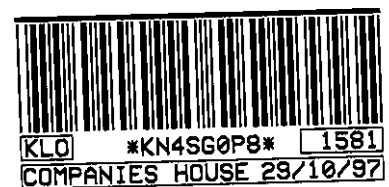


ORBIS PUBLISHING LIMITED

ACCOUNTS - 31 DECEMBER 1996

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 966900.



# ORBIS PUBLISHING LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 1996

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 1996.

#### 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 1995	(7,319,245)
Loss for the financial year	(704,048)
Accumulated deficit at 31 December 1996	<u>(8,023,293)</u>

The directors do not recommend the payment of a dividend (1995 - £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  
S. A. Rayner  
P.W. Soar  
J. L. McNamara  
R. Drago (Italy)  
P. Boroli (Italy)  
S. McMurtrie  
R. McBride (appointed 3 September 1997)

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.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare accounts for each financial period which give a true and fair view of the state of affairs 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.

ORBIS PUBLISHING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

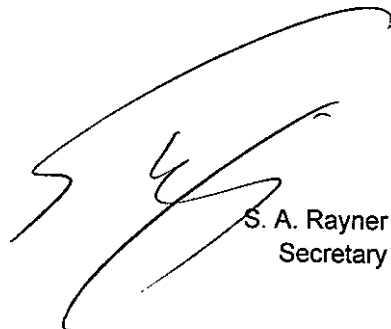
AUDITORS

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

BY ORDER OF THE BOARD,

Griffin House  
161 Hammersmith Road  
London W6 8SD

13 October 1997



S. A. Rayner  
Secretary

Auditors' Report to the Members of ORBIS PUBLISHING LIMITED:

We have audited the accounts on pages 4 to 15 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 1 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 1996 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

13 October 1997

**ORBIS PUBLISHING LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

		1996 £	1995 £
	Notes		
TURNOVER	2	44,655,239	79,590,256
Cost of sales		(21,952,835)	(45,149,642)
GROSS PROFIT		<u>22,702,404</u>	<u>34,440,614</u>
Other operating expenses (net)	3	(23,287,568)	(37,376,011)
OPERATING LOSS		<u>(585,164)</u>	<u>(2,935,397)</u>
Investment income	4	399,930	381,246
Interest payable and similar charges	5	(513,210)	(715,772)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>(698,444)</u>	<u>(3,269,923)</u>
Tax on loss on ordinary activities	8	(5,604)	(1,795)
LOSS FOR THE FINANCIAL YEAR		<u>(704,048)</u>	<u>(3,271,718)</u>
ACCUMULATED DEFICIT, beginning of year		(7,319,245)	(4,047,527)
ACCUMULATED DEFICIT, end of year		<u><u>(8,023,293)</u></u>	<u><u>(7,319,245)</u></u>

The accompanying notes are an integral part of this account.

There are no recognised gains or losses other than the loss for the year of £704,048 (1995 - £3,271,718).

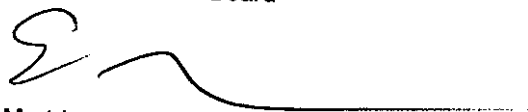
**ORBIS PUBLISHING LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 1996**

		1996 £	1995 £
<b>FIXED ASSETS</b>	<b>Notes</b>		
Tangible assets	9	216,236	379,742
Investments	10	160,467	160,467
		<u>376,703</u>	<u>540,209</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,243,441	3,172,449
Debtors	12	23,082,891	26,437,917
Cash at bank and in hand		1,774,433	3,917,157
		<u>27,100,765</u>	<u>33,527,523</u>
CREDITORS: Amounts falling due within one year	13	(20,380,761)	(26,266,977)
<b>NET CURRENT ASSETS</b>		<u>6,720,004</u>	<u>7,260,546</u>
<b>NET ASSETS</b>		<u>7,096,707</u>	<u>7,800,755</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital			
Equity shares	14	120,000	120,000
Non-equity shares		15,000,000	15,000,000
Profit and loss account		(8,023,293)	(7,319,245)
<b>SHAREHOLDERS' FUNDS</b>	15	<u>7,096,707</u>	<u>7,800,755</u>

Signed on behalf of the Board



S. McMurtrie  
Director

13 October 1997

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

## ORBIS PUBLISHING LIMITED

### NOTES TO ACCOUNTS - 31 DECEMBER 1996

#### 1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are :

##### 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.

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.

##### 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
Motor vehicles	25% per annum
Computers	50% per annum

##### c) Investments

Fixed asset investments are shown at cost less amounts written off for provisions 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.

Deferred taxation is calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**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:

	1996 £	1995 £
By activity:		
Trade sales and royalties	44,655,239	79,590,256
	1996 £	1995 £
By geographical area:		
United Kingdom	10,106,512	17,585,891
Rest of Europe	14,355,024	21,565,841
Australia & New Zealand	3,144,420	4,978,537
Asia	14,504,785	32,310,268
North America	503,778	297,750
South Africa	1,825,399	2,118,838
Rest of World	215,321	733,131
	44,655,239	79,590,256



**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

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

	1996 £	1995 £
Distribution costs	7,477,408	12,257,168
Selling and marketing costs	5,873,080	10,496,710
Administrative expenses	8,461,917	12,416,949
	<u>21,812,405</u>	<u>35,170,827</u>
Other operating charges :		
- payable to subsidiary undertaking	495,983	402,872
- payable to other group undertakings	1,019,180	1,902,312
- receivable from other group undertakings	(40,000)	(100,000)
	<u>23,287,568</u>	<u>37,376,011</u>

Included in administrative expenses for the prior year is the exceptional write off of a debt of £6,170,257 due from a Japanese distributor.

**4. INVESTMENT INCOME**

Investment income comprises :	1996 £	1995 £
Interest receivable and similar income	399,930	298,457
Income from other group undertaking	0	82,789
	<u>399,930</u>	<u>381,246</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1996 £	1995 £
On bank loans and overdrafts:		
- repayable within five years, not by instalments	511,805	705,294
Other interest payable	1,405	10,478
	<u>513,210</u>	<u>715,772</u>

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

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

	1996 £	1995 £
Depreciation of tangible fixed assets	303,478	369,807
Operating lease rentals	353,450	353,450
Auditors' remuneration		
- audit fees	45,000	41,000
- non-audit fees	4,760	6,440
Staff costs (Note 7)	2,532,538	2,570,683
Write back of investment (Note 10)	0	(242,990)
	<u></u>	<u></u>

Orbis Publishing Limited bears the cost of auditors' remuneration for certain UK group undertakings.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**7. STAFF COSTS**

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

Employee costs during the year amounted to:

	1996 £	1995 £
Wages and salaries	2,208,890	2,230,910
Social security costs	222,154	224,951
Other pension costs	101,494	114,822
	<u>2,532,538</u>	<u>2,570,683</u>

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

	1996 Number	1995 Number
Production	8	9
Marketing & Distribution	27	29
Editorial	20	16
Administration	24	25
	<u>79</u>	<u>79</u>

Directors' remuneration:

Directors of the company received the following remuneration:

	1996 £	1995 £
Directors' fees	5,000	5,000
Other emoluments (including pension contributions)	340,826	411,896
	<u>345,826</u>	<u>416,896</u>

The directors remuneration shown above (excluding pensions and pension contributions) included:

	1996 £	1995 £
Chairman	0	0
Highest paid director	125,000	230,000

The directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1996 Number	1995 Number
Up to £5,000	5	5
£80,001 - £85,000	0	1
£90,001 - £95,000	1	0
£100,001 - £105,000	0	1
£120,001 - £125,000	2	0
£225,001 - £230,000	0	1

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

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

	1996 £	1995 £
Overseas taxation	5,604	1,795

There is no charge to UK corporation tax, due to the availability of brought forward tax losses and tax losses surrendered from other group companies at nil charge (1995 - £Nil).

**9. TANGIBLE FIXED ASSETS**

The movement in the year was as follows:

	Computers £	Fixtures & Fittings £	Motor Vehicles £	Total £
<b>COST</b>				
Beginning of year	1,414,380	385,073	11,250	1,810,703
Additions	116,141	26,234	0	142,375
Disposals	(145,523)	0	(11,250)	(156,773)
End of year	1,384,998	411,307	0	1,796,305
<b>DEPRECIATION</b>				
Beginning of year	1,161,207	262,722	7,032	1,430,961
Charge	254,901	45,765	2,812	303,478
Disposals	(144,526)	0	(9,844)	(154,370)
End of year	1,271,582	308,487	0	1,580,069
<b>NET BOOK VALUE</b>				
Beginning of year	253,173	122,351	4,218	379,742
End of year	113,416	102,820	0	216,236

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**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 and end of year	70,928	784,844	1,036,114	1,891,886
<b>AMOUNTS WRITTEN OFF</b>				
Beginning and end of year	35,001	660,304	1,036,114	1,731,419
<b>NET BOOK VALUE</b>				
Beginning and end of year	35,927	124,540	0	160,467

Details of investments held at 31 December 1996:

	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.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**10. FIXED ASSET INVESTMENTS (Continued)**

Joint ventures

The company has interests in four unincorporated joint venture publishing operations as follows:

Publication	Joint venture partner	Interest	Principal place of business
Do Art	Eaglemoss Publications Ltd	50%	Japan
Artists Japan	Dohosha Publishing Co Ltd	50%	Japan
Angel Praxis	Eaglemoss Publications Ltd	50%	Germany
Mac Magazin	Future Publishing Ltd	50%	Germany

The company sold its interest in Mac Magazin on 6 December 1996.

Management control of the joint venture publications:

i) Do Art

The company undertakes the day to day publishing operation for this product. All revenues and costs are shared 50:50 with the joint venture partner.

ii) Artists Japan

The company undertakes the marketing and accounting aspects of the publication, with editorial and administrative matters managed by the joint venture partner. All revenues and costs are shared 50:50.

iii) Angel Praxis

The company undertakes the editorial and production aspects of the publication, with marketing and accounting matters managed by the joint venture partner. All revenues and costs are shared 50:50.

iv) Mac Magazin

The company undertook the day to day publishing operation for this product. All revenues and costs were shared 50:50 with the joint venture partner.

**11. STOCKS**

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

	1996 £	1995 £
Raw materials	96,563	64,465
Work in progress	2,115,613	2,879,852
Finished goods and goods for resale	31,265	228,132
	<u>2,243,441</u>	<u>3,172,449</u>

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

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**12. DEBTORS**

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

	1996 £	1995 £
Trade debtors	2,803,623	5,359,446
Amounts owed by group undertakings	17,522,503	17,187,943
Amounts owed by joint venture partner	371,344	276,258
VAT	1,533,511	2,143,221
Other debtors	212,283	233,708
Prepayments and accrued income	639,627	1,237,341
	<u>23,082,891</u>	<u>26,437,917</u>

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

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

	1996 £	1995 £
Bank loans and overdrafts	7,615,226	8,879,206
Trade creditors	3,697,224	6,669,974
Amounts owed to group undertakings	5,930,135	6,423,588
Other creditors		
- overseas sales tax	84,904	419,262
- social security and PAYE	135,776	194,941
- royalties payable	1,405,263	1,909,295
- other creditors	51,017	37,468
Accruals and deferred income	1,461,216	1,733,243
	<u>20,380,761</u>	<u>26,266,977</u>

Bank overdrafts of £331,226 (1995 - £317,390) are secured by fixed and floating charges over group assets.  
 Bank loans of £7,284,000 (1995 - £8,561,816) are repayable otherwise than by instalments and bear interest at various rates between 6.9375% and 7.4375% (1995 - 7.0% and 8.0625%) per annum.  
 All loans are unsecured and are repayable within one year.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**14. CALLED-UP SHARE CAPITAL**

		1996 £	1995 £
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**

	1996 £	1995 £
Loss for the financial year	(704,048)	(3,271,718)
Opening shareholders' funds	7,800,755	11,072,473
Closing shareholders' funds	<u>7,096,707</u>	<u>7,800,755</u>

**16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

a) Capital commitments

There were no capital commitments at year end (1995 - £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 (1995 - £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 £101,494 (1995 - £114,822). Prepaid contributions of £64 (1995 - £1,599) at the year end are shown in the balance sheet under prepayments.

**ORBIS PUBLISHING LIMITED**

**NOTES TO ACCOUNTS - 31 DECEMBER 1996**

**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:

	1996 £	1995 £
Land and buildings		
Operating leases which expire		
- within 1 year	0	33,450
- within 2-5 years	0	0
- after 5 years	320,000	320,000
	<u>320,000</u>	<u>353,450</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's immediate parent company is De Agostini (UK) Limited, which prepares consolidated accounts. These accounts are available to the public. 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 I.G.D.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 I.G.D.A..