38,183	-	290,032	328,215
Prepayments	-	-	800	800
<b>Total assets</b>	<b>219,172</b>	<b>144,766</b>	<b>345,300</b>	<b>709,238</b>
<b>Creditors</b>				
Trade creditors	12,846	-	-	12,846
Amounts owed to group undertakings	-	583,344	8,732	592,076
Accruals and deferred income	-	-	16,931	16,931
VAT	38,177	-	289,158	327,335
<b>Total liabilities</b>	<b>51,023</b>	<b>583,344</b>	<b>314,821</b>	<b>949,188</b>
<b>Net assets/(liabilities)</b>	<b>168,149</b>	<b>(438,578)</b>	<b>30,479</b>	<b>(239,950)</b>
<b>Satisfied by</b>				
Cash consideration	168,149	(438,578)	30,479	(239,950)

There is no material difference between the book value and the fair value of the assets and liabilities transferred to De Agostini UK Limited.

## Notes to accounts (continued)

### 11 Stocks

	2000 £	1999 £
Raw materials	-	61,263
Work in progress	3,096,863	2,394,775
	<u>3,096,863</u>	<u>2,456,038</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:

	2000 £	1999 £
Trade debtors	3,857,778	2,358,821
Amounts owed by other group undertakings	4,800,272	3,322,435
VAT	1,001,961	822,435
Other debtors	659	952,672
Prepayments and accrued income	430,845	1,096,863
	<u>10,091,515</u>	<u>8,553,226</u>

### 13 Creditors: amounts falling due within one year

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

	2000 £	1999 £
Bank loans and overdrafts	1,645,155	2,166,667
Trade creditors	4,930,438	2,241,656
Amounts owed to group undertakings	1,078,593	629,902
Other creditors		
- social security and PAYE	196,194	145,957
- royalties payable	786,399	1,376,390
- other creditors	728,246	728,247
Accruals and deferred income	1,964,001	1,788,254
	<u>11,329,026</u>	<u>9,077,073</u>

Bank loans include a sterling loan of £nil (1999: £500,000) and a yen loan of ¥ 258,500,000 (1999: ¥275,000,000). All loans are unsecured and are repayable within one year.

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

## Notes to accounts (continued)

### 14 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
Equity		
- 270,000 ordinary shares of £1 each	270,000	270,000
Non-equity		
- 20,000,000 (1999: 20,000,000) redeemable preference shares of £1 each	20,000,000	20,000,000
	<u>20,270,000</u>	<u>20,270,000</u>
<i>Allotted, called-up and fully-paid</i>		
Equity		
- 120,000 ordinary shares of £1 each	120,000	120,000
Non-equity		
- 17,940,000 (1999: 17,940,000) redeemable preference shares of £1 each	17,940,000	17,940,000
	<u>18,060,000</u>	<u>18,060,000</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 no 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 upon each class of share.

### 15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	922,896	1,551,916
Opening shareholders' funds	<u>(15,013,694)</u>	<u>(16,565,610)</u>
Closing equity shareholders' funds	<u>(14,090,798)</u>	<u>(15,013,694)</u>

## Notes to accounts (continued)

### 16 Guarantees and other financial commitments

#### a) Capital commitments

There were no capital commitments at year end (1999: £Nil).

#### b) Contingent liabilities

- 1 The company has unlimited guarantees in favour of Oriole Publishing Limited, a subsidiary undertaking, and De Agostini Limited, a fellow subsidiary undertaking of De Agostini UK Holding Limited (formerly De Agostini (UK) Limited), and is party to a composite cross guarantee with De Agostini Rights Limited and De Agostini UK Holding Limited (formerly De Agostini (UK) Limited).
- 2 At year end the company had guarantees amounting to £2,000 (1999: £2,000). This relates entirely to a guarantee to HM Customs & Excise for VAT deferment.

#### c) Pension arrangements

The pension cost charge for the year under the defined contribution scheme was £133,571 (1999: £109,775). There were no prepaid contributions outstanding at the balance sheet date (1999: £Nil).

#### 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 non-payment 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:

	2000 £	1999 £
Land and buildings		
Operating leases which expire – after 5 years	<u>320,000</u>	<u>320,000</u>

### 17 Ultimate parent company

The company's immediate parent company is De Agostini UK Holding Limited. De Agostini S.p.A. is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Griffin House, 161 Hammersmith Road, London W6 8SD.



## Notes to accounts (continued)

### **18 Related party transactions**

As a subsidiary of De Agostini S.p.A., 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 S.p.A.

### **19 Post balance sheet events**

As from 1 January 2001, the trade and assets of Atlas Editions UK Limited were transferred to De Agostini UK Limited.