

**EAGLEMOSS PUBLICATIONS LIMITED**

**COMPANY REGISTERED NO: 1369365**

**REGISTRAR**

**REPORT AND FINANCIAL STATEMENTS**

**30 SEPTEMBER 1999**

**Arnold Hill & Co**

**Chartered Accountants**

**Craven House  
16 Northumberland Avenue  
London WC2N 5AP**



**EAGLEMOSS PUBLICATIONS LIMITED****DIRECTORS' REPORT**

The directors submit their report and the audited financial statements for the year ended 30 September 1999.

**PRINCIPAL ACTIVITIES**

The principal activity of the company is publishing magazines and business handbooks.

**REVIEW OF BUSINESS**

The trading loss for the year, after taxation, amounted to £ 1,789,656 (1998: Loss £ 2,202,628).

**DIVIDENDS**

The directors do not recommend the payment of a dividend.

**HOLDING COMPANY**

Gilat AG, which is incorporated in Switzerland and registered in England and Wales under Section 691 of the Companies Act, is the holding company. The ultimate holding company, at 30 September 1999, is Eaglemoss Holdings Limited, a company registered in England & Wales.

**PAYMENT OF CREDITORS**

It is company policy to abide by the terms of payment in respect of suppliers.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year, and their interests in the share capital, are as follows:

	<u>At 1 October 1998 and</u> <u>30 September 1999</u>	
	<u>'A'</u>	<u>'B'</u>
	<u>Ordinary</u> <u>Shares of £1</u>	<u>Ordinary</u> <u>Shares of £1</u>
E P J Cavendish	6,000	8,000
E B Hilton	-	-
D M Stanley	-	-
J O Heany Sibley	-	-
S Rose	-	-
M Calmels (appointed 1 January 1999)	-	-
M Lebus (resigned 30 June 1999)	-	-
E E James (resigned 1 October 1998)	-	-

At 30 September 1999, E P J Cavendish held 549,900 (1998: 549,900), E B Hilton held 250,100 (1998: 250,100) and D M Stanley held 200,000 (1998: 200,000) ordinary £1 shares in the ultimate holding company, Eaglemoss Holdings Limited.

## **EAGLEMOSS PUBLICATIONS LIMITED**

### **DIRECTORS' REPORT**

#### **AUDITORS**

A resolution to reappoint Messrs Arnold Hill & Co as auditors will be put to the members at the Annual General Meeting.

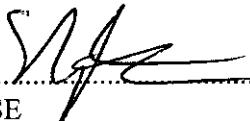
#### **RESPONSIBILITY STATEMENT**

With regard to accounting and financial matters, directors have clearly defined responsibilities.

Under Company Law, they are required to prepare financial statements each year and to present them to the Members at an Annual General Meeting. The form of the financial statements is prescribed by the Companies Act 1985 and they must give a true and fair view of the state of affairs of the company at the end of the year and of the result for the year. The financial statements should be prepared on a going concern basis unless it is inappropriate. The directors are responsible for the selection and consistent application of suitable accounting policies and, where necessary, for making prudent and reasonable estimates and judgements.

Additionally, the directors are responsible for safeguarding the assets of the company, for maintaining adequate accounting records and for preventing and detecting irregularities such as fraud.

BY ORDER OF THE BOARD

  
.....  
S P ROSE  
Secretary

Date: 24/7/00

## **REPORT OF THE AUDITORS TO THE MEMBERS OF**

### **EAGLEMOSS PUBLICATIONS LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 at 30 September 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arnold Hill & Co**  
Chartered Accountants and Registered Auditors  
Craven House  
16 Northumberland Avenue  
London WC2N 5AP

Date: 28-7-00

**EAGLEMOSS PUBLICATIONS LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1999**

		<u>1999</u>	<u>1999</u>	<u>1998</u>
		<u>£</u>	<u>£</u>	<u>£</u>
<b>TURNOVER</b>	2		12,811,661	19,606,549
Cost of Sales			<u>(5,807,147)</u>	<u>(9,579,642)</u>
<b>GROSS PROFIT</b>			7,004,514	10,026,907
Distribution Costs		2,106,168		2,226,329
Marketing & Promotion		3,231,425		5,591,962
Administration Expenses		3,846,574		3,850,298
Exceptional Loss	3	<u>-</u>		<u>862,599</u>
			<u>(9,184,167)</u>	<u>(12,531,188)</u>
<b>OPERATING LOSS</b>	3		(2,179,653)	(2,504,281)
Interest Receivable	6		563,454	464,384
Interest Payable and Similar Charges	7		<u>(153,876)</u>	<u>(171,248)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(1,770,075)	(2,211,145)
Taxation	8		<u>(19,581)</u>	<u>8,517</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	15, 16		<u>£ (1,789,656)</u>	<u>£ (2,202,628)</u>

All the company's activities are classed as continuing.

The company had no recognised gains or losses other than the loss for the year.

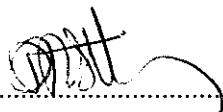
The notes on pages 6 to 12 form part of these financial statements.

## BALANCE SHEET

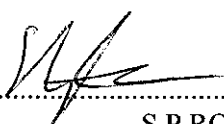
AS AT 30 SEPTEMBER 1999

	<u>Notes</u>	<u>1999</u> <u>£</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
<b>FIXED ASSETS</b>				
Tangible Assets	9		457,451	2,130,523
Investment in Associated Undertaking	10		-	1
			457,451	2,130,524
<b>CURRENT ASSETS</b>				
Stocks	11	288,239		602,187
Debtors	12	10,164,327		6,738,567
Cash at Bank and in Hand		4,843,751		7,745,218
		15,296,317		15,085,972
<b>CREDITORS: Amounts falling due within one year</b>	13	(3,269,302)		(2,942,374)
<b>NET CURRENT ASSETS</b>			12,027,015	12,143,598
<b>NET ASSETS</b>			<u>£ 12,484,466</u>	<u>£ 14,274,122</u>
<b>CAPITAL AND RESERVES</b>				
Called Up Share Capital	14		500,000	500,000
Capital Reserves			80,764	80,764
Profit and Loss Account	15		11,903,702	13,693,358
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	16		<u>£ 12,484,466</u>	<u>£ 14,274,122</u>

Approved by the Board for signing on 24/7/00

  
 .....  
 D M STANLEY

Directors

  
 .....  
 S P ROSE

The notes on pages 6 to 12 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 1999****1. ACCOUNTING POLICIES****a) Accounting Convention**

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

**b) Foreign Currencies**

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

**c) Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Furniture and fittings	10% on cost
Office Equipment	20% on cost
Motor Cars	25% on cost

**d) Deferred Taxation**

Deferred taxation in respect of all material timing differences arising during the year has been provided for in full where, in the opinion of the directors, a liability can be anticipated.

**e) Stock And Work In Progress**

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

**f) Advertising**

All advertising expenditure is written off in the year in which it is incurred.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 1999

## 2. TURNOVER

Turnover represents the invoiced amount of goods sold and services provided in the year, stated net of VAT, after providing for anticipated returns. All turnover is derived from the principal activity of the company.

An analysis of turnover by geographical market is given below:

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
United Kingdom	9,232,404	13,231,820
Europe	988,223	2,061,942
Asia and Australasia	1,251,897	2,303,950
Other	1,339,137	2,008,837
	<u>£ 12,811,661</u>	<u>£ 19,606,549</u>

## 3. OPERATING LOSS

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
This is stated after charging/(crediting):		
Depreciation	129,260	147,639
Profit on Disposal of Fixed Assets	(11,154)	(6,039)
Auditors' Remuneration:		
Audit Fees	21,350	19,000
Other Services	7,250	785
Exceptional Loss: Provision against Investment	-	862,599
Exchange (Gains)/Losses	<u>(26,686)</u>	<u>135,795</u>



## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 1999

## 4. EMPLOYEES

The average weekly number of employees during the year was made up as follows:

	<u>1999</u>	<u>1998</u>
	<u>No</u>	<u>No</u>
Editorial	45	58
Administrative	34	36
	<u>79</u>	<u>94</u>

Staff costs, including director's remuneration, were as follows:

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Wages & Salaries	2,030,006	2,214,680
Social Security Costs	193,249	197,451
Other Pension Costs	17,561	-
	<u>£ 2,240,816</u>	<u>£ 2,412,131</u>

## 5. DIRECTORS

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Directors Emoluments	330,720	351,804
Company Contributions to Money Purchase Scheme	17,561	-
	<u>£ 348,281</u>	<u>£ 351,804</u>

There are two directors accruing benefits under money purchase schemes

## 6. INTEREST RECEIVABLE

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Bank Interest	161,309	351,602
Interest from Associated Undertaking	393,564	112,782
Other Interest	8,581	-
	<u>£ 563,454</u>	<u>£ 464,384</u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 1999

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Bank Interest and Charges	152,231	139,027
Other Interest and Charges	1,645	32,221
	<u>£ 153,876</u>	<u>£ 171,248</u>

## 8. TAXATION

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
The taxation charge is made up as follows:		
Irrecoverable Withholding Tax	(25,920)	-
Prior year overprovision	6,339	8,517
	<u>£ (19,581)</u>	<u>£ 8,517</u>

## 9. TANGIBLE FIXED ASSETS

	<u>Freehold</u> <u>Property</u>  <u>£</u>	<u>Fixtures,</u> <u>Furniture</u> <u>&amp;</u> <u>Equipment</u>  <u>£</u>	<u>Motor</u> <u>Cars</u>  <u>£</u>	<u>Total</u>  <u>£</u>
<b>Cost</b>				
At 1 October 1998	1,638,500	1,206,067	106,804	2,951,371
Additions	683,287	88,113	15,500	786,900
Disposals	-	-	(37,986)	(37,986)
Transfer	(2,321,787)	-	-	(2,321,787)
At 30 September 1999	<u>-</u>	<u>1,294,180</u>	<u>84,318</u>	<u>1,378,498</u>
<b>Depreciation</b>				
At 1 October 1998	-	772,317	48,531	820,848
Provided During the Year	-	111,997	17,263	129,260
Eliminated on Disposal	-	-	(29,061)	(29,061)
At 30 September 1999	<u>-</u>	<u>884,314</u>	<u>36,733</u>	<u>921,047</u>
<b>Net Book Value</b>				
At 30 September 1999	<u>£ NIL</u>	<u>£ 409,866</u>	<u>£ 47,585</u>	<u>£ 457,451</u>
At 30 September 1998	<u>£ 1,638,500</u>	<u>£ 433,750</u>	<u>£ 58,273</u>	<u>£ 2,130,523</u>

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 1999

## 10. INVESTMENT IN ASSOCIATED UNDERTAKING

	<u>£</u>
<b>Cost</b>	
At 1 October 1998	862,600
Transfer	(862,600)
	<hr/>
At 30 September 1999	-
	<hr/>
<b>Provision</b>	
At 1 October 1998	861,599
Transfer	(861,599)
	<hr/>
At 30 September 1999	-
	<hr/>
<b>Net Book Value</b>	
At 30 September 1999	£ NIL
	<hr/>
At 30 September 1998	£ 1
	<hr/>

The investment in associated undertaking represented an investment in Bright Star Publishing Plc, a company registered in England. Eaglemoss Publications Limited owned 46.9% of the ordinary share capital of Bright Star Publishing Plc. This was transferred to Eaglemoss Holdings Limited, the ultimate holding company, during the year.

## 11. STOCKS

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Raw materials	67,412	133,184
Work in Progress	220,827	469,003
	<hr/>	<hr/>
	£ 288,239	£ 602,187
	<hr/>	<hr/>

## 12. DEBTORS

## Amounts Falling Due Within One Year

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Trade Debtors	2,624,973	2,513,582
Amounts owed by Fellow Subsidiary Undertakings	28,876	1,478,828
Amounts owed by Ultimate Holding Company	2,323,287	5,500
Amounts owed by Other Group Undertakings	3,120,843	354,597
Other Debtors	391,683	714,745
Prepayments and accrued income	21,665	18,315
	<hr/>	<hr/>
	8,511,327	5,085,567
	<hr/>	<hr/>
<b>Amounts Falling Due After More Than One Year</b>		
Amounts owed by Other Group Undertaking	1,653,000	1,653,000
	<hr/>	<hr/>
	£ 10,164,327	£ 6,738,567
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## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 1999

## 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Trade Creditors	1,224,224	2,153,361
Social Security and Other Taxes	71,569	59,926
Other Creditors	358,179	567,947
Amounts owed to Fellow Subsidiaries	1,436,047	-
Accruals	179,283	161,140
	<u>£ 3,269,302</u>	<u>£ 2,942,374</u>

## 14. SHARE CAPITAL

	<u>1999</u>	<u>1999</u>	<u>1998</u>	<u>1998</u>
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
<b>Authorised</b>				
'A' Ordinary Shares of £1 each	<u>25,000</u>	<u>£ 25,000</u>	<u>25,000</u>	<u>£ 25,000</u>
'B' Ordinary Shares of £1 each	<u>975,000</u>	<u>£ 975,000</u>	<u>975,000</u>	<u>£ 975,000</u>
<b>Allotted, Called Up and Fully Paid</b>				
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
'A' Ordinary Shares of £1 each	<u>25,000</u>	<u>£ 25,000</u>	<u>25,000</u>	<u>£ 25,000</u>
'B' Ordinary Shares of £1 each	<u>475,000</u>	<u>£ 475,000</u>	<u>475,000</u>	<u>£ 475,000</u>

'A' Ordinary shares and 'B' Ordinary shares rank equally with respect to dividend and voting rights.

## 15. PROFIT AND LOSS ACCOUNT

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Loss for the Financial Year	(1,789,656)	(2,202,628)
Balance Brought Forward	13,693,358	15,895,986
Balance Carried Forward	<u>£ 11,903,702</u>	<u>£ 13,693,358</u>

## 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Loss for the Financial Year	(1,789,656)	(2,202,628)
Net decrease in Shareholders' Funds	(1,789,656)	(2,202,628)
Shareholders' funds at 1 October	14,274,122	16,476,750
Shareholders' funds at 30 September	<u>£ 12,484,466</u>	<u>£ 14,274,122</u>

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 1999****17. COMMITMENTS AND CONTINGENCIES**

Eaglemoss Publications Limited has granted a cross guarantee in favour of Barclays Bank Plc for borrowing facilities in the name of its fellow subsidiary, Eaglemoss International Limited. In addition, the company granted a debenture in favour of Barclays Bank Plc on 4 January 1999. At 30 September 1999 the total exposure to borrowings was £ NIL.

**18. ULTIMATE HOLDING COMPANY**

The ultimate holding company is Eaglemoss Holdings Limited, a company registered in England and Wales. Copies of the Financial Statements of Eaglemoss Holdings Limited may be obtained from the Registrar of Companies, Companies House, Cardiff.

**19. CONTROL**

The company is controlled by Mr E. P. Cavendish, the majority shareholder of the ultimate holding company.

**20. RELATED PARTY TRANSACTIONS**

During the year Eaglemoss Publications Limited provided various loans to Bright Star Publishing Plc, an associated company to the Ultimate Holding Company. The loans bear interest at between 2.5% over the UK base lending rate and 15%. As at 30 September 1999, the balance owed to Eaglemoss Publications Limited was £ 4,773,843 (1998: £ 2,007,597). The interest receivable for the year on the various loans was £ 393,564 (1998: £ 112,782).

Other transactions between fellow group companies are exempt from disclosure by virtue of being included in the holding company's consolidated accounts.