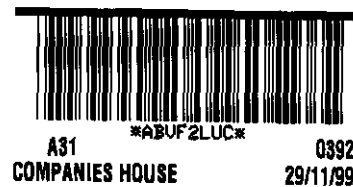


USBORNE PUBLISHING LIMITED

REPORT AND ACCOUNTS

for the year ended

31 JANUARY 1999



USBORNE PUBLISHING LIMITED

DIRECTORS

T.P. Usborne
R.M. Robinson

ASSOCIATE DIRECTORS

R.A. Curry
D.P. Harte
L. Hunt
R. Jones
D.M. Lowe
J.S. Tyler

SECRETARY

K.M. Ball

REGISTERED OFFICE

Usborne House
83-85 Saffron Hill
London EC1N 8RT

BANKERS

National Westminster Bank plc
1 Princes Street
London EC2R 8PA

AUDITORS

Smith & Williamson
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

SOLICITORS

Davenport Lyons
1 Old Burlington Street
London W1X 1LA

COMPANY NUMBER

1124359

USBORNE PUBLISHING LIMITED

REPORT AND ACCOUNTS for the year ended 31 JANUARY 1999

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USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 January 1999.

Activities

The principal activity of the company continued to be publishing.

Review of business

The company had a satisfactory year and, in the opinion of the directors, the state of the company's affairs and its future prospects are satisfactory. There has been no material change in the company's affairs since the balance sheet date.

Results for the year and dividends

The profit for the year after taxation was £450,184 (1998: £961,697).

The directors do not recommend the payment of a dividend in respect of the year ended 31 January 1999.

Directors

The directors of the company at 31 January 1999, both of whom served throughout the year were:

T.P. Usborne
R.M. Robinson

The interests of the directors and their families in the share capital of the company were as follows:-

	Number of A Ordinary £1 shares	
	31 January 1999	31 January 1998
T.P. Usborne	7,375	7,375
R.M. Robinson	-	-
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

DIRECTORS' REPORT (continued)

Year 2000 exposure

The Board has made a review of the company's IT and other systems. A small number of computers and software packages have been identified as being Year 2000 non-compliant and will therefore not be used after 31 December 1999. The Board is confident that the company will have no exposure to potential problems caused by the arrival of the Year 2000 in so far as this is within the company's control.

Charitable donations

During the year the company made donations for charitable purposes amounting to £8,844.

Auditors

A resolution to reappoint the auditors, Messrs. Smith & Williamson, will be proposed at the next annual general meeting.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON THEIR BEHALF

A handwritten signature in black ink, appearing to read 'K.M. Ball', written in a cursive style.

K.M. Ball
SECRETARY

USBORNE PUBLISHING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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.

The
Smith & Williamson
— • G r o u p • —

AUDITORS' REPORT TO THE SHAREHOLDERS OF USBORNE PUBLISHING LIMITED

We have audited the accounts on pages 7 to 19, which have been prepared under the historical cost convention and the accounting policies on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of 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 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 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 the company's affairs at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Smith & Williamson

SMITH & WILLIAMSON
Chartered Accountants
Registered Auditors

No 1 Riding House Street
London W1A 3AS
11 November 1999

USBORNE PUBLISHING LIMITED**PROFIT AND LOSS ACCOUNT for the year ended 31 JANUARY 1999**

	Notes	1999 £	1998 £
Turnover	2	10,872,927	13,314,233
Cost of sales		(6,547,396)	(8,958,833)
Gross profit		4,325,531	4,355,400
Distribution costs		(495,913)	(215,583)
Administrative expenses		(4,153,480)	(3,870,669)
Other operating income	3	815,139	924,759
Operating profit	6	491,277	1,193,907
Interest receivable		166,011	164,347
Provision against investments	10	(192)	(821)
Interest payable	7	(1,912)	(736)
Profit on ordinary activities before taxation		655,184	1,356,697
Taxation	8	(205,000)	(395,000)
Profit on ordinary activities after taxation		450,184	961,697
Dividends		-	(500,000)
Retained profit for the financial year	15	450,184	£461,697

All of the company's activities are classed as continuing and the company has no recognised gains or losses other than the profit for the above two financial years.

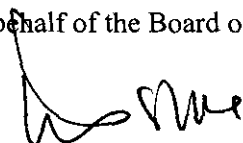
USBORNE PUBLISHING LIMITED

BALANCE SHEET as at 31 JANUARY 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible	9	344,424	299,167
Investments	10	40,303	40,495
		<hr/>	<hr/>
		384,727	339,662
		<hr/>	<hr/>
Current assets			
Stocks	11	5,011,564	2,954,750
Debtors	12	3,729,446	4,141,427
Investments	13	9,905	9,905
Cash at bank and in hand		1,070,561	3,230,162
		<hr/>	<hr/>
		9,821,476	10,336,244
Creditors: Amounts falling due within one year	14	(3,196,142)	(4,116,029)
		<hr/>	<hr/>
Net current assets		6,625,334	6,220,215
		<hr/>	<hr/>
		7,010,061	6,559,877
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	10,000	10,000
Share premium account		2,448,469	2,448,469
Capital reserve		1,000	1,000
Capital redemption reserve		9,950	9,950
Profit and loss account	15	4,540,642	4,090,458
		<hr/>	<hr/>
Shareholders' funds	16	7,010,061	6,559,877
		<hr/>	<hr/>

These accounts were approved by the Board of Directors on 11 November 1999.

Signed on behalf of the Board of Directors



T.P. Usborne - Director

USBORNE PUBLISHING LIMITED

CASH FLOW STATEMENT for the year ended 31 JANUARY 1999

	Notes	1999	1998
		£	£
Net cash (outflow)/inflow from operating activities	(a)	(1,060,982)	1,574,281
Returns on investments and servicing of finance			
Interest received		166,011	164,347
Interest paid		(1,912)	(736)
Net cash inflow from returns on investments and servicing of finance		164,099	163,611
Taxation			
UK taxation paid		(540,079)	(249,135)
Overseas taxation paid		(9,665)	(5,805)
Net cash outflow from taxation		(549,744)	(254,940)
Investing activities			
Purchase of tangible fixed assets		(233,438)	(221,989)
Proceeds from sale of tangible fixed assets		20,464	15,700
Net cash outflow from investing activities		(212,974)	(206,289)
Net cash (outflow)/inflow before financing		(1,659,601)	1,276,663
Equity dividends paid			
Dividend payment		(500,000)	-
(Decrease)/increase in cash in year	(b),(c)	(2,159,601)	1,276,663

USBORNE PUBLISHING LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 JANUARY 1999

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	1999 £	1998 £
Operating profit	491,277	1,193,907
Depreciation	182,301	158,686
Profit on sale of tangible fixed assets	(14,584)	(9,555)
Increase in stocks	(2,056,814)	(191,081)
Decrease in debtors	286,981	1,068,230
Increase/(decrease) in creditors	49,857	(645,906)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(1,060,982)	1,574,281
	<hr/>	<hr/>

(b) Reconciliation of net cash flow to movement in funds	£	£
Cash at 1 February 1998	3,230,162	1,953,499
Net cash(outflow)/inflow	(2,159,601)	1,276,663
	<hr/>	<hr/>
Cash at 31 January 1999	1,070,561	3,230,162
	<hr/>	<hr/>

(c) Analysis of net debt	At 1 February 1998 £	Cashflow £	At 31 January 1999 £
Cash in hand and bank	3,268,616	(1,984,523)	1,284,093
Overdraft	(38,454)	(175,078)	(213,532)
	<hr/>	<hr/>	<hr/>
	3,230,162	(2,159,601)	1,070,561
	<hr/>	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999

1. Accounting policies

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies adopted are described below.

Accounting convention

The accounts have been prepared under the historical cost convention.

Investments

Investments held as fixed assets are stated at cost less provisions for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Pension costs

The company operates a money purchase pension scheme.

Contributions to the money purchase scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme and represent contributions payable by the company to the fund.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost is defined as direct publication costs, together with a proportion of relevant overheads.

Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments on the following bases:-

Furniture and equipment, fixtures and fittings	- 20%
Computer equipment	- 25%
Book fair stand	- 33 1/3%

Motor vehicles are assumed to have a life of four years when purchased new; when purchased at one year old, they are depreciated at 20% per annum for disposal after four years.

Royalty income

Royalty advances are credited to the profit and loss account when invoiced, royalties in excess of advances are credited when received.

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

1. Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction, unless covered by forward purchases of currency where the forward rate is used.

Assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date unless covered by forward purchases of currency where the forward rate is used. Any profit or loss arising is taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2. Turnover

Turnover represents the value of goods delivered to customers during the period, less returns, and is stated net of value added tax.

Geographical analysis of turnover:-

	1999 £	1998 £
U.K.	4,656,928	6,237,578
Overseas	6,215,999	7,076,655
	<hr/>	<hr/>
	10,872,927	13,314,233
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

3. Other operating income	1999	1998
	£	£
Royalties receivable	814,901	924,759
Dividends receivable	238	-
	<u>815,139</u>	<u>924,759</u>

4. Employees

The average weekly number of employees, excluding directors, of the company during the year and their aggregate remuneration were as follows:-

	Number	Wages and salaries	Social security	Pension costs	Total
Year ended 31 January, 1999	106	£2,141,861	£209,812	£77,711	£2,429,384
Year ended 31 January, 1998	104	£2,015,705	£198,014	£69,612	£2,283,331

5. Directors' emoluments	1999	1998
	£	£
Remuneration	108,922	86,734
Pension costs	-	4,084
	<u>-</u>	<u>4,084</u>

6. Operating profit	1999	1998
is stated after charging:-	£	£
Operating lease rentals		
- Hire of plant and machinery	8,593	9,113
- Other	282,953	281,640
Depreciation		
- Own assets	182,301	158,686
Auditors' remuneration - audit	32,000	32,000
Foreign exchange gains	(28,789)	(46,468)
	<u>374,057</u>	<u>475,371</u>

USBORNE PUBLISHING LIMITED**NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)**

7.	Interest payable	1999 £	1998 £
	Bank interest	1,269	736
	Interest on other loans	643	-
		<hr/>	<hr/>
		1,912	736
		<hr/>	<hr/>
8.	Taxation	£	£
	Corporation tax based on the profits for the year at 31% (1998: 31%)	183,000	410,000
	Prior year underprovision/(overprovision)	22,000	(15,000)
		<hr/>	<hr/>
		205,000	395,000
		<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

9. Tangible fixed assets				
	Computers £	Furniture and fittings £	Motor vehicles £	Total £
Cost				
At 1 February 1998	655,937	365,528	149,356	1,170,821
Additions	118,095	8,445	106,898	233,438
Disposals	(70,002)	(4,484)	(67,358)	(141,844)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1999	704,030	369,489	188,896	1,262,415
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 February 1998	475,538	293,200	102,916	871,654
Charge for year	109,487	28,586	44,228	182,301
Disposals	(70,002)	(4,485)	(61,477)	(135,964)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1999	515,023	317,301	85,667	917,991
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 January 1999	189,007	52,188	103,229	344,424
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1998	180,399	72,328	46,440	299,167
	<hr/>	<hr/>	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

10. Investments held as fixed assets

	Shares in group undertakings - Subsidiaries £	Loans to group undertakings - Subsidiaries £	Provision against loan to group companies - Subsidiary £	Total £
At 1 February 1998	15	106,690	(66,210)	40,495
Net movement in year	-	-	(192)	(192)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1999	15	106,690	(66,402)	40,303
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 January 1999 the company had the following subsidiary undertakings:-

Company	Country of Incorporation	Activity	Proportion of Ordinary Shares held	Aggregate amount of share capital and reserves	Profit/(loss) for year
Usborne Publishing Inc	U.S.A.	Non-trading	100% see below	see below	
Usborne Books at Home Limited	England	Dormant	100%	£2	£-
Usborne Music Publishing Limited	England	Dormant	100%	£2	£-
Usborne Reference Publishing Limited	England	Dormant	100%	£2	£-
Usborne Education Limited	England	Dormant	100%	£2	£-

Usborne Books at Home Limited, Usborne Music Publishing Limited, Usborne Reference Publishing Limited and Usborne Education Limited have not traded.

The accounts of these companies and Usborne Publishing Inc have been omitted from group accounts since in the opinion of the Directors their inclusion is not material for the purpose of giving a true and fair view.

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

10 Investments held as fixed assets (continued)

Additional information in respect of Usborne Publishing Inc.	£	£
Cost		6
Share of undistributed post acquisition losses at 1 February 1998	(55,509)	
Profit retained for the year	264	
	<hr/>	(55,245)
Balance at 31 January 1999		<hr/> (55,239) <hr/>

11. Stocks	1999	1998
	£	£
Paper	11,030	12,657
Work in progress	1,745,125	874,373
Finished goods	3,255,409	2,067,720
	<hr/>	<hr/>
	5,011,564	2,954,750
	<hr/>	<hr/>

12. Debtors	£	£
Trade debtors	3,536,731	3,835,209
Other debtors	73,131	73,755
Prepayments and accrued income	119,584	107,463
ACT recoverable	-	125,000
	<hr/>	<hr/>
	3,729,446	4,141,427
	<hr/>	<hr/>

13. Investments	£	£
Listed investments - at cost		
(Market value £38,574; 1998 £71,942)	9,905	9,905
	<hr/>	<hr/>

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

14.	Creditors: Amounts falling due within one year	1999	1998
		£	£
	Trade creditors	1,995,966	1,974,196
	Bills of exchange payable	15,909	140,082
	Amounts due to subsidiary undertakings	36,123	40,398
	Corporation tax	47,624	392,368
	Other taxation and social security	84,090	74,648
	Other creditors	237,676	242,378
	Accruals and deferred income	778,754	626,959
	Proposed dividend	-	500,000
	ACT payable	-	125,000
		<u>3,196,142</u>	<u>4,116,029</u>
15.	Profit and loss account		£
	Balance at 1 February 1998		4,090,458
	Retained profit for the year		450,184
			<u>4,540,642</u>
	Balance at 31 January 1999		
16.	Reconciliation of movements in shareholders' funds	£	£
	Profit for the financial year	450,184	961,697
	Dividend	-	(500,000)
		<u>450,184</u>	<u>461,697</u>
	Net increase in shareholders' funds	450,184	461,697
	Opening shareholders' funds	6,559,877	6,098,180
		<u>£7,010,061</u>	<u>£6,559,877</u>
	Closing shareholders' funds		

USBORNE PUBLISHING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 JANUARY 1999 (continued)

17.	Called up share capital	1999	1998
		£	£
	Authorised:		
	7,375 "A" Ordinary shares of £1 each	7,375	7,375
	2,625 "B" Ordinary shares of £1 each	2,625	2,625
	9,950 undesignated shares of £1 each	9,950	9,950
		<hr/>	<hr/>
		19,950	19,950
		<hr/>	<hr/>
	Allotted and fully paid		
	7,375 "A" Ordinary shares of £1 each	7,375	7,375
	2,625 "B" Ordinary shares of £1 each	2,625	2,625
		<hr/>	<hr/>
		10,000	10,000
		<hr/>	<hr/>

The "A" shares and "B" shares rank pari passu in all respects except that the "A" shares carry the right to payment of the first £1,000,000 of dividends declared by the company.

18. Commitments

At 31 January 1999 the company had outstanding forward foreign exchange contracts totalling £781,819 (1998: £3,158,157).

19. Operating lease commitments

At 31 January 1999 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings	Other
	£	£
Leases which expire:		
Within 2-5 years	17,763	5,847
After 5 years	267,240	-
	<hr/>	<hr/>
	285,003	5,847
	<hr/>	<hr/>