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WAGADON LIMITED
FINANCIAL STATEMENTS

31ST DECEMBER 1997

Registered number: 1397483

CONROY, TOBIN

ACCOUNTANTS

London



WAGADON LIMITED

FINANCIAL STATEMENTS

for the year ended 31st December 1997

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The following pages do not form part of the statutory financial statements

Detailed trading and profit and loss account	Appendix 1
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WAGADON LIMITED

COMPANY INFORMATION

31st December 1997

INCORPORATED	2nd November 1978
NUMBER	1397483
CHAIRMAN	N J Logan Esq
OTHER DIRECTORS	Mrs J Logan D Salem Esq (Resigned 31st December 1997) J E Newhouse Esq (Appointed 16th March 1998)
SECRETARY	Mrs J Logan
REGISTERED OFFICE	Boundary House 91-93 Charterhouse Street London EC1M 6HR
BANKERS	Lloyds Bank Plc 22/24 Southampton Street Strand London WC2E 7JB
SOLICITORS	Harbottle & Lewis Hanover House 14 Hanover Square London W1R 0BE
AUDITORS	Conroy, Tobin Accountants Boundary House 91-93 Charterhouse Street London EC1M 6HR

WAGADON LIMITED

DIRECTORS' REPORT

31st December 1997

The directors present their annual report together with the audited financial statements for the year ended 31st December 1997.

Principal activity

The principal activity of the company was the publication of magazines.

Business review

During the course of the year the company has marketed a new publication. Whilst the company's existing publications have continued to show increases in both turnover and profits, the costs of launching this new publication have had a significant effect upon overall results for the year. It is anticipated that the new publication will materially contribute to the company's profitability in future years.

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £8,995,648.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An ordinary dividend amounting to £800,000 is proposed.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st December 1997 Ordinary shares	1st January 1997 Ordinary shares
N J Logan Esq	30,000	30,000
Mrs J Logan	-	-
D Salem Esq (Resigned 31st December 1997)	-	-

Future developments

The company intends to launch a further publication during the course of the forthcoming year, which, in the opinion of the directors, will, after initial marketing costs, contribute towards the level of future profits.

continued

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DIRECTORS' REPORT
(continued)

31st December 1997

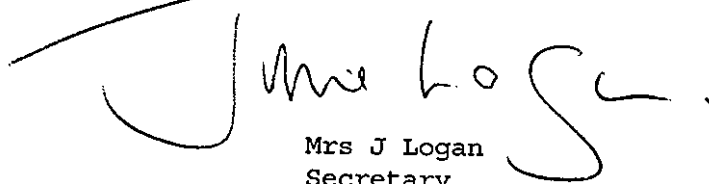
Charitable and political donations

Charitable donations of £1,550 were made during the year (1996 - £440).

Auditors

A resolution will be proposed at the annual general meeting to re-appoint the auditors, messrs Conroy, Tobin.

On behalf of the board

A large, stylized handwritten signature in dark ink, appearing to read 'Mrs J Logan'.

Mrs J Logan
Secretary

Boundary House
91-93 Charterhouse Street
London
EC1M 6HR

Dated: 27th March 1998

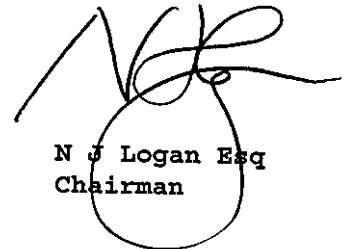
WAGADON LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

By order of the board



N J Logan Esq
Chairman

Dated: 27th March 1998

WAGADON LIMITEDAUDITORS' REPORTAUDITORS' REPORT TO THE SHAREHOLDERS OFWAGADON LIMITED

We have audited the financial statements on pages 5 to 9(i) which have been prepared under the historical cost convention and the accounting policies set out on pages 9(a) and 9(b).

Respective responsibilities of directors and auditors

As described on page 3, 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 financial 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 error or other irregularity. 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 the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Conroy, Tobin
Registered Auditors
Accountants

Boundary House
91-93 Charterhouse Street
London
EC1M 6HR

Dated: 27th March 1998



WAGADON LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	Note	<u>1997</u> £	<u>1996</u> £
TURNOVER	2.	9,565,477	7,330,981
COST OF SALES		(6,030,067)	(4,799,273)
<u>GROSS PROFIT</u>		3,535,410	2,531,708
NET OPERATING EXPENSES			
Administrative Expenses		(2,760,028)	(1,453,485)
		775,382	1,078,223
Other Operating Income	5.	47,012	40,955
<u>OPERATING PROFIT</u>	3.	822,394	1,119,178
Interest Payable	6.	-	(721)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		822,394	1,118,457
Taxation	7.	(257,420)	(368,560)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		564,974	749,897
Dividends	8.	(800,000)	(800,000)
<u>LOSS FOR THE YEAR</u>	19.	(235,026)	(50,103)

Movements in reserves are shown in note 19.

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 9(a) to 9(i) form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1997

	1997 £	1996 £
Profit for the financial year	564,974	749,897
Unrealised surplus on revaluation of fixed assets	-	6,000,000
Recognised since last annual report	<u>564,974</u>	<u>6,749,897</u>

WAGADON LIMITED

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BALANCE SHEET

at 31st December 1997

	Note	1997 £	1996 £
Fixed assets			
Intangible assets	9.	8,000,000	8,000,000
Tangible assets	10.	255,972	89,541
		<u>8,255,972</u>	<u>8,089,541</u>
Current assets			
Stocks	11.	91,726	-
Debtors	12.	2,801,094	1,855,913
Cash at bank and in hand		1,037,877	431,573
		<u>3,930,697</u>	<u>2,287,486</u>
Creditors: amounts falling due within one year	13.	(3,178,398)	(1,144,398)
Net current assets		<u>752,299</u>	<u>1,143,088</u>
Total assets less current liabilities		<u>9,008,271</u>	<u>9,232,629</u>
Provision for liabilities and charges	14.	(12,623)	(1,955)
		<u>8,995,648</u>	<u>9,230,674</u>
Capital and reserves			
Called up share capital	17.	50,000	50,000
Revaluation Reserve	18.	8,000,000	8,000,000
Profit and loss account	19.	945,648	1,180,674
Total shareholders' funds	16.	<u>8,995,648</u>	<u>9,230,674</u>

The financial statements on pages 5 to 9(i) were approved by the board of directors on 27th March 1998 and signed on its behalf by:



N J Logan Esq
Chairman

The notes on pages 9(a) to 9(i) form part of these financial statements.

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CASH FLOW STATEMENT

for the year ended 31st December 1997

	Note	1997		1996	
		£	£	£	£
INCREASE IN CASH					
from operating activities	20.	1,907,357		540,122	
Returns on investments and servicing of finance					
Interest paid			-	(721)	
Taxation					
Corporation Tax Paid		(249,300)		(296,163)	
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(251,753)		(23,360)	
		<u>1,406,304</u>		<u>219,878</u>	
Equity dividends paid		(800,000)		(800,000)	
NET ADDITION TO/(SUBTRACTION FROM) CASH		<u>606,304</u>		<u>(580,122)</u>	

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NOTES TO THE FINANCIAL STATEMENTS

31st December 1997

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to incorporate the revaluation of certain fixed assets.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of tangible fixed assets is calculated to write off their cost less any residual value over their estimated useful lives as follows:

Leasehold land and buildings	- immediately written off
Fixtures and Fittings	- 25% per annum on net book value

No depreciation is provided in respect of intangible fixed assets.

Intangible fixed assets

Publishing titles were revalued by the directors on 31st December 1996. No provision has been made for any taxation liability which might arise in the event of a disposal at the valuation indicated.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Accounting policies (continued)

Pensions

The company operates a money purchase contribution scheme in respect of certain of its employees. Contributions payable for the year are charged to the profit and loss account.

2 Turnover

Because of the nature of the company's activities, turnover has not been analysed by geographical markets in either 1997 or 1996.

3 Operating profit

	1997 £	1996 £
Operating profit is stated after crediting		
Interest receivable	47,012	40,955
and after charging		
Staff Costs (note 4)	1,547,774	899,439
Auditors' Remuneration	20,000	20,000
Depreciation of tangible fixed assets (note 10.)		
owned assets	85,324	29,847

4 Directors and employees

	1997 £	1996 £
Staff costs including directors emoluments		
Wages and Salaries	1,395,389	770,982
Social security costs	142,598	78,307
Employee's medical insurance	2,137	-
Pension costs	7,650	50,150
	1,547,774	899,439
	Number	Number
Average number employed including executive directors:		
Production staff	65	34
Office and Management	5	4
	70	38

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Directors and employees (continued)

Directors

	£	£
Directors' emoluments (see note 24):		
Director's remuneration	217,417	166,201
Company contributions to money purchase pension schemes	7,650	50,150
	<u>225,067</u>	<u>216,351</u>

	Number	Number
During the year the following number of directors accrued retirement benefits under money purchase schemes	<u>2</u>	<u>2</u>

Highest paid director

	£	£
Emoluments and amounts receivable under long term incentive schemes	157,000	111,201
Contributions to money purchase pension schemes	<u>5,100</u>	<u>33,433</u>

5 Other operating income

	1997 £	1996 £
Bank interest received	46,764	40,955
Interest on rent deposit	248	-
	<u>47,012</u>	<u>40,955</u>

6 Interest payable

	1997 £	1996 £
Bank interest payable	<u>-</u>	<u>721</u>

7 Taxation

	1997 £	1996 £
Corporation tax on the profit on ordinary activities at 30% (1996 - 33%)	46,647	169,195
Advance corporation taxation	200,000	200,000
Interest on corporation taxation	109	-
Deferred Taxation	10,668	(634)
	<u>257,424</u>	<u>368,561</u>
Over provision in earlier years	(4)	(1)
	<u>257,420</u>	<u>368,560</u>

8 Dividends

	1997 £	1996 £
Interim - (1996 - £9.60 per ordinary share)	-	480,000
Final - £16.00 per ordinary share (1996 - £6.40 per ordinary share)	800,000	320,000
	<u>800,000</u>	<u>800,000</u>

9 Intangible fixed assets

	Publishing Titles £
Valuation	
1st January 1997 and 31st December 1997	8,000,000
Net book amount	
31st December 1997	<u>8,000,000</u>
1st January 1997	<u>8,000,000</u>

The directors revalued the publishing titles owned by the company on 31st December 1996. No provision has been made for any taxation liability which might arise in the event of a disposal at the valuation indicated.

10 Tangible fixed assets

	Fixtures and Fittings £
Cost	
1st January 1997	229,139
Additions	251,753
31st December 1997	<u>480,892</u>
Depreciation	
1st January 1997	(139,597)
Charge for year	(85,324)
31st December 1997	<u>(224,921)</u>
Net book amount	
31st December 1997	<u>255,972</u>
1st January 1997	<u>89,541</u>

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11 Stocks

	1997 £	1996 £
Stock of consumable materials	91,726	-

12 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	2,550,597	1,765,869
Other debtors	176,159	70,480
	2,726,756	1,836,349
Amounts falling due after more than one year	74,338	19,564
	2,801,094	1,855,913

13 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	1,346,180	438,733
Corporation tax	279,746	249,195
Other taxation and social security	109,321	38,255
Other creditors	1,443,151	418,215
	3,178,398	1,144,398

14 Provision for liabilities and charges

	1996 £	Profit and loss account £	Other movements £	1997 £
Deferred taxation (notes 6 and 15)	(1,955)	(10,668)	-	(12,623)

15 Deferred taxation

	1997 Potential liability £	Provision made £	1996 Potential liability £	Provision made £
Corporation tax deferred by capital allowances in excess of depreciation	12,623	12,623	1,955	1,955
	12,623	12,623	1,955	1,955

The potential liability and provision are based on a corporation tax rate of 31% (1996 - 35%).

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16 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	564,974	749,900
Dividends	(800,000)	(800,000)
	(235,026)	(50,100)
Other recognised gains relating to the year (net)	-	6,000,000
Shareholders' funds	(235,026)	5,949,900
Opening shareholders' funds	9,230,674	3,280,774
Closing shareholders' funds	8,995,648	9,230,674

17 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
Allotted called up and fully paid				
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

18 Revaluation reserve

	1997 £
1st January 1997 and 31st December 1997	8,000,000

The revaluation reserve arises as a result of the directors' valuation of publishing titles owned by the company (see note 9).

19 Profit and loss account

	1997 £
1st January 1997	1,180,674
Retained loss for the year	(235,026)
31st December 1997	945,648

20 Notes to the cash flow statement

Reconciliation of INCREASE IN CASH
to operating cash flows

	1997 £	1996 £
Operating profit	822,394	1,119,181
Depreciation charges	85,324	29,847
Increase in stocks	(91,726)	-
Increase in Debtors	(912,084)	(491,879)
Increase/(Decrease) in Creditors	2,003,449	(117,027)
INCREASE IN CASH		
from operating activities	<u>1,907,357</u>	<u>540,122</u>

Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand and at bank	431,573	606,304	1,037,877
Total	<u>431,573</u>	<u>606,304</u>	<u>1,037,877</u>

Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Increase/(decrease) in cash in the year	606,304	(580,122)
Change in net debt resulting from cash flows	606,304	(580,122)
Net debt at 1st January 1997	431,573	1,011,695
Net debt at 31st December 1997	<u>1,037,877</u>	<u>431,573</u>

21 Related parties

During the year ended 31st December 1997, the company has conducted transactions with The Conde Nast Publications Limited, an entity which holds 40% of the issued share capital of the company via a subsidiary company of The Conde Nast Publications Limited, namely Magazine Holdings Limited. The value of these transactions were as follows:

	1997 £	1996 £
Expenses		
Production costs	1,934,174	1,726,935
Service charge payable	-	43,333
Book keeping services	11,500	11,500
Circulation charges	3,250	3,250
	<u>1,948,924</u>	<u>1,785,018</u>

At 31st December 1997, an amount of £634,594 was due from the company in respect of these related party transactions and is included in the financial statements under current liabilities (note 13) [1996 - £288,575].

At 31st December 1997, amounts were due from the company in respect of loan accounts advanced by N J Logan Esq of £480,000 [1996 - nil] and by Magazine Holdings Limited of £320,000 [1996 - nil]. These amounts are included in the financial statements under current liabilities (note 13).

No amounts were written off in the year ended 31st December 1997 in respect of debts due to or from related parties (1996 - nil).

22 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 1998:

	1997 Plant and Other £	1996 Plant and Other £
Expiring:		
within one year	-	5,492
in more than five years	113,670	79,920
	<u>113,670</u>	<u>85,412</u>

WAGADON LIMITED

23 Post balance sheet events

There were no contingent liabilities at 31st December 1997.

- (1996 - (a) At 31st December 1996 the company's solicitors estimated that their accrued but unbilled charges for services rendered amounted to approximately £2,900. No provision for these charges has been made in the financial statements.
- (b) The company has contracted to undertake certain building works to the second floors of Blocks 'A' and 'D' of Exmouth House, being new premises the company is occupying. The amount of these building works is estimated to amount to £30,000, and will be included in the financial statements for the year ended 31st December 1997.
- (c) The company will be incurring further expenditure by way of new computer equipment and the costs of fitting out the second floor premises to be occupied. It is estimated that the cost of this capital expenditure will amount to £45,000, and will be included in the financial statements for the year ended 31st December 1997.)

24 Directors' benefits in kind

N J Logan Esq and Mrs J Logan were in receipt of certain benefits in kind, the value of which it is not possible to accurately quantify for the purpose of these financial statements. Similar circumstances prevailed in 1996.