

**THE NATIONAL MAGAZINE COMPANY
LIMITED**

Report and Financial Statements

31 December 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



THE NATIONAL MAGAZINE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL 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 Shields	(resigned 28 th February 1999)
B A Wallis	
J D Edwards	
C Black	(USA)
G J Green	(USA)
R E Joslin	(USA)
J Bill	
V Ganzi	(USA)
A Symonds	
M Granby	- appointed 1 st March 1999
A Sikes	(USA) - appointed 1 st October 1999

SECRETARY

Vivien Sidlin

REGISTERED OFFICE

National Magazine House
72 Broadwick Street
LONDON
W1V 3BP

BANKERS

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

SOLICITORS

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

AUDITORS

Deloitte & Touche
Chartered Accountants

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activities of the group continue 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 6. The profit for the year before dividends amounted to £9,555,000 (1998: £10,854,000).

No dividend was declared or paid in the year (1998: £10,000,000).

DIRECTORS

The directors of the company at 31 December 1999, 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 £46,955 (1998: £45,912).

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.

DIRECTORS' REPORT

YEAR 2000

The company completed systems amendments and tests with all major customers and suppliers and no disruptions to the ordinary course of business have been experienced to date. The directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. Any future costs associated with this issue are not expected to be significant.

AUDITORS

Deloitte & Touche were appointed as auditors during the year and 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 'Vivien Sidlin', with a stylized flourish at the end.

Vivien Sidlin
Secretary

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 as at the end of the financial year and of 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;
- 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 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.

THE NATIONAL MAGAZINE COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

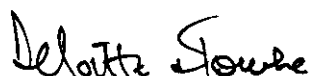
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 1999 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

31
October 2000

THE NATIONAL MAGAZINE COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
TURNOVER	1,2,3	313,437	275,075
Cost of sales		(253,734)	(216,989)
GROSS PROFIT		59,703	58,086
Other operating expenses	4	(43,990)	(40,442)
OPERATING PROFIT		15,713	17,644
Loss on disposal of fixed assets		-	(1,027)
Interest receivable		508	734
Interest payable	7	(93)	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	16,128	17,343
Taxation on profit on ordinary activities	9	(5,510)	(5,615)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,618	11,728
Equity minority interests	22	(1,063)	(874)
Profit for the financial year		9,555	10,854
Dividends	11	-	(10,000)
Retained profit for the year	21	9,555	854

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.

All amounts stated above relate to continuing operations.

THE NATIONAL MAGAZINE COMPANY LIMITED

BALANCE SHEET 31 December 1999

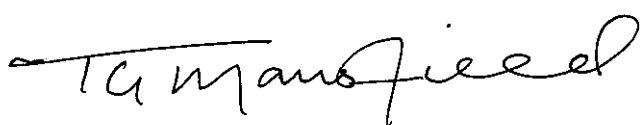
	Note	Group		Company	
		1999	1998	1999	1998
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	12	6,622	7,604	3,577	4,417
Investments	13	-	-	1	1
		<u>6,622</u>	<u>7,604</u>	<u>3,578</u>	<u>4,418</u>
CURRENT ASSETS					
Stocks	14	2,789	2,543	2,789	2,543
Debtors	15	43,941	48,251	13,301	18,304
Cash at bank and in hand		<u>29,775</u>	<u>11,684</u>	<u>24,478</u>	<u>6,888</u>
		76,505	62,478	40,568	27,735
CREDITORS: amounts falling due within one year	16	<u>(59,519)</u>	<u>(57,604)</u>	<u>(21,268)</u>	<u>(20,433)</u>
NET CURRENT ASSETS		<u>16,986</u>	<u>4,874</u>	<u>19,300</u>	<u>7,302</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,608	12,478	22,878	11,720
CREDITORS: amounts falling due after more than one year	17	<u>(1,653)</u>	<u>(91)</u>	<u>(1,653)</u>	<u>(91)</u>
NET ASSETS		<u>21,955</u>	<u>12,387</u>	<u>21,225</u>	<u>11,629</u>
CAPITAL AND RESERVES					
Called up share capital	19	283	283	283	283
Profit and loss account	20	<u>21,393</u>	<u>11,838</u>	<u>20,942</u>	<u>11,346</u>
Equity shareholders' funds	21	21,676	12,121	21,225	11,629
Equity minority interests	22	<u>279</u>	<u>266</u>	<u>-</u>	<u>-</u>
		<u>21,955</u>	<u>12,387</u>	<u>21,225</u>	<u>11,629</u>

These financial statements were approved by the Board of Directors on 31 October 2000.

Signed on behalf of the Board of Directors

T G Mansfield
Director

B. A. Wallis
Director




THE NATIONAL MAGAZINE COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Net cash inflow from continuing operating activities	23	25,945	17,845
Returns on investment and servicing of finance			
Interest received		508	734
Interest paid		(83)	-
Interest paid on finance leases		(10)	(7)
Dividends paid to minorities		(1,050)	(857)
		<u>(635)</u>	<u>(130)</u>
Taxation			
UK corporation tax paid		<u>(6,039)</u>	<u>(6,460)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,316)	(3,480)
Sale of tangible fixed assets		191	42
		<u>(1,125)</u>	<u>(3,438)</u>
Equity dividends paid		<u>-</u>	<u>(10,000)</u>
Net cash inflow/(outflow) before financing		18,146	(2,183)
Financing			
Repayment of principal under finance leases		<u>(55)</u>	<u>(28)</u>
Increase/(decrease) cash in the year	24	<u>18,091</u>	<u>(2,211)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable 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 1999. 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.

Investments

Investments are valued at cost. Where necessary, provision is made for an 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 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.

THE NATIONAL MAGAZINE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES (continued)

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.

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.

Reclassification of comparatives

The cost of sales and net operating expenses comparatives in the profit and loss account and the trade debtors, trade creditors and accruals and deferred income comparatives in the balance sheet have been reclassified to be consistent with the current year's presentation.

New accounting standard

FRS12 "Provisions, Contingent Liabilities and Contingent Assets" came into effect for these financial statements, but has 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:

	1999 £'000	1998 £'000
United Kingdom	286,624	244,280
Rest of Europe	13,898	16,481
USA/Canada	4,323	6,356
Australasia	3,536	4,933
Rest of the World	5,056	3,025
	<u>313,437</u>	<u>275,075</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

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:

Turnover	1999			1998		
	External sales £'000	Inter-segmental sales £'000	Total sales £'000	External sales £'000	Inter-segmental sales £'000	Total sales £'000
Class of business						
Publishing	96,902	-	96,902	98,684	-	98,684
Distribution	216,535	30,730	247,265	176,391	30,553	206,944
	<u>313,437</u>	<u>30,730</u>	<u>344,167</u>	<u>275,075</u>	<u>30,553</u>	<u>305,628</u>
Profit before taxation					Total 1999 £'000	Total 1998 £'000
Class of business						
Publishing					11,431	13,182
Distribution					4,282	3,435
Profit before interest					15,713	16,617
Net interest receivable					415	726
					<u>16,128</u>	<u>17,343</u>
Net Assets						
Publishing					21,225	11,628
Distribution					730	759
					<u>21,955</u>	<u>12,387</u>

4. OTHER OPERATING EXPENSES

	1999 £'000	1998 £'000
Continuing operations		
Administrative expenses	25,763	25,965
Exceptional gain - administrative expenses	-	(1,328)
	<u>25,763</u>	<u>24,637</u>
Distribution costs	18,227	15,805
	<u>43,990</u>	<u>40,442</u>

The exceptional administrative gain in 1998 was 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.

THE NATIONAL MAGAZINE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

5. DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Aggregate emoluments	2,089	1,909
Company pension contributions to money purchase scheme	84	46

Retirement benefits are accruing to 10 directors (1999: 9 directors) under the group's defined benefits schemes. One director (1999: 1 director) is a member of a money purchase scheme.

	1999 £'000	1998 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	314	325
Accrued pension at end of year	38	34

6. EMPLOYEE INFORMATION

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

	1999 No	1998 No
Publishing	609	616
Distribution	325	341
	934	957
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	26,997	26,397
Social security costs	2,300	2,286
Other pension costs	2,559	2,531
	31,856	31,214

7. INTEREST PAYABLE

	1999 £'000	1998 £'000
On bank overdrafts repayable within five years, not by instalments	56	-
On finance leases	10	8
Other interest	27	-
	93	8

THE NATIONAL MAGAZINE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after (crediting) or charging:		
Loss/(profit) on disposal of fixed assets	84	(30)
Depreciation charge for the year:		
Tangible owned fixed assets	2,010	1,784
Tangible fixed assets held under finance leases	23	28
Auditors' remuneration:		
Audit fee (company: £33,100; 1998: £45,000)	66	81
Other fees - current auditor	5	-
Other fees - former auditor	60	403
Hire of plant and machinery - operating leases	1,433	1,267
Hire of other assets - operating leases	3,130	2,793
	<u>3,130</u>	<u>2,793</u>

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998: 31%)		
Current	5,267	5,615
Adjustment in respect of prior years	243	-
	<u>5,510</u>	<u>5,615</u>

There is no potential liability for deferred taxation in respect of 1999 or 1998.

10. 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 £9,595,729 (1998: £10,827,600).

11. DIVIDENDS

	1999 £'000	1998 £'000
Dividends on equity shares		
Ordinary - final paid of £nil per share (1998: £35.29 per share)	-	10,000
	<u>-</u>	<u>10,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

12. TANGIBLE FIXED ASSETS

Group	Short-term leasehold £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture, fixtures, fittings, and equipment £'000	Total £'000
Cost					
At 1 January 1999	2,770	2,355	451	13,616	19,192
Reclassification	(1)	(49)	1	8	(41)
Additions	5	139	4	1,167	1,315
Disposals	(122)	-	(164)	(1,196)	(1,482)
At 31 December 1999	<u>2,652</u>	<u>2,445</u>	<u>292</u>	<u>13,595</u>	<u>18,984</u>
Depreciation					
At 1 January 1999	1,256	708	334	9,290	11,588
Reclassification		(45)		4	(41)
Charge for year	303	79	47	1,602	2,031
Disposals	(60)	-	(150)	(1,006)	(1,216)
At 31 December 1999	<u>1,499</u>	<u>742</u>	<u>231</u>	<u>9,890</u>	<u>12,362</u>
Net book value					
At 31 December 1999	<u>1,153</u>	<u>1,703</u>	<u>61</u>	<u>3,705</u>	<u>6,622</u>
At 31 December 1998	<u>1,514</u>	<u>1,647</u>	<u>117</u>	<u>4,326</u>	<u>7,604</u>
Company					
Cost					
At 1 January 1999	2,769	-	327	8,264	11,360
Additions	5	-	-	734	739
Disposals	(122)	-	(76)	(388)	(586)
At 31 December 1999	<u>2,652</u>	<u>-</u>	<u>251</u>	<u>8,610</u>	<u>11,513</u>
Depreciation					
At 1 January 1999	1,256	-	226	5,461	6,943
Charge for year	303	-	43	1,010	1,356
Disposals	(60)	-	(75)	(228)	(363)
At 31 December 1999	<u>1,499</u>	<u>-</u>	<u>194</u>	<u>6,243</u>	<u>7,936</u>
Net book value					
At 31 December 1999	<u>1,153</u>	<u>-</u>	<u>57</u>	<u>2,367</u>	<u>3,577</u>
At 31 December 1998	<u>1,513</u>	<u>-</u>	<u>101</u>	<u>2,803</u>	<u>4,417</u>

The company and group net book value of tangible fixed assets includes an amount of £43,906 (1998: £78,362) in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

13. FIXED ASSET INVESTMENTS

				Interest in group under- taking £'000
Company				
Cost				
At 1 January 1999 and 31 December 1999				1
<hr/>				
Interests in group undertakings				
Name of undertaking	Country of incorp- oration and operation	Description of shares held	Proportion of nominal value of issued shares held by	
			Group	Company
			%	%
Conde Nast & National Magazine Distributors Limited	Great Britain	Ordinary Shares of £1 each	65	65
Publishprint Limited*	Great Britain	Ordinary Shares of £1 each	65	-
Comag Magazine Distribution and Publication Limited*	Great Britain	Ordinary Shares of £1 each	65	-
<hr/>				

* Dormant

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

THE NATIONAL MAGAZINE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

14. STOCKS

Group and company

	1999 £'000	1998 £'000
Raw material and consumables,	1,933	1,395
Work in progress	856	1,148
	<u>2,789</u>	<u>2,543</u>

15. DEBTORS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Amounts falling due within one year				
Trade debtors	40,752	42,264	10,626	13,106
Amounts owed by parent or fellow subsidiary undertakings	-	169	-	169
Amounts owed by subsidiary undertakings	-	-	-	881
Other debtors	1,106	1,221	919	898
Prepayments and accrued income	2,083	2,097	1,756	1,148
Advance corporation tax recoverable	-	2,500	-	2,102
	<u>43,941</u>	<u>48,251</u>	<u>13,301</u>	<u>18,304</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Obligations under finance leases	15	29	15	29
Trade creditors	41,160	36,812	6,218	4,981
Amounts owed to parent or fellow subsidiary undertakings	123	44	123	44
Amounts owed to subsidiary undertakings	-	-	3,412	-
Corporation tax payable	3,743	4,954	2,733	4,311
Advance corporation tax payable	-	1,813	-	1,414
Other taxation and social security payable	1,865	1,651	1,621	1,447
Other creditors	238	245	239	245
Accruals and deferred income	12,375	12,056	6,907	7,962
	<u>59,519</u>	<u>57,604</u>	<u>21,268</u>	<u>20,433</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Obligations under finance leases	50	91	50	91
Accruals and deferred income	1,603	-	1,603	-
	<u>1,653</u>	<u>91</u>	<u>1,653</u>	<u>91</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	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
In one year or less	15	29	15	29
Between one and two years	37	42	37	42
Between two and five years	13	49	13	49
	<u>65</u>	<u>120</u>	<u>65</u>	<u>120</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

18. 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 was £2,559,236 (1998: £2,530,550) of which £1,864,765 related to National Magazine employees and £694,471 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. A valuation is currently being undertaken in respect of the position 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 £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.

19. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised		
300,000 ordinary shares of £1 each	300	300
Allotted, called up and fully paid		
1999: 283,392 (1998: 283,392) ordinary shares of £1 each	283	283

20. RESERVES

	Profit and loss account £'000
Group	
At 1 January 1999	11,838
Retained profit for the year	9,555
At 31 December 1999	21,393
Company	
At 1 January 1999	11,346
Retained profit for the year	9,596
At 31 December 1999	20,942

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Retained profit for the year	9,555	854
Opening shareholders' funds	12,121	11,267
	<hr/>	<hr/>
Closing shareholders' funds	21,676	12,121
	<hr/>	<hr/>

22. EQUITY MINORITY INTERESTS

	1999	1998
	£'000	£'000
At 1 January	266	249
Profit and loss account	1,063	874
Dividend paid on equity shares	(1,050)	(857)
	<hr/>	<hr/>
At 31 December	279	266
	<hr/>	<hr/>

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£'000	£'000
Continuing activities		
Operating profit	15,713	17,644
Exceptional gain - administrative expenses	-	(1,328)
Depreciation of tangible fixed assets	2,033	1,812
Loss /(profit) on sale of tangible fixed assets	84	(30)
(Increase)/ decrease in stocks	(246)	152
Decrease/(increase) in debtors	1,812	(2,179)
Increase in creditors	6,549	1,774
	<hr/>	<hr/>
Net funds inflow from operating activities	25,945	17,845
	<hr/>	<hr/>

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1999	1998
	£'000	£'000
Increase/(decrease) in cash in the period	18,091	(2,211)
Cash outflow from decrease in finance leases	55	28
	<hr/>	<hr/>
Movement in net funds in the period	18,146	(2,183)
Net funds at 1 January 1999	11,564	13,747
	<hr/>	<hr/>
Net funds at 31 December 1999	29,710	11,564
	<hr/>	<hr/>

THE NATIONAL MAGAZINE COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

25. ANALYSIS OF NET FUNDS

	At 1 January 1999 £'000	Cash flow £'000	At 31 December 1999 £'000
Cash at bank and in hand	11,684	18,091	29,775
Finance leases	(120)	55	(65)
Total	<u>11,564</u>	<u>18,146</u>	<u>29,710</u>

26. FINANCIAL COMMITMENTS

At 31 December 1999 the group had annual commitments under non-cancellable operating leases as follows:

	1999		1998
	Land and buildings £'000	Other £'000	Land and buildings £'000
Expiring within one year	-	265	-
Expiring between two and five years inclusive	2,281	484	2,654
Expiring in over five years	1,301	-	17
	<u>3,582</u>	<u>749</u>	<u>2,671</u>
			<u>858</u>

There were no capital expenditure commitments contracted but not provided for (1998 £nil).

27. 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:

	1999 £'000	1998 £'000
Subscription fulfilment charge for the year from Tower Publishing Services Limited	<u>1,189</u>	<u>1,141</u>
Amount due at balance sheet date in Trade Creditors	<u>32</u>	<u>87</u>

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 the company and its own subsidiary entities under FRS8.

28. 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.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

29. POST BALANCE SHEET EVENT

In July 2000, the company signed an agreement to acquire the magazine publishing assets of Grüner & Jahr in the United Kingdom. Completion took place on 31 August 2000.