

**THE NATIONAL MAGAZINE COMPANY  
LIMITED**

**Report and Financial Statements**

**31 December 2001**

**Deloitte & Touche  
London**



**REPORT AND FINANCIAL STATEMENTS 2001**

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**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

F A Bennack Jr	(USA, Chairman)	
T G Mansfield C.B.E.	(President and Chief Executive Officer)	
C P Black	(USA)	
R E Deems	(USA)	
J D Edwards	(Managing Director)	
V F Ganzi	(USA)	
M D Granby		
G J Green	(USA)	
S Home		
F E Herrera	(USA)	(resigned 1 April 2002)
R E Joslin	(USA)	
E A Kershaw		
G C Maurer	(USA)	
M F Miller	(USA)	
A C Sikes	(USA)	(resigned 31 December 2001)
A L G Symonds		
B A Wallis		(resigned 28 February 2001)

**SECRETARY**

Alan Nurse

**REGISTERED OFFICE**

National Magazine House  
72 Broadwick Street  
London W1F 9EP

**BANKERS**

The Royal Bank of Scotland plc  
Barclays Bank PLC  
Lloyds TSB Bank Plc  
HSBC Bank plc

**SOLICITORS**

Clifford Chance LLP  
Denton Hall Wilde Sapte  
Hobson Audley  
Peter Carter – Ruck & Partners  
Reynolds Porter Chamberlain

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

### **PRINCIPAL ACTIVITIES**

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

### **PUBLISHING POLICY**

The group 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 6. The profit for the year before dividends amounted to £4,674,000 (2000: £7,312,000).

A dividend of £8,000,000 was declared and paid in the year (2000: £23,500,000).

### **DIRECTORS**

The directors of the company who served during the year ended 31 December 2001 and changes since the year ended are listed on page 1. All directors served during the entire year, except where stated.

### **DIRECTORS' INTERESTS IN SHARES**

The directors had no interests in the shares of the company (other than as nominees) at either the beginning or end of the year nor were there any disclosable interests in the shares of other group companies.

### **CHARITABLE CONTRIBUTIONS**

The contributions made by the group during the year for charitable purposes amounted to £21,495 (2000: £21,120).

### **DISABLED PERSONS**

It is the policy of the group 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**

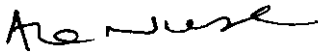
The group considers the involvement of its employees as an important practice and continues to keep them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal departmental channels and via the in-house company magazine.

**DIRECTORS' REPORT (continued)**

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Alan Nurse', written in a cursive style.

Alan Nurse  
Secretary

11 October 2002

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 group as at the end of the financial year and of the profit or loss of the group 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; 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE NATIONAL MAGAZINE COMPANY LIMITED**

We have audited the financial statements of The National Magazine Company Limited for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 1985. We also report 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 with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section 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 United Kingdom 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 as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants and  
Registered Auditors

London

11 October 2002

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>TURNOVER</b>	2,3	301,982	292,062
Cost of sales		(235,293)	(230,659)
<b>GROSS PROFIT</b>		66,689	61,403
Other operating expenses	4	(54,454)	(50,169)
<b>OPERATING PROFIT</b>		12,235	11,234
Amounts written off fixed assets	14	(2,105)	-
Interest receivable	7	481	1,427
Interest payable	8	(3)	(17)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	9	10,608	12,644
Tax on profit on ordinary activities	10	(4,906)	(4,531)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		5,702	8,113
Equity minority interests	25	(1,028)	(801)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		4,674	7,312
Dividends	12	(8,000)	(23,500)
<b>Transferred to reserves</b>	24	(3,326)	(16,188)

All activities result from continuing operations.

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.




## BALANCE SHEETS


31 December 2001

	Note	Group		Company	
		2001	2000	2001	2000
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	13	49,127	50,390	39,156	40,162
Tangible assets	14	6,238	8,383	3,306	5,543
Investments	15	-	-	10,230	10,230
		<u>55,365</u>	<u>58,773</u>	<u>52,692</u>	<u>55,935</u>
<b>CURRENT ASSETS</b>					
Stocks	16	4,337	3,523	4,005	3,377
Debtors	17	43,269	48,880	14,148	18,034
Secured cash	18	9,100	9,100	9,100	9,100
Cash at bank and in hand		24,504	11,963	19,893	11,154
		<u>81,210</u>	<u>73,466</u>	<u>47,146</u>	<u>41,665</u>
<b>CREDITORS: amounts falling due within one year</b>	19	<u>(79,673)</u>	<u>(72,077)</u>	<u>(44,590)</u>	<u>(38,498)</u>
<b>NET CURRENT ASSETS</b>		<u>1,537</u>	<u>1,389</u>	<u>2,556</u>	<u>3,167</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>56,902</u>	<u>60,162</u>	<u>55,248</u>	<u>59,102</u>
<b>CREDITORS: amounts falling due after more than one year</b>	20	<u>(1,212)</u>	<u>(1,299)</u>	<u>(1,212)</u>	<u>(1,299)</u>
<b>NET ASSETS</b>		<u>55,690</u>	<u>58,863</u>	<u>54,036</u>	<u>57,803</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22	283	283	283	283
Profit and loss account	23	<u>54,879</u>	<u>58,205</u>	<u>53,753</u>	<u>57,520</u>
<b>Equity shareholders' funds</b>	24	<u>55,162</u>	<u>58,488</u>	<u>54,036</u>	<u>57,803</u>
Equity minority interests	25	<u>528</u>	<u>375</u>	<u>-</u>	<u>-</u>
		<u>55,690</u>	<u>58,863</u>	<u>54,036</u>	<u>57,803</u>

These financial statements were approved by the Board of Directors on 11 October 2002.

Signed on behalf of the Board of Directors

  
 J D Edwards  
 Director

  
 S Horne  
 Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2001**

	Notes	2001 £'000	2000 £'000
<b>Net cash inflow from operating activities</b>	26	28,619	11,537
<b>Returns on investment and servicing of finance</b>			
Interest received		481	1,427
Interest paid		(1)	(11)
Interest element on finance lease rentals payment		(2)	(6)
Dividends paid to minority interests		(875)	(700)
		(397)	710
<b>Taxation</b>			
UK corporation tax paid		(5,240)	(5,308)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(2,471)	(3,669)
Receipts from sales of fixed assets		47	9
		(2,424)	(3,660)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		(6)	(42,255)
Net cash acquired with subsidiary		-	774
		(6)	(41,481)
<b>Equity dividends paid</b>		(8,000)	(23,500)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		12,552	(61,702)
<b>Financing</b>			
Capital contribution received from parent company		-	53,000
Capital element of finance lease rental payments		(11)	(10)
		(11)	52,990
<b>Increase/(decrease) in cash in the year</b>	27	12,541	(8,712)

**NOTES TO THE ACCOUNTS****Year ended 31 December 2001****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described 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 2001. Intra-group sales and profits are eliminated fully on consolidation.

**Goodwill**

Goodwill arising on businesses purchased is capitalised in the year in which it arises and amortised on a straight-line basis over its estimated useful life.

Goodwill arising on the above acquisitions is being amortised over a period of 40 years, which the directors estimate to be the length of the useful economic life.

**Tangible fixed assets**

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

Depreciation is provided to write off the cost less residual value of tangible fixed assets over 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.

**Investments**

Investments are stated at cost less any provision for permanent impairment in value.

**Stocks and work in progress**

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

**Finance and operating leases**

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 estimated useful economic lives of the assets.

Operating lease rentals are charged to the profit and loss on a straight line basis over the lease term.

**NOTES TO THE ACCOUNTS****Year ended 31 December 2001****1. ACCOUNTING POLICIES (continued)****Foreign currencies**

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**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**

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

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.

**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.

**2. TURNOVER**

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	267,722	260,548
Rest of Europe	18,215	21,525
USA/Canada	10,918	4,111
Australasia	2,980	3,160
Rest of the world	2,147	2,718
	<u>301,982</u>	<u>292,062</u>

**NOTES TO THE ACCOUNTS****Year ended 31 December 2001****3. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS**

The analysis by class of business of the group's turnover and profit before taxation all of which originated in the United Kingdom is set out below:

	<b>2001</b>			<b>2000</b>		
	<b>External sales £'000</b>	<b>Inter-segmental sales £'000</b>	<b>Total sales £'000</b>	<b>External sales £'000</b>	<b>Inter-segmental sales £'000</b>	<b>Total sales £'000</b>
<b>Turnover</b>						
Class of business						
Publishing	129,243	-	129,243	108,306	-	108,306
Distribution	172,739	47,031	219,770	183,756	37,559	221,315
	<u>301,982</u>	<u>47,031</u>	<u>349,013</u>	<u>292,062</u>	<u>37,559</u>	<u>329,621</u>
					<b>Total 2001 £'000</b>	<b>Total 2000 £'000</b>
<b>Profit before taxation</b>						
Class of business						
Publishing					8,421	8,192
Distribution					3,814	3,042
					<u>12,235</u>	<u>11,234</u>
Profit before interest						
Amounts written off fixed assets					(2,105)	-
Net interest receivable					478	1,410
					<u>10,608</u>	<u>12,644</u>
<b>Net assets</b>						
Publishing					54,456	57,775
Distribution					1,234	1,088
					<u>55,690</u>	<u>58,863</u>

**4. OTHER OPERATING EXPENSES**

	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Continuing operations</b>		
Administrative expenses	33,907	30,317
Distribution costs	20,547	19,852
	<u>54,454</u>	<u>50,169</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**5. DIRECTORS' EMOLUMENTS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	1,363	1,725
Company pension contributions to money purchase scheme	16	97

Retirement benefits are accruing to seven directors (2000: 10 directors) under the group's defined benefits' schemes. One director (2000: 1 director) is a member of a money purchase scheme.

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Emoluments payable to the highest paid director are as follows:</b>		
Aggregate emoluments	331	275
Accrued pension at end of year	271	216

**6. EMPLOYEE INFORMATION**

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

	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
Publishing	754	677
Distribution	276	259
	<b>1,030</b>	<b>936</b>

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs incurred during the year in respect of the employees were:</b>		
Wages and salaries	33,520	27,471
Social security costs	3,218	2,801
Other pension costs	2,423	2,712
	<b>39,161</b>	<b>32,984</b>

**7. INTEREST RECEIVABLE**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Interest from group undertakings	95	934
Other interest receivable	386	493
	<b>481</b>	<b>1,427</b>

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 8. INTEREST PAYABLE

	2001 £'000	2000 £'000
Finance leases	2	6
Other interest	1	11
	<u>3</u>	<u>17</u>

## 9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after (crediting) or charging:		
Profit on disposal of fixed assets	(14)	(9)
Depreciation on tangible fixed assets:		
Owned fixed assets	2,461	2,017
Leased assets	17	18
Goodwill amortisation	1,269	359
Auditors' remuneration:		
Group audit fees (of which Company: £58,600, 2000: £59,000)	103	107
Other fees	94	24
Hire of plant and machinery - operating leases	1,166	1,265
Hire of other assets - operating leases	4,538	4,176
	<u>4,538</u>	<u>4,176</u>

## 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000: 30%)		
Current	4,906	4,516
Adjustment in respect of prior years	-	15
	<u>4,906</u>	<u>4,531</u>

There is no potential liability for deferred taxation in respect of 2001 or 2000.

## 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 £4,233,000 (2000: £7,078,000).

**NOTES TO THE ACCOUNTS****Year ended 31 December 2001****12. DIVIDENDS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Dividends on equity shares		
Ordinary – final paid of £28.23 per share (2000: £82.94 per share)	8,000	23,500
	<u>8,000</u>	<u>23,500</u>

**13. INTANGIBLE FIXED ASSETS**

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
<b>Goodwill</b>		
<b>Cost</b>		
At 1 January 2001	50,749	40,500
Additions in year	6	6
	<u>50,755</u>	<u>40,506</u>
At 31 December 2001	50,755	40,506
<b>Amortisation</b>		
At 1 January 2001	359	338
Charge in the year	1,269	1,012
	<u>1,628</u>	<u>1,350</u>
At 31 December 2001	1,628	1,350
<b>Net book value</b>		
At 31 December 2001	<u>49,127</u>	<u>39,156</u>
At 31 December 2000	<u>50,390</u>	<u>40,162</u>



NOTES TO THE ACCOUNTS  
Year ended 31 December 2001

## 14. TANGIBLE FIXED ASSETS

Group	Short-term leasehold £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture, fixtures, fittings, and equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2001	5,524	2,526	377	14,328	22,755
Additions	32	210	39	2,190	2,471
Reclassifications	68	3	(14)	310	367
Disposals	-	(167)	(111)	(3,229)	(3,507)
At 31 December 2001	5,624	2,572	291	13,599	22,086
<b>Depreciation</b>					
At 1 January 2001	1,960	827	259	11,326	14,372
Charge for year	710	114	53	1,601	2,478
Amounts written off	2,105	-	-	-	2,105
Reclassification	52	5	1	309	367
Disposals	-	(167)	(108)	(3,199)	(3,474)
At 31 December 2001	4,827	779	205	10,037	15,848
<b>Net book value</b>					
At 31 December 2001	797	1,793	86	3,562	6,238
At 31 December 2000	3,564	1,699	118	3,002	8,383
<b>Company</b>					
<b>Cost</b>					
At 1 January 2001	5,524	-	322	9,033	14,879
Additions	-	-	39	1,537	1,576
Disposals	-	-	(75)	-	(75)
At 31 December 2001	5,524	-	286	10,570	16,380
<b>Depreciation</b>					
At 1 January 2001	1,960	-	222	7,154	9,336
Charge for year	687	-	52	966	1,705
Amounts written off	2,105	-	-	-	2,105
Disposals	-	-	(72)	-	(72)
At 31 December 2001	4,752	-	202	8,120	13,074
<b>Net book value</b>					
At 31 December 2001	772	-	84	2,450	3,306
At 31 December 2000	3,564	-	100	1,879	5,543

The company and group net book value of tangible fixed assets includes an amount of £8,000 (2000: £26,000) in respect of assets held under finance leases. Amounts written off fixed assets of £2,105,000 relate to the impairment in carrying value of leasehold premiums.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 15. FIXED ASSET INVESTMENTS

Company	Interests in group undertaking £'000	Loans to group undertaking £'000	Total £'000
Cost			
At 1 January 2001 and at 31 December 2001	9,629	600	10,230

## Interests in group undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
NatMag Specialist Media (AIM) Limited	Great Britain	Ordinary Shares of £1 each	80	80
Conde Nast & National Magazine Distributors Limited	Great Britain	Ordinary Shares of £1 each	65	65
Publishprint Limited <sup>(1)</sup> /*	Great Britain	Ordinary Shares of £1 each	65	-
Comag Magazine Distribution and Publication Limited <sup>(1)</sup> /*	Great Britain	Ordinary Shares of £1 each	65	-
NatMag Ventures Limited	Great Britain	Ordinary Shares of £1 each	100	100
NatMag Entertainment Limited	Great Britain	Ordinary Shares of £1 each	100	100
NatMag Entertainments Partnerships*	Great Britain		100	-

<sup>(1)</sup> Dormant

\* Investment held by subsidiary undertaking

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

The principal business activity of NatMag Specialist Media (AIM) Limited is that of magazine publishing and contract advertising selling. The company has an option to acquire the remaining 20% shareholding in NatMag Specialist Media (AIM) Limited which is exercisable from 1 January 2004 onwards.

The proportion of voting rights of subsidiaries held is the same as the proportion of shares held.

## 16. STOCKS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Raw material and consumables	2,226	2,057	2,180	1,911
Work in progress	2,111	1,466	1,825	1,466
	4,337	3,523	4,005	3,377

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 17. DEBTORS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	39,420	46,542	10,996	15,971
Amounts owed by parent or fellow subsidiary undertakings	-	72	-	72
Other debtors	1,560	976	1,404	976
Prepayments and accrued income	2,255	1,290	1,738	1,015
Corporation tax recoverable	34	-	10	-
	<u>43,269</u>	<u>48,880</u>	<u>14,148</u>	<u>18,034</u>

## 18. SECURED CASH

At 31 December 2001: £9,100,000 (2000: £9,100,000) of secured cash was held in respect of the Floating Rate Redeemable Unsecured Loan Notes 2005 (see note 19).

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

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Obligations under finance leases	36	37	36	37
Floating Rate Redeemable Unsecured Loan Notes 2005	9,100	9,100	9,100	9,100
Trade creditors	50,664	42,443	11,778	9,530
Amounts owed to parent or subsidiary undertakings	2,091	-	12,550	5,854
Corporation tax payable	2,712	3,012	1,873	2,231
Other taxation and social security payable	1,620	2,246	1,254	1,948
Other creditors	504	250	422	169
Accruals and deferred income	12,946	14,989	7,577	9,629
	<u>79,673</u>	<u>72,077</u>	<u>44,590</u>	<u>38,498</u>

The Floating Rate Redeemable Unsecured Loan Notes 2005 were issued on 8 December 2000 and are due to be redeemed at par on 31 December 2005. The holder can require the redemption of the Notes, either fully or partially, commencing 6 months from their issue, subject to 30 days notice. Funds to cover redemption of the Notes are held in an Escrow fund, classified as Secured cash on the balance sheet (see note 18).

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Obligations under finance leases	-	12	-	12
Accruals and deferred income	1,212	1,287	1,212	1,287
	<u>1,212</u>	<u>1,299</u>	<u>1,212</u>	<u>1,299</u>

## Finance leases

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

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
In one year or less	36	37	36	37
Between one and two years	-	12	-	12
	<u>36</u>	<u>49</u>	<u>36</u>	<u>49</u>

## 21. PENSIONS

The group operates a defined benefit pension scheme for its employees. 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 calculated in accordance with the requirements of Statement of Standard Accounting Practice 24 "Pension Costs" ("SSAP24") was £2,423,025 (2000: £2,712,084) of which £1,758,419 related to National Magazine employees and £664,606 related to employees within its subsidiary undertakings. 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 2000.

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 £45,484,000. Based on the actuarial value of the scheme's assets, the level of funding, i.e. the ratio of the assets to the accrued liabilities based on expected salaries at retirement, was 81% at the valuation date.

The latest actuarial valuation disclosed a past service surplus of £438,000.

## Defined contribution scheme

In addition, the Group operates some defined contribution schemes, the assets of which are held in separately administered trusts. The cost of these in the year was £117,000.

The outstanding liability remaining at the balance sheet date amounted to £15,600.

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 21. PENSIONS (continued)

## Transitional FRS 17 disclosures

Financial Reporting Standard No.17 "Retirement Benefits" ("FRS17") requires certain transitional disclosures to be made prior to its full implementation. They are based on the most recent actuarial valuations, which have been updated by independent professionally qualified actuaries to take account of the requirements of FRS 17.

The defined benefit pension scheme is closed to new entrants. Under the projected unit method the current service cost will increase as the age profile of the active members in the scheme increases significantly as members approach retirement. The company is to fund the pension scheme using the attained age method which will result in a level contribution rate throughout the life of the scheme.

The main financial assumptions (per annum) used in this update to 31 December 2001 and additionally as at 1 August 2002 were as follows:

	31 December 2001	1 August 2002
Inflation assumption	3.0%	3.0%
Rate of increase in salaries	3.5%	3.0%
Rate of discretionary pension increases	0%	0%
Rate of LPI pension increases	2.5%	2.5%
Discount rate	6.0%	5.5%

The value of the Scheme's assets and the expected rates of return as at 31 December 2001 were:

	Expected rate of return	Total £m
Equities	7.5%	41.0
Bonds	6.0%	8.9
Cash	4.0%	3.2
		<u>53.1</u>

The net pension surplus/(deficit) calculated under FRS 17 would be as follows:

	31 December 2001 £m	1 August 2002 £m
Total market value of assets	53.1	46.2
Present value of scheme liabilities	(51.3)	(55.8)
Net pension surplus/(deficit)	1.7	(9.6)
Related deferred tax (liability)/asset (at 30%)	(0.5)	2.9
Net pension surplus/(deficit)	<u>1.2</u>	<u>(6.7)</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 21. PENSIONS (continued)

## Transitional FRS 17 disclosures (continued)

If FRS 17 had been adopted in these financial statements, the Group's net assets and profit and loss reserve at 31 December 2001 would have been as follows:

	£m
Net assets excluding pension asset	55.7
Pension asset	1.2
	<u>56.9</u>
Less: SSAP 24 items included in net assets that will be reversed on implementation of FRS 17	-
Net assets on FRS 17 basis	<u>56.9</u>

	£000
Profit and loss reserve excluding pension asset	54.9
Pension reserve	1.2
	<u>56.1</u>
Less: SSAP 24 items included in net assets that will be reversed on implementation of FRS 17	-
Profit and loss reserve on FRS 17 basis	<u>56.1</u>

## 22. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
<b>Authorised:</b>		
300,000 ordinary shares of £1 each	<u>300</u>	<u>300</u>
<b>Allotted, called up and fully paid:</b>		
283,392 ordinary shares of £1 each (2000: 283,392)	<u>283</u>	<u>283</u>

## 23. RESERVES

	Profit and loss account £'000
<b>Group</b>	
At 1 January 2001	58,205
Retained loss for the year	(3,326)
At 31 December 2001	<u>54,879</u>
<b>Company</b>	
At 1 January 2001	57,520
Retained loss for the year	(3,767)
At 31 December 2001	<u>53,753</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the financial year	4,674	7,312
Dividends	(8,000)	(23,500)
Retained loss for the year	(3,326)	(16,188)
Capital contribution	-	53,000
Net (reduction)/addition to shareholders' funds	(3,326)	36,812
Opening shareholders' funds	58,488	21,676
Closing shareholders' funds	55,162	58,488

## 25. EQUITY MINORITY INTERESTS

	2001 £'000	2000 £'000
At 1 January	375	279
Profit and loss account	1,028	801
On acquisition in year	-	(5)
Dividend paid on equity shares	(875)	(700)
At 31 December	528	375

## 26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £'000	2000 £'000
Operating profit	12,235	11,234
Depreciation charges	2,478	2,035
Goodwill amortisation	1,269	359
Profit on sale of tangible fixed assets	(14)	(9)
(Increase)/decrease in stocks	(814)	586
Decrease/(increase) in debtors	5,645	(3,874)
Increase in creditors	7,820	1,206
Net cash inflow from operating activities	28,619	11,537

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

## 27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2001 £'000	2000 £'000
Increase/(decrease) in cash in the year	12,541	(8,712)
Cash outflow from decrease in finance leases	13	16
Changes in net debt resulting from cash flows	12,554	(8,696)
Issue of Floating Rate Redeemable Unsecured Loan Notes – 2005	-	(9,100)
Movement in net cash	12,554	(17,796)
Net cash at 1 January	11,914	29,710
Net cash at 31 December	24,468	11,914

## 28. ANALYSIS OF NET FUNDS

	At 1 January 2001 £'000	Cash flow £'000	At 31 December 2001 £'000
<b>Cash</b>			
Secured cash	9,100	-	9,100
Cash at bank and in hand	11,963	12,541	24,504
	21,063	12,541	33,604
<b>Debt due within one year</b>			
Floating Rate Redeemable Unsecured Loan Notes 2005	(9,100)	-	(9,100)
<b>Finance leases</b>	(49)	13	(36)
	11,914	12,554	24,468

## 29. FINANCIAL COMMITMENTS

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	339	-	264
Expiring between two and five years inclusive	3,057	452	3,988	416
Expiring in over five years	1,298	-	257	-
	4,355	791	4,245	680

There were no capital expenditure commitments contracted but not provided for (2000: £nil).



**NOTES TO THE ACCOUNTS****Year ended 31 December 2001****30. CONTINGENT LIABILITIES**

The group has obligations under a number of its property leases to pay for dilapidations or to restore those properties to their original condition at the commencement of the lease. Following appropriate consultation the Directors believe any amounts that may be payable or costs that may be incurred in respect of such obligations have been provided for and any further costs are unlikely to be material.

**31. 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:

	2001 £'000	2000 £'000
Royalties, management fees and other charges to Hearst Magazines	1,199	1,711
Royalties, management fees and other charges from Hearst Magazines	(3,198)	(3,566)
Amount due from/(to) Hearst Magazines at balance sheet date	(2,113)	72
Subscription fulfilment charge for the year from Tower Publishing Services Limited	1,480	1,038
Amount due at balance sheet date in Trade Creditors	15	102

"Hearst Magazines" refers to the Hearst Magazines and other fully owned US registered subsidiary undertakings of the Hearst Corporation.

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 in FRS 8, not to disclose transactions or balances between the company and its own subsidiary entities.

**32. ULTIMATE PARENT COMPANY**

The Hearst Corporation, which is incorporated in the United States of America, is the company's ultimate parent company and controlling party. The Hearst Corporation is the largest group for which group accounts are prepared and of which the company is a member. The smallest group for which group accounts are prepared and of which the company is a member is contained within these financial statements.