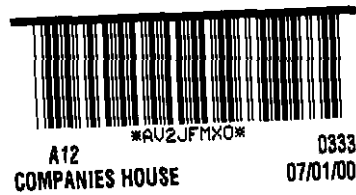


**GEORGE WEIDENFELD & NICOLSON LIMITED**

**ANNUAL REPORT FOR THE YEAR ENDED**

**31 DECEMBER 1998**



**GEORGE WEIDENFELD & NICOLSON LIMITED**

**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

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# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors present their report and audited financial statements for the year ended 31 December 1998.

## **PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The company's principal activity during the year was book publishing. Turnover decreased by £4,588,000 in the year. The directors expect the turnover to broadly remain the same in the year 1999.

## **RESULTS AND DIVIDEND**

The loss for the year amounted to £1,243,000. The directors do not recommend the payment of a dividend. The loss for the financial year will be transferred to reserves.

## **DIRECTORS AND THEIR INTERESTS** None of the directors had any interest in the share capital of the company or in the share capital of the ultimate holding company, Lagardere Groupe, France.

The interests of the directors in the shares of the immediate parent company, The Orion Publishing Group Limited are as follows:

|                         | As at<br>31.12.98 |           | As at<br>31.12.97 |
|-------------------------|-------------------|-----------|-------------------|
|                         | New<br>Ordinary   | "C" Ord   | "C" Pref          |
| AJV Cheetham (Chairman) | See below         | See below |                   |
| MG Dover                | 482               | 400       | 2,600             |
| RA Hussey               | 1,967             | 800       | 5,200             |
| F Kennedy               | 1,734             | 400       | 2,600             |
| PCK Roche               | See below         | See below |                   |
| M Streatfeild           | 600               | 1,400     | 9,100             |
| CR Stott                | 1,511             | 500       | 3,250             |
| Lord Weidenfeld         | See below         | See below |                   |

Details of directors' share options in the immediate parent company are as follows:

|               | As at<br>1.1.98 | Granted / exercised<br>during the year | Exercise price<br>(Pence) | Date from which<br>exercisable | Expiry date |
|---------------|-----------------|--|---------------------------|--------------------------------|-------------|
| MG Dover      | 3,000           | -                                      | 100                       | 28.02.1998                     | 29.05.2005  |
|               | 4,500           | -                                      | 250                       | 29.05.2000                     | 29.05.2004  |
| RA Hussey     | 3,000           | -                                      | 100                       | 28.02.1998                     | 29.05.2005  |
|               | 12,000          | -                                      | 250                       | 29.05.2000                     | 29.05.2004  |
| F Kennedy     | 2,000           | -                                      | 250                       | 29.05.2000                     | 29.05.2004  |
| M Streatfeild | 1,500           | -                                      | 100                       | 28.02.1998                     | 29.05.2005  |
|               | 3,000           | -                                      | 250                       | 29.05.2000                     | 29.05.2004  |
| CR Stott      | 1,500           | -                                      | 100                       | 28.02.1998                     | 29.05.2005  |
|               | 2,000           | -                                      | 250                       | 29.05.2000                     | 29.05.2004  |

AJV Cheetham, PCK Roche and Lord Weidenfeld are directors of the immediate parent company, The Orion Publishing Group Limited and their interests in the shares and options of that company are shown in its accounts.

# GEORGE WEIDENFELD & NICOLSON LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

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 financial statements 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.

### YEAR 2000

Plans to address the risks and uncertainties are discussed in the Annual Report of the immediate parent company, The Orion Publishing Group Limited (OPG Ltd). The company is a wholly owned subsidiary of OPG Ltd.


### INTRODUCTION OF THE EURO

Details of changes to the company's procedures for the introduction of the Euro are discussed in the Annual Report of the immediate parent company, OPG Ltd.

### AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998, following which Price Waterhouse resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors.

On behalf of the Board



M O'SULLIVAN  
SECRETARY 21 December 1999

**GEORGE WEIDENFELD & NICOLSON LIMITED**

**AUDITORS' REPORT TO THE MEMBERS OF  
GEORGE WEIDENFELD & NICOLSON LIMITED**

We have audited the financial statements on pages 5 to 12.

**RESPECTIVE  
RESPONSIBILITIES OF  
DIRECTORS AND AUDITORS**

The directors are responsible for preparing the annual report including, as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with Accounting 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 as at 31 December 1998 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PRICEWATERHOUSECOOPERS**  
Chartered Accountants and Registered Auditors

London  
23 December 1999

**GEORGE WEIDENFELD & NICOLSON LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
31 DECEMBER 1998**

|   | <u>Notes</u> | <u>1998</u><br>£000   | <u>1997</u><br>£000 |
|---|--------------|-----------------------|---------------------|
| <b>TURNOVER</b> – continuing operations                         | 2            | 15,592                | 20,180              |
| Cost of sales   |              | (11,369)              | (13,012)            |
| <b>GROSS PROFIT</b>   |              | <u>4,223</u>          | <u>7,168</u>        |
| <b>NET OPERATING EXPENSES</b>                                   | 3            | (4,963)               | (5,133)             |
| <b>OPERATING (LOSS)/PROFIT/</b><br>- continuing operations      | 3            | <u>(740)</u>          | <u>2,035</u>        |
| Interest payable  | 3            | (503)                 | -                   |
| <b>(LOSS)/PROFIT ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> |              | <u>(1,243)</u>        | <u>2,035</u>        |
| Tax on (loss)/profit on ordinary activities                     | 5            | -                     | -                   |
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>                     | 11           | <u><u>(1,243)</u></u> | <u><u>2,035</u></u> |

The company has no recognised gains or losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **BALANCE SHEET AS AT 31 DECEMBER 1998**

|                                     | <u>Notes</u> | <u>1998</u><br><u>£000</u> | <u>1997</u><br><u>£000</u> |
|-------------------------------------|--------------|----------------------------|----------------------------|
| <b>FIXED ASSETS</b>                 |              |                            |                            |
| Investments                         | 6            | <u>1</u>                   | <u>1</u>                   |
| <b>CURRENT ASSETS</b>               |              |                            |                            |
| Stocks                              | 7            | 5,404                      | 4,164                      |
| Debtors                             | 8            | <u>5,021</u>               | <u>4,684</u>               |
|                                     |              | 10,425                     | 8,848                      |
| <b>CREDITORS</b>                    |              |                            |                            |
| Amounts falling due within one year | 9            | <u>(9,787)</u>             | <u>(6,967)</u>             |
|                                     |              | 638                        | 1,881                      |
| <b>TOTAL ASSETS LESS</b>            |              |                            |                            |
| <b>CURRENT LIABILITIES</b>          |              | <u>639</u>                 | <u>1,882</u>               |
| <b>CAPITAL AND RESERVES</b>         |              |                            |                            |
| Called up share capital             | 10           | 100                        | 100                        |
| Profit & loss account               | 11           | 539                        | 1,782                      |
| <b>EQUITY SHAREHOLDER'S</b>         |              |                            |                            |
| <b>FUNDS</b>                        | 12           | <u>639</u>                 | <u>1,882</u>               |

The financial statements on pages 5 to 12 were approved by the board of directors on 21 December 1999 and were signed on its behalf by:

**AJV CHEETHAM**  
**PCK ROCHE**

} Directors

*AJ Cheetham*

*PCK Roche*

**GEORGE WEIDENFELD & NICOLSON LIMITED**

**CASH FLOW STATEMENT FOR  
THE YEAR ENDED 31 DECEMBER 1998**

|   | <u>1998</u><br>£'000 | <u>1997</u><br>£'000 |
|---|----------------------|----------------------|
| <b>OPERATING (LOSS)/PROFIT</b>  | (740)                | 2,035                |
| <b>INCREASE IN DEBTORS</b>  | (337)                | (1,103)              |
| <b>INCREASE IN STOCK</b>  | (1,240)              | (427)                |
| <b>INCREASE/(DECREASE) IN OTHER CREDITORS</b>                           | <u>2,820</u>         | <u>(505)</u>         |
| <b>NET CASH INFLOW BEFORE USE OF LIQUID<br/>RESOURCES AND FINANCING</b> | 503                  | -                    |
| <b>FINANCING</b>  |                      |                      |
| <b>Interest paid</b>  | <u>(503)</u>         | —                    |
| <b>NET CHANGE IN CASH</b>   | <u>—</u>             | <u>—</u>             |

# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998**

### **1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **(a) TURNOVER**

Turnover comprises the sale of published books, net of returns, and rights receivable excluding value added tax.

#### **(b) FOREIGN CURRENCY**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of *exchange ruling at the date of transaction*. Balances denominated in foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date.

#### **(c) STOCKS**

Stocks comprising of finished goods and work in progress in respect of books together with paper stocks are stated at the lower of cost and net realisable value (the value if the stock was to be remaindered). The cost does not include a contribution from overheads. Provisions are made on a regular basis for stock which is unlikely to sell.

#### **(d) ROYALTIES**

Royalty advances to authors which are not expected to be earned from future sales of books and rights are written off to the profit and loss account in the year of publication.

#### **(e) PENSIONS**

The expected cost of pensions in respect of The Orion Publishing Group Limited Retirement Benefits Scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Actuarial surpluses and deficits are allocated over the average expected remaining service lives of employees. The pension cost is assessed in accordance with the advice of qualified actuaries every three years.

#### **(f) DEFERRED TAXATION**

Provision is made under the liability method for the corporation tax effect arising from all timing differences to the extent that there is a reasonable probability that such deferred taxation will crystallise in the foreseeable future.

### **2. TURNOVER**

The company's turnover arises from its principal activity of publishing, originating wholly from operations in the United Kingdom.

A geographical analysis of turnover by destination is as follows:

|                   | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|-------------------|---------------------|---------------------|
| United Kingdom    | 11,037              | 13,765              |
| USA               | 1,090               | 1,571               |
| Australia         | 1,025               | 1,177               |
| Rest of the World | 2,440               | 3,667               |
|                   | <u>15,592</u>       | <u>20,180</u>       |

# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS -** **31 DECEMBER 1998 (continued)**

### **3. OPERATING (LOSS)/PROFIT AND INTEREST PAYABLE**

Operating (loss)/profit and net assets in 1998 originate wholly from the principal activity of publishing.

Net operating expenses are analysed as follows:

|                         | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|-------------------------|---------------------|---------------------|
| Distribution costs      | 1,250               | 1,367               |
| Administration expenses | <u>3,713</u>        | <u>3,766</u>        |
|                         | <u>4,963</u>        | <u>5,133</u>        |

Administration expenses include a management fee of £442,930 (1997 £508,528) payable by the company to its immediate parent company OPG Ltd. All employees are employed by OPG Ltd which also paid the auditors' remuneration.

### **INTEREST PAYABLE**

|  | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|--|---------------------|---------------------|
| Interest payable on bank loans and overdrafts repayable within 5 years | <u>503</u>          | <u>-</u>            |

### **4. DIRECTORS' EMOLUMENTS**

The company did not pay any emoluments to the directors of the company. Emoluments paid by OPG Ltd to the directors in respect of their services to the company and included in the management fee were as follows:

|                            | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|----------------------------|---------------------|---------------------|
| Emoluments                 | 120                 | 153                 |
| Pension contributions:     |                     |                     |
| Retirement benefits scheme | <u>7</u>            | <u>11</u>           |
|                            | <u>127</u>          | <u>164</u>          |

Benefits accrue to 2 directors (1997:2) under the Retirement benefits scheme:

|                                  | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|----------------------------------|---------------------|---------------------|
| Highest paid director-emoluments | <u>67</u>           | <u>80</u>           |
| Accrued pension at 31st December | <u>5</u>            | <u>7</u>            |

# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (continued)**

### **5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

|  | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|--|---------------------|---------------------|
| Corporation tax at 31%<br>(1997:31.5%) | <u>—</u>            | <u>—</u>            |

The company has unutilised tax losses carried forward, subject to agreement by the Inland Revenue, which the directors estimate at approximately £2,490,000 (1997: £1,284,000)

### **6.INVESTMENTS**

|                                  | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|----------------------------------|---------------------|---------------------|
| Group Undertakings               |                     |                     |
| Cost at 1 January                | 82                  | 82                  |
| Provision                        | (81)                | (81)                |
| Net book value at 31<br>December | <u>1</u>            | <u>1</u>            |

The company owns 100% of the issued share capital of its subsidiary undertakings, all of which are non-trading. All are registered in England and Wales except for Arthur Barker Limited, which is registered in Scotland.

Weidenfeld (Publishers) Limited  
 Arthur Barker Limited  
 Artus Publishing Company Limited  
 Weidenfeld and Nicolson (World University Library) Limited  
 Contact Publishing Limited  
 Orion Multimedia Limited  
 Weidenfeld and Nicolson (World University Library) Publishing Company Limited  
 Phoenix House (Publishers) Limited  
 Weidenfeld Limited

### **7.STOCKS**

|                  | <u>1998</u><br>£000 | <u>1997</u><br>£000 |
|------------------|---------------------|---------------------|
| Work in progress | 1,553               | 1,173               |
| Finished stock   | <u>3,851</u>        | <u>2,991</u>        |
|                  | <u>5,404</u>        | <u>4,164</u>        |

# **GEORGE WEIDENFELD & NICOLSON LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS -** **31 DECEMBER 1998(continued)**

### **8.DEBTORS**

|               | <u>1998</u>  | <u>1997</u>  |
|---------------|--------------|--------------|
|               | £000         | £000         |
| Other debtors | <u>5,021</u> | <u>4,684</u> |

Other debtors represent royalty advances made to authors net of amounts provided.

### **9.CREDITORS : amounts falling due within one year**

|                                   | <u>1998</u>  | <u>1997</u>  |
|-----------------------------------|--------------|--------------|
|                                   | £000         | £000         |
| Amount owed to group undertakings | 7,972        | 5,096        |
| Other creditors                   | 1,815        | 1,871        |
|                                   | <u>9,787</u> | <u>6,967</u> |

The company is party to an omnibus bank guarantee with other group undertakings in respect of bank borrowings amounting to £7,099,000 at 31 December 1998 (1997 £2,575,000). The bank has a fixed and floating charge over the assets of the company.

### **10. CALLED UP SHARE CAPITAL**

|   | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
|   | £000        | £000        |
| Authorised and issued share capital<br>100,000 Ordinary shares of £1 each | <u>100</u>  | <u>100</u>  |

### **11. PROFIT AND LOSS ACCOUNT**

|                             | <u>1998</u> |
|-----------------------------|-------------|
|                             | £000        |
| Balance at 1 January 1998   | 1,782       |
| Loss for the year           | (1,243)     |
| Balance at 31 December 1998 | <u>539</u>  |

### **12. EQUITY SHAREHOLDER'S FUNDS**

|                             | <u>1998</u> | <u>1997</u>  |
|-----------------------------|-------------|--------------|
|                             | £000        | £000         |
| (Loss)/Profit for the year  | (1,243)     | 2,035        |
| Opening shareholder's funds | 1,882       | (153)        |
| Closing shareholder's funds | <u>639</u>  | <u>1,882</u> |

**GEORGE WEIDENFELD & NICOLSON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS -**

**31 DECEMBER 1998 (continued)**

**13.PENSION COSTS**

The Company is a member of The Orion Publishing Group Limited Retirement Benefits Scheme (the Group Scheme) which provides benefits based on final pensionable salary. Particulars of the actuarial valuation of the Group Scheme are contained in the accounts of the immediate parent company, The Orion Publishing Group Limited.

**14.ULTIMATE HOLDING COMPANY**

The company's ultimate holding company is Lagardere Groupe, France, which is registered in France and is the *parent undertaking of the largest and only group to consolidate these accounts*. A copy of its financial statements can be obtained from The Orion Publishing Group Limited, Orion House, 5 Upper St Martin's Lane, London WC2H 9EA.