Registered No: 112955

THE NATIONAL MAGAZINE COMPANY LIMITED

Annual report

for the year ended 31 December 1998

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for the year ended 31 December 1998

Registered number: 112955

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Directors and advisers

Directors

F A Bennack Jr (USA, Chairman)
T G Mansfield (Managing Director)
K R Brink (USA)
R E Deems (USA)
R A Hearst (USA)
S R Hemsted
F Herrera (USA)
E A Kershaw
S C E Kippin
G C Maurer (USA)
M F Miller (USA)
D Sheilds
B A Wallis
J D Edwards
C Black (USA)
G J Green (USA)
R E Joslin (USA)
J Bill
V Ganzi (USA)
A Symonds (appointed 1 March 1998)

Secretary and registered office

Vivien Sidlin
National Magazine House
72 Broadwick Street
LONDON
W1V 3BP

Registered Auditors

PricewaterhouseCoopers
1 Embankment Place
LONDON
WC2N 6NN

Solicitors

Denton Hall
Hobson Audley Hopkins and Wood
Peter Carter - Ruck and Partners

Bankers

The Royal Bank of Scotland plc
Barclays Bank plc
Lloyds Bank plc
Midland Bank plc

Report of the directors
for the year ended 31 December 1998

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

Principal activities

The principal activities of the group continues to be the publishing and distribution of magazines and periodicals.

Publishing policy

The company continues to concentrate its publishing activities into larger circulation, consumer orientated publications.

Review of business and future developments

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The consolidated profit and loss account is set out on page 7. The profit for the year before dividends amounted to £10,854,000 (1997: £10,468,000).

A dividend of £10,000,000 (1997: £11,000,000) was declared and paid in the year. The directors do not recommend a final dividend.

The profit for the financial year after dividends of £854,000 (1997: loss £532,000) will be transferred to reserves.

Directors

The directors of the company at 31 December 1998, all of whom have been directors for the whole of the year then ended except where stated, are listed on page 1.

Directors' interests in shares

The directors had no interests (other than as nominees) at either the beginning or end of the year in the shares of the company or of other group companies.

Charitable contributions

The contributions made by the group during the year for charitable purposes amounted to £46,000 (1997: £47,000).

Disabled persons

It is the policy of the company to make every effort to continue the employment and training of any employee who becomes disabled, and to give sympathetic consideration to applications for employment made by disabled persons. All necessary assistance with initial training courses is given and once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee consultation

The company considers the involvement of its employees as an important practice and continues to keep them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal departmental channels and via the in-house company magazine.

Insurance of directors

The company maintains insurance for The National Magazine Company Limited directors in respect of their duties as directors.

Year 2000

The directors have appointed a project team to investigate and report on the present and future implications of the "Year 2000 issue" across all the group's activities.

Recommendations and action plans are fully developed to satisfy the directors that the group's systems will be Year 2000 compliant in advance of the millennium.

Assurances have been sought from suppliers, clients and bankers that any reasonably identifiable aspect of the Year 2000 issue, that these third parties may have, will not adversely affect the group.

The group is committed to ensure that all operating systems will be Year 2000 compliant, enabling the business to continue without disruption through the millennium.

Costs specific to the year 2000 have been assessed. Group expenditure to the balance sheet date attributable to this activity was £538,344, and further expenditure of £239,000 is planned during 1999.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 1998 our auditors, Coopers & Lybrand, merged with Price Waterhouse, following which Coopers & Lybrand resigned, and the directors appointed the new firm, PricewaterhouseCoopers, in their place. A resolution will be proposed at the annual general meeting to appoint Deloitte & Touche as the company's auditors.

By order of the board

Vivien Sidlin
Company Secretary

Report of the auditors to the members of THE NATIONAL MAGAZINE COMPANY LIMITED

We have audited the financial statements on pages 7 to 24. Which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 and 4, 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 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 affairs of the company and the group at 31 December 1998 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
17 September 1999

Consolidated profit and loss account for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover	2,3	**275,075**	258,107
Cost of sales		**(214,634)**	(192,981)
Gross profit		**60,441**	65,126
Other operating expenses	4	**(42,797)**	(48,347)
Operating profit		**17,644**	16,779
Loss on disposal of fixed assets	5	**(1,027)**	-
Interest receivable		**734**	650
Interest payable	8	**(8)**	(11)
Profit on ordinary activities before taxation	9	**17,343**	17,418
Taxation on profit on ordinary activities	10	**(5,615)**	(5,749)
Profit on ordinary activities after taxation		**11,728**	11,669
Equity minority interests	23	**(874)**	(1,201)
Profit for the financial year		**10,854**	10,468
Dividends	12	**(10,000)**	(11,000)
Retained profit/(loss) for the year	22	**854**	(532)

The group has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

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

All amounts stated above relate to continuing operations.

Balance sheets
at 31 December 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible assets	13	**7,604**	6,829	**4,417**	3,528
Investments	14	**4**	4	**1**	1
		7,608	6,833	**4,418**	3,529
Current assets					
Stocks	15	**2,543**	2,696	**2,543**	2,696
Debtors	16	**21,394**	19,066	**18,304**	17,350
Cash at bank and in hand		**11,684**	13,895	**6,888**	8,282
		35,621	35,657	**27,735**	28,328
Creditors: amounts falling due within one year	17	**(30,751)**	(30,874)	**(20,433)**	(20,960)
Net current assets		**4,870**	4,783	**7,302**	7,368
Total assets less current liabilities		**12,478**	11,616	**11,720**	10,897
Creditors: amounts falling due after more than one year	18	**(91)**	(100)	**(91)**	(95)
Net assets		**12,387**	11,516	**11,629**	10,802
Capital and reserves					
Called up share capital	20	**283**	283	**283**	283
Profit and loss account	21	**11,838**	10,984	**11,346**	10,519
Equity shareholders' funds	22	**12,121**	11,267	**11,629**	10,802
Equity minority interests	23	**266**	249	-	-
		12,387	11,516	**11,629**	10,802

The financial statements on page 7 to 24 were approved by the board of directors on 14 September 1999 and were signed on its behalf by:

T G Mansfield) Directors T.G. Mansfield
S R Hemsted) S Hemsted

Consolidated cash flow statement for the year ended 31 December 1998

	Notes	**1998** **£'000**	1997 £'000
Net cash inflow from continuing operating activities	24	**17,845**	20,025
Returns on investment and servicing of finance			
Interest received		**734**	650
Interest paid		-	(2)
Interest paid on finance leases		**(7)**	(9)
Dividends paid to minorities		**(857)**	(1,400)
		(130)	(761)
Taxation			
UK corporation tax paid (including ACT paid)		**(6,460)**	(5,404)
		(6,460)	(5,404)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(3,480)**	(2,329)
Sale of tangible fixed assets		**42**	120
		(3,438)	(2,209)
Equity dividends paid		**(10,000)**	(11,000)
Net cash (outflow)/inflow before financing		(2,183)	651
Financing			
Repayment of principal under finance leases		**(28)**	(164)
(Decrease)/increase cash in the year	25	(2,211)	487

Notes to the financial statements for the year ended 31 December 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 1998 except those subsidiary undertakings excluded from consolidation in accordance with S 229 (2) of the Companies Act 1985. Intra-group sales and profits are eliminated fully on consolidation.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write-off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings and improvements	- 2 to 10 per cent per annum
Motor vehicles	- 20 to 33 per cent per annum
Furniture and fittings	- 10 to 20 per cent per annum
Equipment	- 25 to 50 per cent per annum

Short term leasehold properties and improvements thereto are amortised over 15 years or, if shorter, the period of the lease. Freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value, cost being determined generally on a "first-in, first-out" basis. Where necessary, provision is made for obsolete and slow moving stocks.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Foreign currencies

Monetary assets and liabilities arising from transactions to be settled in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Pension costs

The group operates a defined benefit pension scheme. The funds are valued at least every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The group provides no other post retirement benefits to its employees.

Changes in presentation of financial information

FRS9 "Associates and joint ventures", FRS10 "Goodwill and intangible assets" and FRS11 " Impairment of fixed assets and goodwill" came into effect for these financial statements, but have not resulted in any changes in presentation.

2 Turnover

The turnover of the group by geographical area of destination in respect of its principal activities is set out below:

	1998 £'000	1997 £'000
United Kingdom	**244,280**	228,268
Rest of Europe	**16,481**	8,959
USA/Canada	**6,356**	4,025
Australasia	**4,933**	5,260
Rest of the World	**3,025**	11,595
	275,075	258,107

3 Segmental analysis by class of business

The analysis by class of business of the group's turnover and profit before taxation is set out below:

Turnover		**1998**			1997	
	Total sales £'000	**Inter-segment sales £'000**	**External sales £'000**	Total sales £'000	Inter-segment sales £'000	External sales £'000
Class of business						
Publishing	**98,684**	**-**	**98,684**	92,961	-	92,961
Distribution	**206,944**	**30,553**	**176,391**	193,839	28,693	165,146
	305,628	**30,553**	**275,075**	286,800	28,693	258,107

Profit before taxation

	1998 Total £'000	1997 Total £'000
Class of business		
Publishing	**13,182**	12,062
Distribution	**3,435**	4,717
Profit before interest	**16,617**	16,779
Net interest receivable	**726**	639
	17,343	17,418

4 Other operating expenses

	1998 £'000	1997 £'000
Continuing operations		
Administrative expenses	**25,965**	24,476
Exceptional gain - administrative expenses	**(1,328)**	-
	24,637	48,347
Distribution costs	**18,160**	23,871
	42,797	48,347

The exceptional administrative gain is the result of a service charge dispute which arose in prior years. The dispute was resolved in October 1998 and resulted in a settlement of £1,328,000 being made to the company.

The resultant tax charge on the gain was £411,000.

5 Loss on disposal of fixed assets

During 1997 the company's subsidiary, Conde Nast & National Magazine Distribution Limited, contracted a third party software vendor, to adapt their standard packages to the company's requirements. Over an 18 month period software changes were tested. The outcome of this testing was not considered by the directors to be satisfactory and the directors decided to terminate the project. All costs incurred and initially recorded as assets in the course of construction have been written off against 1998 profits. The tax effect of the write off was £318,000.

The cash flow impact arising from the costs of the project was £316,000 in 1997 and £665,000 in 1998. These amounts have been disclosed within purchase of tangible fixed assets for each year in the consolidated cash flow statement.

6 Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments	**1,909**	1,337
Amounts receivable under long term incentive schemes	**-**	-
Company pension contributions to money purchase scheme	**46**	41

Retirement benefits are accruing to 9 directors (1997: 9 directors) under the group's defined benefits schemes.

Emoluments payable to the highest paid director are as follows:

	1998 £	1997 £
Aggregate emoluments and benefits under long term incentive schemes	325	238
Accrued pension at end of year	34	73

7 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

	1998 Number	1997 Number
Publishing	616	571
Distribution	341	356
	957	927

	1998 £'000	1997 £'000
Staff costs (for the above persons):		
Wages and salaries	26,397	24,877
Social security costs	2,531	2,309
Other pension costs	2,286	2,295
	31,214	29,481

8 Interest payable

	1998 £'000	1997 £'000
On bank overdrafts repayable within five years, not by instalments	-	2
On finance leases	8	9
	8	11

9 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	**30**	45
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	**1,784**	1,947
Tangible fixed assets held under finance leases	**28**	53
Auditors' remuneration for:		
Audit (company £45,000, 1997 £40,000)	**111**	84
Other services to the company and its UK subsidiary	**718**	170
Hire of plant and machinery - operating leases	**1,267**	1,169
Hire of other assets - operating leases	**2,793**	2,550

10 Taxation on profit on ordinary activities

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997: 33%)		
Current	**5,615**	5,869
Over provision in respect of prior years:	-	(120)
	5,615	5,749

There is no potential liability for deferred taxation in respect of 1998 or 1997.

11 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £10,827,600 (1997: £10,837,169).

12 Dividends

	1998 £'000	1997 £'000
Dividends on equity shares		
Ordinary - final paid of £35.29 per share (1997: £38.81 per share)	**10,000**	11,000

13 Tangible fixed assets

Group	Short term leasehold £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture fixtures fittings and equipment £'000	Assets in the course of con-struction £'000	Total £'000
Cost						
At 1 January 1998	2,612	2,334	565	11,251	-	16,762
Reclassification	-	-	-	(316)	316	-
Additions	158	21	28	2,700	711	3,618
Disposals	-	-	(142)	(19)	(1,027)	(1,188)
At 31 December 1998	**2,770**	**2,355**	**451**	**13,616**	**-**	**19,192**
Depreciation						
At 1 January 1998	964	626	392	7,951	-	9,933
Charge for year	292	82	76	1,362	-	1,812
Eliminated in respect of disposals	-	-	(134)	(23)	-	(157)
At 31 December 1998	**1,256**	**708**	**334**	**9,290**	**-**	**11,588**
Net book value						
At 31 December 1998	**1,514**	**1,647**	**117**	**4,326**	**-**	**7,604**
Net book value						
At 1 January 1998	1,648	1,708	173	3,300	-	6,829
Company						
Cost						
At 1 January 1998	2,612	-	395	6,364	-	9,371
Additions	157	-	28	1,900	-	2,085
Disposals	-	-	(96)	-	-	(96)
At 31 December 98	**2,769**	**-**	**327**	**8,264**	**-**	**11,360**
Depreciation						
At 1 January 1998	964	-	260	4,619	-	5,843
Charge for year	292	-	62	842	-	1,196
Eliminated in respect of disposals	-	-	(96)	-	-	(96)
At 31 December 1998	**1,256**	**-**	**226**	**5,461**	**-**	**6,947**
Net book value						
At 31 December 1998	**1,513**	**-**	**101**	**2,803**	**-**	**4,417**
Net book value						
At 1 January 1998	1,648	-	135	1,745	-	3,528

The group net book value of tangible fixed assets includes an amount of £78,362 (1997: £267,632) in respect of assets held under finance leases.

The company net book value of tangible fixed assets includes an amount of £78,362 (1997: £259,632) in respect of assets held under finance leases.

14 Fixed asset investments

Group

	Subsidiaries excluded from consolidation £'000	Other investments £'000	Total £'000
Cost			
At 1 January 1998 and 31 December 1998	4	-	4

Company

	Interest in group undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 January 1998 and 31 December 1998	1	-	1

Interests in group undertakings

Name of undertaking	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
Conde Nast & National Magazine Distributors Limited	England	Ordinary Shares of £1 each	65	65
Publishprint Limited*	England	Ordinary	65	-
Comag Magazine Distribution and Publication Limited*	England	Ordinary	65	-
National Magazine Company Limited - Ireland*	Republic of Ireland	Ordinary Shares of £1 each	100	100

* Dormant

The principal business activity of the main operating subsidiary - Conde Nast & National Magazine Distributors Limited - is the distribution of magazines and periodicals.

The financial statements of Publishprint Limited, Comag Magazine Distribution and Publications Limited and National Magazine Company Limited Ireland have not been consolidated as, in the opinion of the directors consolidation would be of no real value to members of the Group in view of the insignificant amounts involved.

15 Stocks

Group and company

	1998 £'000	1997 £'000
Raw material and consumables	**1,395**	1,420
Work in progress	**1,020**	1,063
Finished goods and goods for resale	**128**	213
	2,543	2,696

16 Debtors

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Amounts falling due within one year				
Trade debtors	**15,407**	13,057	**13,106**	11,611
Amounts owed by parent or fellow subsidiary undertaking	**169**	63	**169**	63
Amounts owed by subsidiary undertakings	-	-	**881**	1,574
Other debtors	**1,221**	1,009	**898**	651
Prepayments and accrued income	**2,097**	2,187	**1,148**	1,351
Advance corporation tax recoverable	**2,500**	2,750	**2,102**	2,100
	21,394	19,066	**18,304**	17,350

17 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Obligations under finance leases	**29**	48	**29**	45
Trade creditors	**12,613**	12,281	**4,981**	5,385
Amounts owed to parent or fellow subsidiary undertaking	**48**	4	**44**	-
Corporation tax payable	**4,954**	5,867	**4,311**	4,204
Advance corporation tax payable	**1,813**	1,994	**1,414**	1,344
Other taxation and social security payable	**1,651**	2,017	**1,447**	1,776
Other creditors	**245**	830	**245**	830
Accruals and deferred income	**9,398**	7,833	**7,962**	7,376
	30,751	30,874	**20,433**	20,960

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Obligations under finance leases	**91**	100	**91**	95

Finance leases

The future minimum lease payments to which the group and the company are committed under finance leases are as follows:

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
In one year or less	**29**	48	**29**	45
Between one and two years	**42**	56	**42**	51
Between two and five years	**49**	44	**49**	44
	120	148	**120**	140

19 Pensions

The group operates a pension scheme for its employees of the defined benefit type. The assets of the scheme are held separately from those of the group, being invested with unit trust managers.

The pensions cost for the group was £2,530,550 (1997: £2,295,000) of which £1,894,986 related to National Magazine employees and £635,564 related to employees within its subsidiary undertaking. The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was at 1 February 1997.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8½% per annum, that salary increases would average 6½% per annum and that present and future pensions would increase at the rate of 4% per annum.

At the date of the latest actuarial valuation, the market value of the scheme's assets was £35,135,000. Based on the actuarial value of the scheme's assets, the level of funding, ie the ratio of the assets to the accrued liabilities based on expected salaries at retirement, was 96% at the valuation date.

The latest actuarial valuation disclosed a past service deficiency of £1,396,000. The company has elected to eliminate this deficiency over the average future working lifetime of the active members, by increasing the joint employer/employee contribution rate from 16.4% to 16.9% of pensionable salaries.

20 Called up share capital

	1998	1997
	£'000	£'000
Authorised		
300,000 ordinary shares of £1 each	**300**	300
Allotted, called up and fully paid		
1998: 283,392 (1997: 283,392) ordinary shares of £1 each	**283**	283

21 Reserves

	Profit and loss account £'000
Group	
At 1 January 1998	10,984
Profit for the year	854
At 31 December 1998	**11,838**
Company	
At 1 January 1998	10,519
Profit for the year	827
At 31 December 1998	**11,346**

22 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Retained profit/(loss) for the year	**854**	(532)
Opening shareholders' funds	**11,267**	11,799
Closing shareholders' funds	**12,121**	11,267

23 Equity minority interests

	1998 £'000	1997 £'000
At 1 January	**249**	448
Profit and loss account	**874**	1,201
Dividend paid on equity shares	**(857)**	(1,400)
At 31 December	**266**	249

24 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Continuing activities		
Operating profit	**16,316**	16,779
Depreciation of tangible fixed assets	**1,812**	2,000
Profit on sale of tangible fixed assets	**(30)**	(45)
Decrease/(increase) in stocks	**152**	(296)
Increase in debtors	**(2,179)**	(886)
Increase in creditors	**1,774**	2,473
Net funds inflow from operating activities	**17,845**	20,025

25 Reconciliation of net cash flow to movement in net funds

	1998 £'000	1997 £'000
Decrease/(increase) in cash in the period	**(2,211)**	487
Cash outflow from decrease in finance leases	**28**	164
Change in net debt/(funds) resulting from cash flows	**(2,183)**	651
Other non-cash items:		
New finance leases	**-**	(63)
Movement in net funds/(debt) in the period	**(2,183)**	588
Net funds at 1 January 1997	**13,747**	13,159
Net funds at 31 December 1997	**11,564**	13,747

26 Analysis of net funds

	At 1 January 1998 £'000	Cash flow £'000	Other non cash changes £'000	**At 31 December 1998 £'000**
Cash in hand, at bank	13,895	(2,211)	-	**11,684**
Finance leases	(148)	28	8	**(120)**
Total	13,747	(2,183)	8	**11,564**

27 Capital commitments

Future capital expenditure

	Group		Company	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Contracted but not provided for	-	-	-	-
Authorised but not contracted for	**2,070**	3,566	**1,485**	2,497

28 Financial commitments

At 31 December 1998 the group had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	**2,654**	**858**	-	887
Expiring in over five years	**17**	-	2,138	-
	2,671	**858**	2,138	887

29 Related party transactions

The National Magazine Company Limited group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them, are summarised below:

	1998	1997
	£'000	£'000
Service charge from Tower Publishing Services Limited, primarily in respect of subscription fulfilment charge for the year	**1,141**	785
Amount due at balance sheet date in Trade Creditors	**87**	-

Tower Publishing Services Limited is a UK unlisted company in which The Hearst Corporation has a controlling interest, and is therefore a fellow subsidiary undertaking.

The company has taken advantage of the exemption not to disclose transactions or balances between group entities under FRS8.

30 Ultimate parent company

The Hearst Corporation, which is incorporated in the United States of America, is the company's ultimate parent company.