

Company Registration No. 112955

**The National Magazine Company
Limited
Report and Financial Statements**

31 December 2003



The National Magazine Company Limited

Report and financial statements 2003

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The National Magazine Company Limited

Report and financial statements 2003

Officers and professional advisers

F A Bennack Jr	(USA, Chairman)	
T G Mansfield	(President and Chief Executive Officer)	(resigned 16 December 2003)
C P Black	(USA)	
R E Deems	(USA)	
J D Edwards	(Managing Director)	
V F Ganzi	(USA)	
M D Granby		(resigned 31 January 2004)
G J Green	(USA)	
S Horne		
R E Joslin	(USA)	
E A Kershaw		
G C Maurer	(USA)	
M F Miller	(USA)	
A L G Beattie		
M Clinton	(USA)	
M Sullivan	(USA)	
J Hearnshaw		(appointed 11 April 2003)
J J Burley		(appointed 11 April 2003)

Secretary

S Horne

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

Solicitors

Clifford Chance LLP
Faegre Benson Hobson Audley

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

The National Magazine Company Limited

Directors' report

The directors present their annual report and the audited financial statements of The National Magazine Company and its subsidiaries (the "group") for the year ended 31 December 2003.

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 financial year before dividends amounted to £13,598,000 (2002: £9,649,000).

A dividend of £11,000,000 was declared and paid in the year (2002: £10,000,000).

Directors

The directors of the company at 31 December 2003, 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 in the shares of the company 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 £15,974 (2002: £28,773).

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.

The National Magazine Company Limited

Directors' report (continued)

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.

Auditors

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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



Simon Horne
Secretary

30 April 2004

The National Magazine Company Limited

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 2003 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.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 2003 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 LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 April 2004

The National Magazine Company Limited

Consolidated profit and loss account Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1,2,3	336,781	312,397
Cost of sales		(262,524)	(242,844)
Gross profit		74,257	69,553
Administration expenses	4	(52,923)	(53,983)
Operating profit		21,334	15,570
Other Interest receivable and similar income	7	550	424
Interest payable and similar charges	8	(72)	(19)
Profit on ordinary activities before taxation	9	21,812	15,975
Tax on profit on ordinary activities	10	(7,154)	(5,659)
Profit on ordinary activities after taxation		14,658	10,316
Equity minority interests	25	(1,060)	(667)
Profit for the financial year		13,598	9,649
Dividends	12	(11,000)	(10,000)
Transferred to reserves	24	2,598	(351)

All operations of the group continued throughout both periods and no operations were acquired or discontinued.

There are no recognised gains or losses in either year other than the profit for that year.

The National Magazine Company Limited


Balance sheets 31 December 2003

	Note	Group		Company	
		2003	2002	2003	2002
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	13	49,067	47,858	37,130	38,143
Tangible assets	14	6,097	5,398	2,407	2,890
Investments	15	-	-	12,730	10,230
		<u>55,164</u>	<u>53,256</u>	<u>52,267</u>	<u>51,263</u>
Current assets					
Stocks	16	3,203	3,340	3,113	2,980
Debtors	17	50,416	43,924	19,126	16,949
Cash at bank and in hand		25,921	20,011	7,009	6,190
		<u>79,540</u>	<u>67,275</u>	<u>29,248</u>	<u>26,119</u>
Current liabilities					
Amounts falling due within one year	18	(73,369)	(62,732)	(21,587)	(20,992)
Net current assets		<u>6,171</u>	<u>4,543</u>	<u>7,661</u>	<u>5,127</u>
Total assets less current liabilities		<u>61,335</u>	<u>57,799</u>	<u>59,928</u>	<u>56,390</u>
Creditors: amounts falling due after more than one year					
	19	(673)	(721)	(673)	(721)
Provisions for liabilities and charges	20	(2,573)	(1,772)	(2,573)	(1,772)
Net assets		<u>58,089</u>	<u>55,306</u>	<u>56,682</u>	<u>53,897</u>
Capital and reserves					
Called up share capital	22	283	283	283	283
Profit and loss account	23	57,126	54,528	56,399	53,614
Equity shareholders' funds	24	<u>57,409</u>	<u>54,811</u>	<u>56,682</u>	<u>53,897</u>
Equity minority interests	25	680	495	-	-
		<u>58,089</u>	<u>55,306</u>	<u>56,682</u>	<u>53,897</u>

These financial statements were approved by the Board of Directors on 30 April 2004.

Signed on behalf of the Board of Directors


J D Edwards
Director


S Horne
Director

The National Magazine Company Limited

Consolidated cash flow statement Year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	26	28,955	13,072
Returns on investment and servicing of finance			
Interest received		550	424
Interest paid		(72)	(12)
Interest element on finance lease rentals payment		-	(7)
Dividends paid to minority interests		(875)	(700)
		(397)	(295)
Taxation			
UK corporation tax paid		(6,819)	(5,751)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,750)	(1,540)
Receipts from sales of fixed assets		421	50
		(2,329)	(1,490)
Acquisitions			
Purchase of shares in subsidiary undertaking		(2,500)	-
		(2,500)	-
Equity dividends paid		(11,000)	(10,000)
Cash inflow/(outflow) before use of liquid resources and financing		5,910	(4,464)
Financing			
Capital element of finance lease rental payments		-	(29)
Repayment of unsecured loan note		-	(9,100)
		5,910	(9,129)
Increase/(decrease) cash in the year	28	5,910	(13,593)

The National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies have been adopted and applied throughout the year and the preceding year.

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 2003. 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.

The useful economic life of 40 years is based on the directors' assessment that the magazine brands acquired as part of the acquisitions are established brands with a consistent record of earnings. They therefore believe that these brands have a longevity which justify a 40 year useful economic life and that the goodwill can be continually measured. The goodwill is reviewed for impairment at the end of each reporting period and provision is made for any impairment.

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.

The National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

1. Accounting policies (continued)

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.

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.

Newstrade circulation and advertising revenue relating to a magazine is recognised as at the on-sale date of the magazine.

Subscription revenues are shown as deferred income and released to the profit and loss account over the life of the subscription, in accordance with the on-sale date of the magazine.

Distribution revenue is recognised in accordance with the on-sale date of the magazine.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computation in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 also operates a defined contribution scheme. Amounts charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

2. Turnover

All turnover of the group originates in the United Kingdom. The turnover of the group by geographical area of destination in respect of its principal activities is set out below:

	2003 £'000	2002 £'000
United Kingdom	298,230	277,136
Rest of Europe	23,164	20,921
USA/Canada	7,785	7,597
Australia	5,014	3,769
Rest of the world	2,588	2,974
	<u>336,781</u>	<u>312,397</u>

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:

	2003			2002		
	External sales £'000	Inter- segmental sales £'000	Total sales £'000	External sales £'000	Inter- segmental sales £'000	Total sales £'000
(i) Turnover						
Class of business						
Publishing	134,441	-	134,441	133,983	-	133,983
Distribution	202,340	48,753	251,093	178,414	48,404	226,818
	<u>336,781</u>	<u>48,753</u>	<u>385,534</u>	<u>312,397</u>	<u>48,404</u>	<u>360,801</u>

Inter-segmental sales relate to sales generated by a subsidiary of the company in respect of distributing magazines of the company and its subsidiary. Such sales do not form part of the consolidated turnover.

	Total	
	2003 £'000	2002 £'000
(ii) Profit before taxation		
Class of business		
Publishing	17,238	12,365
Distribution	4,096	3,206
Operating profit	21,334	15,571
Net interest receivable	478	404
	<u>21,812</u>	<u>15,975</u>
(iii) Net assets (all held within the UK)		
Publishing	56,282	53,840
Distribution	1,807	1,466
	<u>58,089</u>	<u>55,306</u>

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Notes to the accounts

Year ended 31 December 2003

4. Other operating expenses

	2003 £'000	2002 £'000
Distribution costs	20,557	19,365
Administrative expenses	32,366	34,618
	<u>52,923</u>	<u>53,983</u>

5. Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments excluding pension contributions	1,681	1,248
Company pension contributions to money purchase scheme	-	-
	<u>-</u>	<u>-</u>

Retirement benefits are accruing to 5 directors (2002: 5 directors) under the group's defined benefit scheme.

	2003 £'000	2002 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	446	332
Accrued pension at end of year	95	90
	<u>95</u>	<u>90</u>

6. Employee information

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

	2003 No.	2002 No.
Publishing	681	736
Distribution	288	302
	<u>969</u>	<u>1,038</u>

Staff costs (including executive directors) incurred during the year in respect of employees were:

	£'000	£'000
Wages and salaries	35,595	34,823
Social security costs	3,450	3,295
Other pension costs	2,435	2,360
	<u>41,480</u>	<u>40,478</u>

The National Magazine Company Limited

Notes to the accounts Year ended 31 December 2003

7. Interest receivable

	2003 £'000	2002 £'000
Interest from group undertakings	90	57
Other interest receivable	460	367
	<u>550</u>	<u>424</u>

8. Interest payable

	2003 £'000	2002 £'000
Finance leases	-	7
Bank interest	72	12
	<u>72</u>	<u>19</u>

9. Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after (crediting) or charging:		
(Profit)/loss on disposal of fixed assets	(278)	140
Depreciation on tangible fixed assets:	1,908	2,183
Goodwill amortisation	1,279	1,269
Auditors' remuneration:		
Group audit fees (of which Company: £77,000 2002: £69,800)	134	121
Other fees	65	73
Land and Buildings – operating leases	3,791	4,711
Other – operating leases	782	902
	<u></u>	<u></u>

10. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 30% (2002: 30%)		
Current	7,443	5,770
Adjustment in respect of prior years	163	(111)
	<u>7,606</u>	<u>5,659</u>
Deferred tax		
Current year	132	-
Adjustment in respect of prior year	(584)	-
	<u>7,154</u>	<u>5,659</u>

The National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

10. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the current period

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	21,812	15,975
Tax at 30% (2002: 30%)	6,544	4,793
Effects of:		
Expenses not deductible for tax purposes	1,031	895
Capital allowances in excess of depreciation	(119)	72
Movement in short term timing differences	(13)	10
Prior period adjustments	163	(111)
Current tax charge for the period	7,606	5,659

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 £12,161,709 (2002: £8,560,540).

12. Dividends

	2003 £'000	2002 £'000
Dividends on equity shares		
Ordinary – final interim paid of £38.82 per share (2002: £35.33 per share)	11,000	10,000

13. Intangible fixed assets

	Group £'000	Company £'000
Goodwill		
Cost		
At 1 January 2003	50,755	40,506
Additions (see note 15)	2,488	-
At 31 December 2003	53,243	40,506
Amortisation		
At 1 January 2003	2,897	2,363
Charge in the year	1,279	1,013
At 31 December 2003	4,176	3,376
Net book value		
At 31 December 2003	49,067	37,130
At 31 December 2002	47,858	38,143

The National Magazine Company Limited

Notes to the accounts Year ended 31 December 2003

14. Tangible fixed assets

Group	Short-term Leasehold and Improvements £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture, fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2003	5,543	2,572	287	14,041	22,443
Additions	1,103	77	-	1,570	2,750
Transfer	335	(335)	-	-	-
Disposals	(141)	-	(254)	(5,327)	(5,722)
At 31 December 2003	6,840	2,314	33	10,284	19,471
Depreciation					
At 1 January 2003	5,105	892	209	10,839	17,045
Charge for year	382	97	16	1,413	1,908
Transfer	132	(132)	-	-	-
Disposals	(124)	-	(207)	(5,248)	(5,579)
At 31 December 2003	5,495	857	18	7,004	13,374
Net book value					
At 31 December 2003	1,345	1,457	15	3,280	6,097
At 31 December 2002	438	1,680	78	3,202	5,398
Company					
Cost					
At 1 January 2003	5,542	-	286	11,587	17,415
Additions	66	-	-	992	1,058
Disposals	(141)	-	(253)	(5,290)	(5,684)
At 31 December 2003	5,467	-	33	7,289	12,789
Depreciation					
At 1 January 2003	5,104	-	209	9,212	14,525
Charge for year	336	-	16	1,050	1,402
Disposals	(124)	-	(207)	(5,214)	(5,545)
At 31 December 2003	5,316	-	18	5,048	10,382
Net book value					
At 31 December 2003	151	-	15	2,241	2,407
At 31 December 2002	438	-	77	2,375	2,890

The National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

15. Fixed asset investments

Company	Interest in group undertaking £'000	Loans to group undertaking £'000	Total £'000
Cost			
At 1 January 2003	9,630	600	10,230
Additions	2,500	-	2,500
At 31 December 2003	12,130	600	12,730

The company acquired the remaining 20% shareholding in NatMag Specialist Media (AIM) Limited on 6 November 2003 for £2,500,000. The purchase of share capital was satisfied by cash. The acquisition has been accounted for using the acquisition method of accounting.

The fair values of the assets and liabilities acquired are set out below:

	Book and Fair Value £'000
Fixed assets	35
Current assets	2,113
Current liabilities	(2,090)
Net assets	58
Share of net assets relating to additional 20%	12
Consideration	2,500
Goodwill arising	2,488

Interests in principal 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	100	100
Conde Nast & National Magazine Distributors Limited	Great Britain	Ordinary Shares of £1 each	65	65

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

The National Magazine Company Limited

Notes to the accounts Year ended 31 December 2003

16. Stocks

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Raw material and consumables	1,332	1,435	1,242	1,382
Work in progress	1,871	1,905	1,871	1,598
	<u>3,203</u>	<u>3,340</u>	<u>3,113</u>	<u>2,980</u>

17. Debtors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade debtors	48,367	41,064	13,971	13,504
Amounts owed by parent or fellow subsidiary undertakings	66	-	3,673	2,006
Other debtors	69	1,044	-	10
Prepayments and accrued income	1,462	1,816	1,001	1,429
Deferred tax (see note 30)	452	-	481	-
	<u>50,416</u>	<u>43,924</u>	<u>19,126</u>	<u>16,949</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade creditors	44,982	44,812	1,872	9,038
Amounts owed to parent or subsidiary undertakings	466	81	466	81
Corporation tax payable	3,407	2,620	2,766	2,569
Other taxation and social security payable	1,856	2,026	1,391	1,585
Other creditors	392	635	381	554
Accruals and deferred income	22,266	12,558	14,711	7,165
	<u>73,369</u>	<u>62,732</u>	<u>21,587</u>	<u>20,992</u>

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Deferred lease incentive	<u>673</u>	<u>721</u>	<u>673</u>	<u>721</u>

The deferred lease incentive is being amortised (on a straight line basis) over the lease term.

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Year ended 31 December 2003

20. Provisions for liabilities and charges

	Group and Company		
	Dilapidations £'000	Vacant property £'000	Total £'000
At 1 January 2003	-	1,772	1,772
Charged to profit and loss account	326	1,234	1,560
Utilised in year	-	(759)	(759)
At 31 December 2003	326	2,247	2,573

21. Pensions

The group operates a funded 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 "Accounting for Pension Costs" ("SSAP 24") was £2,005,817 (2002: £2,359,615) of which £1,088,956 (2002: £1,674,495) related to National Magazine employees and £916,861 (2002: £685,120) related to employees, within its subsidiary undertakings. 20.9% of pensionable earnings including the employee's contribution is the agreed funding rate for future years. The pension cost is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest full actuarial valuation of the scheme was at 1 April 2002, this included an updated valuation as at 22 July 2002, based on the market value of the schemes assets at that date. The scheme was reviewed on the 31 December 2003.

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 6½% per annum, that salary increases would average 4% per annum and that present and future pensions earned in respect of service after 6 April 1997 would increase at the rate of 2½% per annum.

At the date of the latest actuarial valuation as at 22 July 2002, the market value of the scheme's assets was £44,310,000. The total past service liability was £48,666,000. 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 91% at the valuation date.

The latest actuarial valuation disclosed a past service deficit of £4,356,000.

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 £329,690 (2002: £275,716).

The outstanding liability remaining at the balance sheet date amounted to £47,716 (2002: £39,101).

Transitional FRS 17 disclosures

Financial Reporting Standard No. 17 – Retirement Benefits ("FRS 17") 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 National Magazine Company Limited

Notes to the accounts

Year ended 31 December 2003

21. Pensions (continued)

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 2003 and additionally as at 31 December 2002 and 31 December 2001 were as follows:

	31 December 2003 £m	31 December 2002 £000	31 December 2001 £000
Inflation assumption	2.0%	2.0%	3.0%
Rate of increase in salaries	3.0%	3.0%	3.5%
Rate of LPI pension increases	2.0%	2.0%	2.5%
Discount rate	5.5%	5.5%	6.0%

The value of the Scheme's assets and the expected rates of return as at each balance sheet date were:

	Expected rate of return 31 December 2003	Value at 31 December 2003 £m	Expected rate of return 31 December 2002	Value at 31 December 2002 £m	Expected rate of return 31 December 2001	Value at 31 December 2001 £m
Equities	7.5%	45.1	7.5%	35.0	7.5%	40.9
Bonds	4.8%	6.8	4.5%	7.8	6.0%	8.9
Other	3.0%	2.1	2.5%	1.8	4.0%	3.2
Total market value of assets		54.0		44.6		53.0
Present value of scheme liabilities		(58.9)		(55.2)		(51.3)
(Deficit)/ surplus in the scheme		(4.9)		(10.6)		1.7
Related Deferred tax asset/ (liability)		1.5		3.2		(0.5)
		<u>(3.4)</u>		<u>(7.4)</u>		<u>1.2</u>

Analysis of the amount that would be charged to operating profit under FRS 17

	31 December 2003 £m	31 December 2002 £000
Current service cost	1.6	1.7
Total operating charge	<u>1.6</u>	<u>1.7</u>

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Notes to the accounts Year ended 31 December 2003

21. Pensions (continued)

Analysis of the amount that would be credited to net finance income under FRS 17

	31 December 2003 £m	31 December 2002 £000
Expected return on pension scheme assets	3.0	3.7
Interest on pension scheme liabilities	(3.0)	(3.0)
Net return	-	0.7

Analysis of the amount that would be recognised in statement of total recognised gains and losses (STRGL) under FRS 17

	31 December 2003 £m	31 December 2002 £000
Actual return less expected return on pension scheme assets	5.5	(12.9)
Experience gains and losses arising on the scheme liabilities	(0.2)	0.6
Changes in assumptions underlying the present value of the schemes liabilities	-	(0.9)
Actuarial gain recognised in STRGL	5.3	(13.2)

Movements in surplus during the year

	31 December 2003 £m	31 December 2002 £000
Deficit in scheme at 1 January	(10.6)	1.7
Movement in year:		
Current service cost	(1.6)	(1.7)
Contribution	2.0	1.9
Other finance income	-	0.7
Actuarial gain/(Loss)	5.3	(13.2)
Deficit in scheme at 31 December 2003	(4.9)	(10.6)

History of experience gains and losses

	31 December 2003		31 December 2002	
	£m	%	£m	%
Difference between the expected and actual return on scheme assets	5.5	10	(12.9)	(29)
Experience gains and losses on scheme liabilities	(0.2)	0	0.6	1
Total amount recognised in statement of total recognised gains and losses	5.3	9	(13.2)	(24)

The National Magazine Company Limited

Notes to the accounts Year ended 31 December 2003

21. Pensions (continued)

Analysis of reserves

The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	31 December 2003 £m	31 December 2002 £000
Profit and loss reserve excluding pension scheme liability	57.1	54.5
Amount relating to defined pension scheme asset, net of deferred tax	(3.4)	(7.4)
Profit and loss reserve	<u>53.7</u>	<u>47.1</u>

22. Called up share capital

	2003 £'000	2002 £'000
Authorised:		
300,000 ordinary shares of £1 each	<u>300</u>	<u>300</u>
Allotted, called up and fully paid:		
283,392 ordinary shares of £1 each (2002: 283,392)	<u>283</u>	<u>283</u>

23. Reserves

	Profit and loss account £'000
Group	
At 1 January 2003	54,528
Retained profit for the year	<u>2,598</u>
At 31 December 2003	<u>57,126</u>
Company	
At 1 January 2003	53,614
Retained profit for the year	<u>2,785</u>
At 31 December 2003	<u>56,399</u>

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Notes to the accounts

Year ended 31 December 2003

24. Reconciliation of movements in group shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	13,598	9,649
Dividends	(11,000)	(10,000)
Retained profit (loss) for the year	2,598	(351)
Opening shareholders' funds	54,811	55,162
Closing shareholders' funds	57,409	54,811

25. Equity minority interests

	2003 £'000	2002 £'000
At 1 January	495	528
Profit and loss account	1,060	667
Dividend paid on equity shares	(875)	(700)
At 31 December	680	495

Equity minority interests comprise 35% of the ordinary shares of £1 each in Condé Nast & National Magazine Distributors Limited and 20% of the ordinary shares of £1 each in NatMag Specialist Media Limited until 6 November 2003. The shares do not entitle the holders to any rights against other group companies.

26. Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	21,334	15,570
Depreciation charge	1,908	2,183
Goodwill amortisation	1,279	1,269
(Profit)/loss on sale of tangible fixed assets	(278)	140
Decrease in stocks	137	997
Increase in debtors	(6,041)	(655)
Increase/(decrease) in creditors	9,815	(6,557)
Increase in provisions	801	125
Net cash inflow from operating activities	28,955	13,072

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Notes to the accounts

Year ended 31 December 2003

27. Reconciliation of net cash flow to movement in net funds

	2003 £'000	2002 £'000
Increase/(Decrease) in cash in the year	5,910	(13,593)
Cash outflow from decrease in finance leases	-	36
Repayment of Floating Rate Redeemable Unsecured Loan Notes – 2005	-	9,100
Movement in net funds	5,910	(4,457)
Net funds at 1 January	20,011	24,468
Net funds at 31 December	25,921	20,011

28. Analysis of net funds

	At 1 January 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash			
Cash at bank and in hand	20,011	5,910	25,921
	20,011	5,910	25,921

29. Financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	239	4	248
Expiring between two and five years	17	344	633	424
Expiring in over five years	4,220	-	3,971	-
	4,237	583	4,608	672

There were no capital expenditure commitments contracted but not provided for at the year end (2002: £nil).

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Notes to the accounts

Year ended 31 December 2003

30. Deferred tax

There is a deferred tax asset of £452,191 in respect of short-term timing differences (see note 17). The directors believe it is more likely than not that this asset is recoverable.

	2003 £'000	2002 £'000
Movement on deferred taxation balance in the period		
Opening balance (Dr)/Cr	-	-
Charge/(credit) to profit and loss account	(452)	-
Closing balance (Dr)/Cr	(452)	-
 Analysis of deferred tax balance		
Depreciation in excess of capital allowances	(301)	-
Short term timing differences	(151)	-
Total provision	(452)	-

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:

	2003 £'000	2002 £'000
Royalties, management fees and other charges to Hearst Magazines	685	3,867
Royalties, management fees and other charges from Hearst Magazines	(3,278)	(3,986)
Amount due to Hearst Magazines at balance sheet date	(400)	(81)
Subscription fulfilment charge for the year from Tower Publishing Services Limited ("Tower")	1,266	1,514
Amount due at balance sheet date to Tower in trade creditors	9	-

"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 registered company in which The Hearst Corporation has a controlling interest, and is therefore a fellow subsidiary undertaking of the Hearst Corporation.

All transactions are entered into in the ordinary course of business.

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.

The National Magazine Company Limited

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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 group's immediate parent company is Hearst Holding Inc. The Hearst Corporation is the largest and smallest group for which group accounts are prepared and of which the company is a member.