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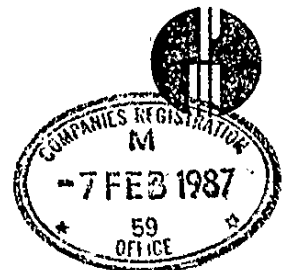
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IPC MAGAZINES LIMITED

31 MARCH 1986

Price Waterhouse



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IPC MAGAZINES LIMITED

31 MARCH 1986



IPC MAGAZINES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 MARCH 1986

The directors present their report and the audited accounts of the company for the 52 weeks ended 31 March 1986.

REVIEW OF THE BUSINESS

The company's principal activity during the period continued to be magazine publishing.

Following adverse market conditions during the first half year a redundancy programme was undertaken which was virtually completed by the year end. Staff levels had been reduced by almost 20% and, together with other cost reduction exercises, this would significantly improve our ability to compete in a number of overcrowded markets. Continuing benefits were expected to arise from improvements in printing technology and further computerisation.

RESULTS AND DIVIDENDS

The group's profit for the period is £2,483,000 (1985 - £5,863,000). The interim dividend on the ordinary shares amounts to £4,600,000 (1985 - £10,400,000). The remaining deficit of £2,117,000 (1985 deficit - £4,537,000) will be set against reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the 52 weeks ending 31 March 1986 were as follows:

RL Chilton (Chairman)	
PH Barnes	
EC Boreham	
PB Dowson	
Miss P Lamburn	
JB Mellon	
M Paton	
Miss JB Reed	(resigned 30 September 1985)
CM Reeves-Smith	
JR Sanders	
GH Wynveldt	(resigned 30 April 1985)

IPC MAGAZINES LIMITED

DIRECTORS AND THEIR INTERESTS (Continued)

The interests of the directors serving at the end of the period in the share and loan capital of Reed International PLC and its subsidiary companies were as follows:

		31 March 1986 Reed International PLC Ordinary shares of £1 under option	1 April 1985 Reed International PLC Ordinary shares of £1 under option
PH Barnes	(a)	-	1,308
	(c)	12,000	12,000
EC Boreham	(a)	3,250	3,250
	(b)	348	348
PB Dowson	(a)	4,125	4,125
JB Mellon	(c)	22,000	18,000
M Paton	(a)	2,050	3,750
	(c)	18,000	18,000
Miss JB Reed	(b)	-	174
JR Sanders	(a)	838	838

- (a) At 31 March 1986 the directors held options, as noted above, to subscribe for Reed International PLC ordinary shares at prices between (175p) and (295p) per share, exercisable in accordance with the terms of the 1973 Share Option Scheme, between (1985 and 1988).
- (b) At 31 March 1986 directors held options, as noted above, under the SAYE Share Option Schemes to subscribe for Reed International PLC ordinary shares at prices between 425p and 603p per share, exercisable in accordance with the terms of the Schemes.
- (c) At 31 March 1986 directors held options, as noted above, to subscribe for Reed International PLC ordinary shares at prices between 448p and 710p per share, exercisable in accordance with the terms of the 1984 UK and Overseas Executive Share Option Schemes.

The interests of Mr RL Chilton are shown in the accounts of Reed Publishing Holdings Limited.

No directors had, at any time during the period, any material interest in a contract with the company.

IPC MAGAZINES LIMITED

FIXED ASSETS

Significant additions to fixed assets in the period arose from computerisation (£256,000) and car fleet replacements (£561,000).

The company's freehold and leasehold properties were revalued professionally as at 31 March 1985.

FUTURE DEVELOPMENTS

The impact of new technology continues to make it necessary to take advantage of electronic systems in all areas of the business in order to maintain a competitive position and protect the long term interests of the company and its employees.

CHARITABLE CONTRIBUTIONS

Donations made by the company for charitable purposes in the United Kingdom amounted to £15,836. The company continued its policy of not making donations for political purposes in the UK.

EMPLOYEE PARTICIPATION

The company has a long tradition of employee involvement, primarily through procedures that have evolved and become established as a result of trade union negotiations. Staff are consulted in respect of changes in working practices, relocation, redundancies, performance of individual magazines (especially in instances of proposed closures and mergers); and there is a strong and active Joint Health and Safety Committee.

Employees are informed of the company's performance and prospects, together with detailed financial information by means of:

- Direct communication from the Chief Executive.
- Regular management bulletins.
- IPC News - a monthly employee newspaper.

The role of executives and managers in disseminating information had been highlighted by a communications survey and a Director has been designated to be responsible for internal communications. The SAYE Share Option Scheme for Reed International PLC has enabled employees to participate in the future of the company.

IPC MAGAZINES LIMITED

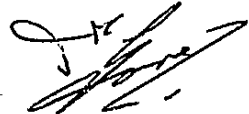
DISABLED PERSONS

It is the policy of the company to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board,



JF Gore
Secretary

22 May 1986

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF
IPC MAGAZINES LIMITED

We have audited the financial statements on pages 6 to 18 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1986 and of its profit and source and application of funds for the period then ended and comply with the Companies Acts 1985.

Price Waterhouse
Chartered Accountants

22 May 1986

IPC MAGAZINES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 MARCH 1986

	<u>1986</u> £000	<u>1985</u> £000
TURNOVER (Note 2)	170,412	170,403
Changes in stocks of finished goods and work in progress	(43)	(679)
Other operating income	760	689
Raw materials and consumables	(86,526)	(88,329)
Other external charges	(39,658)	(34,963)
Staff costs (Note 3)	(33,339)	(36,287)
Depreciation of fixed assets	(1,607)	(1,525)
Exceptional items (Note 4)	<u>(6,340)</u>	<u>325</u>
TRADING PROFIT	3,659	9,634
Interest receivable and similar income	<u>1</u>	<u>7</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	3,660	9,641
Tax on profit on ordinary activities (Note 5)	<u>(1,177)</u>	<u>(3,433)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	2,483	6,208
Extraordinary item (Note 6)	<u>-</u>	<u>(345)</u>
Profit for the financial year	2,483	5,863
Dividends paid and proposed (Note 7)	<u>(4,600)</u>	<u>(10,400)</u>
RETAINED LOSS FOR THE PERIOD	<u>(2,117)</u>	<u>(4,537)</u>

IPC MAGAZINES LIMITED

BALANCE SHEET AS AT 31 MARCH 1986

	1986	1985
	£000	£000
FIXED ASSETS		
Tangible assets (Note 8)	5,060	5,986
Investments (Note 9)	<u>977</u>	<u>1,022</u>
	6,037	7,008
CURRENT ASSETS		
Stocks (Note 10)	5,435	5,600
Debtors (Note 11)	30,228	30,727
Cash at bank and in hand	<u>479</u>	<u>334</u>
	36,142	36,661
CREDITORS (amounts falling due within one year) (Note 12)	<u>25,971</u>	<u>24,172</u>
NET CURRENT ASSETS	<u>10,171</u>	<u>12,489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>16,208</u>	<u>19,497</u>
CREDITORS (amounts falling due after more than one year) (Note 12)	2,010	3,697
PROVISIONS FOR LIABILITIES AND CHARGES (Note 13)	1,271	756
CAPITAL AND RESERVES		
Called up share capital (Note 15)	2,467	2,467
Revaluation reserve (Note 16)	247	387
Other reserves (Note 16)	2,318	2,318
Profit and loss account (Note 16)	<u>7,895</u>	<u>9,872</u>
	12,927	15,044

Approved by the Board on 22 May 1986

Leiman) Directors
B. B. B. B. B.

16,208

19,497

IPC MAGAZINES LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE 52 WEEKS ENDED 31 MARCH 1986

	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
FUNDS GENERATED		
Trading profit	<u>3,659</u>	<u>9,634</u>
Changes in working capital		
Stocks	165	(5)
Debtors	661	3,842
Creditors	<u>578</u>	<u>(372)</u>
	<u>1,404</u>	<u>3,465</u>
Changes in tangible assets		
Capital expenditure	(1,317)	(1,997)
Depreciation	1,607	1,525
Sale of tangible fixed assets	636	877
Investments	<u>45</u>	<u>-</u>
	<u>971</u>	<u>405</u>
Finance costs and tax		
Net interest received	1	7
Tax paid	(1,290)	(2,993)
Dividends to parent company	<u>(4,600)</u>	<u>(10,400)</u>
	<u>(5,889)</u>	<u>(13,386)</u>
FUNDS FROM OPERATIONS	<u>145</u>	<u>118</u>
Represented by:		
Increase in cash at bank	<u>145</u>	<u>118</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986

1 ACCOUNTING POLICIES

(a) These accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets and depreciation

Properties and plant are stated in the balance sheet at valuation or at cost less investment grants. No depreciation is provided on land. For properties and plant, depreciation has been provided on a basis that will write off the book amount of these assets over the expected life. Freehold buildings and long leases are depreciated over their estimated future useful life. The depreciation rates for plant and equipment range from 6 2/3% to 33 1/3%. Short leases are written off over the duration of the lease.

On 31 March 1985 all land and properties were revalued and the deficit on revaluation has been taken to reserves.

(c) Stock

The amount included for stocks is stated at the lower of cost, including production overheads, and estimated net realisable value.

(d) Turnover

Turnover is based on the invoiced value of sales and excludes VAT.

(e) Taxation

Account is taken of timing differences between the accounting and taxation treatment of certain items, except where, in the opinion of the directors, it is expected that no liability to, or relief from, taxation is likely to arise in the foreseeable future.

(f) Research and development

Expenditure is written off as incurred.

(g) Translation of overseas currencies into sterling

Profit and loss items are translated at appropriate average exchange rates, assets and liabilities at exchange rates at balance sheet dates. The currency gains and losses on trading items are taken to the profit and loss account.

(h) Pension

The company participates in a pension scheme administered on behalf of the Reed International PLC/Reed Publishing Holdings Limited Group. It is the policy of the group to provide for pension liabilities, generally by payments to trusts independent from the finances of the Group and contributions by companies are charged against profits. Liabilities which relate to past service are normally funded over a period of years.

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

1 ACCOUNTING POLICIES (Continued)

(i) Leases

Assets held under finance leases effective from 5 April 1982 are included as tangible assets at purchase price and depreciated over the asset life. The obligations related to finance leases (net of finance charges allocated to future periods) are included as appropriate under creditors due within or after one year.

The rentals under operating leases are charged to profit, as incurred, over the lease term.

2 TURNOVER

1986
£000

1985
£000

The geographical analysis of the company's turnover is as follows:

Geographical market:

United Kingdom	159,869	159,294
Europe	5,067	5,275
United States of America	755	941
Canada	293	308
Others	4,428	4,585
	<u>170,412</u>	<u>170,403</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

1986
£000

1985
£000

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

Wages and salaries	30,033	31,022
Social security costs	2,165	2,184
Other pension costs	1,141	3,081
Depreciation of tangible assets owned by the company	1,568	1,486
Depreciation of assets held under finance leases	39	39
Hire of plant and machinery	126	145
Auditors' remuneration	47	43
Profit on sale of land and buildings	(42)	-
Finance charges in respect of finance leases	19	26
Interest payable to ultimate holding company	<u>1</u>	<u>-</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

4	EXCEPTIONAL ITEMS	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
	Rationalisation and redundancy	(7,000)	-
	Profits on sale of magazine titles	660	-
	Profits on sale of land and buildings	-	325
		<u>(6,340)</u>	<u>325</u>

5	TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
	Taxation on the profit for the year:		
	UK corporation tax at 40% (1985 - 45%)	2,177	1,838
	Deferred tax	(598)	1,270
	Overseas tax	3	3
	Relief for overseas tax	(3)	(3)
	Adjustment of provisions made in earlier periods	<u>(402)</u>	<u>325</u>
		<u>1,177</u>	<u>3,433</u>

The charge for taxation on the profits of the period has been reduced/ (increased) by:

- (i) £Nil (1985 - £2,160,000) in respect of tax losses to be claimed from another group company for no consideration.
- (ii) £82,000 (1985 - £(751,500)) in respect of accelerated depreciation and other timing differences not provided for.

6	EXTRAORDINARY ITEMS	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
	Deficit on revaluation of properties	-	<u>(345)</u>

7	DIVIDENDS	<u>1986</u> <u>£000</u>	<u>1985</u> <u>£000</u>
	Ordinary:		
	Interim paid	4,600	<u>10,400</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

8

TANGIBLE ASSETS

	Land and buildings £000	Plant and motor vehicles £000	Fixtures and fittings £000	Total £000
<u>Cost or valuation</u>				
At the beginning of the year	1,305	6,771	4,177	12,253
Additions	-	1,014	303	1,317
Divestments and disposals	-	(1,046)	(214)	(1,260)
Transfers to fellow subsidiaries	(400)	(40)	-	(440)
At the end of the year	905	6,699	4,266	11,870
Includes assets at valuation at 31 March 1985	893	-	-	893
<u>Accumulated depreciation</u>				
At the beginning of the year	12	3,757	2,498	6,267
Provision for the year	42	1,217	348	1,607
Divestments and disposals	-	(841)	(186)	(1,027)
Transfers (to) fellow subsidiaries	(17)	(20)	-	(37)
At the end of the year	37	4,113	2,660	6,810
<u>Net book amount</u>				
At the beginning of the year	1,293	3,014	1,679	5,986
At the end of the year	868	2,586	1,606	5,060
			1986 £000	1985 £000
The net book amount of land and buildings comprises:				
Freehold			167	571
Long leaseholds			701	722
			868	1,293

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

8 TANGIBLE ASSETS (Continued)

Assets included at a valuation, would have been included on an historical cost basis at:

	<u>Land and buildings</u>	
	<u>1986</u>	<u>1985</u>
	<u>£000</u>	<u>£000</u>
Cost	1,680	2,232
Accumulated depreciation	<u>739</u>	<u>981</u>
Net book amount of assets, included above, held under finance leases	<u>6</u>	<u>45</u>
Future capital expenditure not provided for in the accounts:		
Contracts placed	<u>52</u>	<u>168</u>
Authorised by the directors but contracts not yet placed	<u>-</u>	<u>170</u>

At 31 March 1986, none of the contracts placed are committed under finance leases.

9 INVESTMENTS

	<u>1986</u>	<u>1985</u>
	<u>£000</u>	<u>£000</u>
Shares in group companies (non-trading)	<u>977</u>	<u>1,022</u>

10 STOCKS

	<u>1986</u>	<u>1985</u>
	<u>£000</u>	<u>£000</u>
Raw materials and consumables	4,588	4,710
Work in progress	451	529
Finished goods	<u>396</u>	<u>361</u>
	<u>5,435</u>	<u>5,600</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

11	DEBTORS	<u>1986</u>	<u>1985</u>
		£000	£000
	Amounts falling due within one year		
	Trade debtors	21,113	19,640
	Amounts owed by ultimate holding company and fellow subsidiaries	2,678	1,985
	Other debtors	2,491	3,305
	Prepayments and accrued income	1,544	1,426
	Deferred tax (Note 14)	<u>162</u>	<u>-</u>
		<u>27,988</u>	<u>26,356</u>
	Amounts falling due after more than one year		
	Amounts owed by ultimate holding company and fellow subsidiaries	2,240	4,362
	Other debtors	<u>-</u>	<u>9</u>
		<u>2,240</u>	<u>4,371</u>
	Total	<u>30,228</u>	<u>30,727</u>
12	CREDITORS	<u>1986</u>	<u>1985</u>
		£000	£000
	Amounts falling due within one year		
	Trade creditors	17,156	17,293
	Amounts owed to ultimate holding company and fellow subsidiaries	394	502
	Other creditors	4,166	2,762
	Taxation	2,320	1,835
	Accruals and deferred income	<u>1,935</u>	<u>1,780</u>
		<u>25,971</u>	<u>24,172</u>
	Amounts falling due after more than one year		
	Finance lease - within 1 to 2 years	19	19
	- within 2 to 4 years	25	44
	Amounts owed to ultimate holding company and fellow subsidiaries	-	1,666
	Amounts owed to group companies	<u>1,966</u>	<u>1,968</u>
		<u>2,010</u>	<u>3,697</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

12 CREDITORS (Continued)

Analysis of finance lease commitments:

The company has previously entered into leasing arrangements with its ultimate parent company Reed International PLC in respect of plant and machinery, the minimum rentals for which extend over the next 3 years. The total of the rentals, including finance charges, during the 52 weeks ended 31 March 1986 was £19,000 (1985 - £26,000). The lease provides that the company will be responsible for all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental. The minimum annual rentals under the lease are:

	£000
1986/87	19
1987/88	20
1988/89	<u>5</u>
Total rentals due	44
Less finance charges therein	<u>-</u>
Obligations under finance lease to ultimate holding company	<u>44</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1986</u> £000	<u>1985</u> £000
Ex gratia pensions	56	57
Deferred taxation (Note 14)	-	436
Other provisions	<u>1,215</u>	<u>263</u>
	<u>1,271</u>	<u>756</u>

14 DEFERRED TAXATION

	<u>1986</u> £000	<u>1985</u> £000
Deferred taxation provided in the accounts comprises:		
Depreciation claimed at a faster rate for tax purposes than that charged in the accounts	260	542
Short term timing differences	<u>(422)</u>	<u>(106)</u>
	<u>(162)</u>	<u>436</u>

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

14 DEFERRED TAXATION (Continued)

If provision had been made for all timing differences further liability for deferred taxation as follows would have appeared in the accounts:

	<u>1986</u> £000	<u>1985</u> £000
Depreciation claimed at a faster rate for tax purposes than that charged in the accounts	471	400
Other timing differences	(113)	(114)
	<u>358</u>	<u>286</u>

15 CALLED UP SHARE CAPITAL

	<u>1986</u> £000	<u>1985</u> £000
Ordinary shares of £1 each:		
Allotted and fully paid	<u>2,467</u>	<u>2,467</u>
Authorised	<u>3,230</u>	<u>3,230</u>

16 RESERVES

	<u>Revaluation reserve</u> £000	<u>Other reserves</u> £000	<u>Profit and loss account</u> £000	<u>Total</u> £000
At the beginning of the year	387	2,318	9,872	12,577
Retained loss for the period			(2,117)	(2,117)
Released from revaluation reserve	(140)		140	-
	<u>247</u>	<u>2,318</u>	<u>7,895</u>	<u>10,460</u>

17 CONTINGENT LIABILITIES

The company has no contingent liability other than that referred to in Note 20 regarding floating charges.

18 EMPLOYEES

The average number of people employed by the company during the year was 2,665 (1985 - 2,929).

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

19 DIRECTORS' AND UK EMPLOYEES' EMOLUMENTS

	<u>1986</u> £000	<u>1985</u> £000
<u>Payments to directors of the company</u>		
Emoluments	445	481
Payments on termination of office	<u>42</u>	<u>139</u>
	487	620
	<u> </u>	<u> </u>
The emoluments of the chairman and the highest paid director were as follows:		
The Chairman	<u> </u>	<u> </u>
Highest paid director	<u>47</u>	<u>47</u>

The number of directors (some of whom served on the Board for only part of the year) in each range of emoluments (excluding pension contributions) was as follows:

	<u>Number</u>	<u>Number</u>
Other directors		
£Nil - £ 5,000	1	1
£20,001 - £25,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	1	4
£35,001 - £40,000	4	3
£40,001 - £45,000		1
£45,000 - £50,000	2	-
<u>Emoluments of employees in UK (excluding pension provisions), in excess of £30,000:</u>		
£30,000 - £35,000	12	5
£35,001 - £40,000	1	2
£40,001 - £45,000	2	-

IPC MAGAZINES LIMITED

NOTES TO THE ACCOUNTS AT 31 MARCH 1986 (Continued)

20 CHARGE ON THE UNDERTAKING OF THE COMPANY

Floating charges on the whole of the undertaking, property and assets of the company have been given as security to the trustees of certain debenture stocks of the parent company, Reed International PLC.

21. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Reed International PLC, a company incorporated in England.