

G E Publishing Limited

Report and Financial Statements

Year Ended

31 December 2004



IBDO

BDO Stoy Hayward
Chartered Accountants

G E PUBLISHING LIMITED

Annual report and financial statements for the year ended 31 December 2004

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Directors

P L Edwards
E C P Glaze
P A Costick

Secretary and Registered Office

P A Costick, 8 Baker Street, London, W1U 3LL.

Company number

2056979

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

G E PUBLISHING LIMITED

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The consolidated profit and loss account is set out on pages 5 and 6 and shows the loss for the year.

The directors recommend no final ordinary dividend (2003 - £Nil).

Principal activities, trading review and future developments

The principal activity of the group is the research and development and publishing of magazines and partworks.

The group made a loss during the year, however the directors anticipate that the group will trade profitably in the future.

There have been no events since the balance sheet date which materially affect the position of the group.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company at the beginning and end of the year were:

	Ordinary shares of £1 each
P L Edwards	375
E C P Glaze	375
P A Costick	250

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company 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; 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 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.

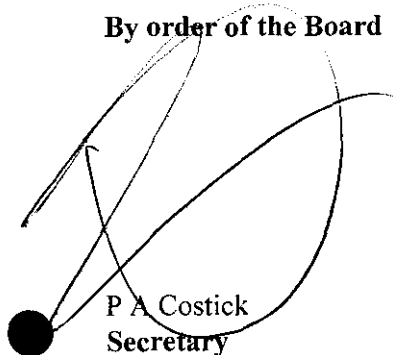
G E PUBLISHING LIMITED

Report of the directors for the year ended 31 December 2004 (*Continued*)

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

By order of the Board



P A Costick
Secretary

30 December 2005

G E PUBLISHING LIMITED

Report of the independent auditors

To the shareholders of G E Publishing Limited

We have audited the financial statements of G E Publishing Limited for the year ended 31 December 2004 on pages 5 to 24 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit 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.

G E PUBLISHING LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the group and the company at 31 December 2004 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date:

4/1/06

G E PUBLISHING LIMITED

Consolidated profit and loss account for the year ended 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Turnover - group and share of joint ventures		2,717,781		2,414,045	
Less: Share of joint ventures turnover		(327,747)		(996,073)	
Group turnover	2		2,390,034		1,417,972
Cost of sales			1,527,640		200,341
Gross profit			862,394		1,217,631
Administrative expenses			1,937,803		2,234,626
Group operating loss			(1,075,409)		(1,016,995)
Share of operating (loss)/profit in					
Joint ventures		172,154		(20,113)	
Associates		(589,734)		2,026,132	
			(417,580)		2,006,019
(Loss)/profit on ordinary activities before interest			(1,492,989)		989,024
Interest receivable					
Group		6,374		17,897	
Associates		-		30,323	
			6,374		48,220
Interest payable					
Group		(382)		(352)	
Associate		(108,558)		-	
			(108,940)		(352)
(Loss)/profit on ordinary activities before taxation (carried forward)	3		(1,595,555)		1,036,892

The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED**Consolidated profit and loss account for the year ended 31 December 2004 (Continued)**

	Note	2004 £	2003 £
(Loss)/profit on ordinary activities before taxation (brought forward)		(1,595,555)	1,036,892
Tax on (loss)/profit on ordinary activity Associates	5	164,304	(770,534)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	14	(1,431,251)	266,358
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED**Consolidated statement of total recognised gains and losses for the year ended 31 December 2004**

	2004 £	2003 £
(Loss)/profit for the financial year		
- group	(1,069,417)	(1,063,953)
- joint ventures	172,154	(95,334)
- associated undertaking	(533,988)	1,425,645
	<hr/>	<hr/>
Total gains and losses for the year before currency adjustments	(1,431,251)	266,358
Share of exchange differences relating to associated undertaking	(33,255)	69,117
	<hr/>	<hr/>
Total recognised gains and losses since last financial statement	(1,464,506)	335,475
	<hr/>	<hr/>

The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED

Reconciliation of movements in shareholders' funds for the year ended 31 December 2004

	2004	2003
	£	£
Loss/profit for the year	(1,431,251)	266,358
Other recognised gains and losses relating to the year	(33,255)	69,117
	<hr/>	<hr/>
Net (reduction in)/addition to shareholders' funds	(1,464,506)	335,475
	<hr/>	<hr/>
Opening shareholders' funds	4,582,867	4,247,392
	<hr/>	<hr/>
Closing shareholders' funds	3,118,361	4,582,867
	<hr/>	<hr/>

The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED

Consolidated balance sheet at 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible fixed assets	7		175,539		160,778
Investment in associate	8		2,313,724		2,880,964
Investments in joint ventures	8		26,365		104,790
			<hr/>		<hr/>
			2,515,628		3,146,532
Current assets					
Stock		21,800		28,068	
Debtors	9	790,536		1,534,030	
Cash at bank and in hand		1,008,200		615,274	
		<hr/>		<hr/>	
			1,820,536		2,177,372
Creditors: amounts falling due within one year	10	(1,217,303)		(600,156)	
		<hr/>		<hr/>	
Net current assets			603,233		1,577,216
			<hr/>		<hr/>
Total assets less current liabilities			3,118,861		4,723,748
Provisions for liabilities and charges	11		500		140,881
			<hr/>		<hr/>
Net assets			3,118,361		4,582,867
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	12		1,000		1,000
Capital reserve	13		441,572		441,572
Profit and loss account	13		2,675,789		4,140,295
			<hr/>		<hr/>
Shareholders' funds - equity			3,118,361		4,582,867
			<hr/>		<hr/>

The financial statements were approved by the Board on 30 December 2005.


P. L. Edwards
Director

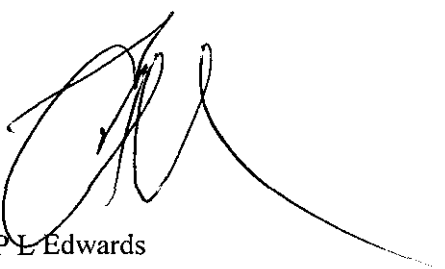
The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED

Balance sheet at 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Investments	8		28,724		28,724
Current assets					
Debtors	9	380,854		877,994	
Cash at bank and in hand		913,877		464,210	
		1,294,731		1,342,204	
Creditors: amounts falling due within one year	10	(367,018)		(532,884)	
Net current assets			927,713		809,320
Total assets less current liabilities			956,437		838,044
Capital and reserves					
Called up share capital	12		1,000		1,000
Profit and loss account	13		955,437		837,044
Shareholders' funds - equity			956,437		838,044

The financial statements were approved by the Board on 30 December 2005.


P L Edwards
Director

The notes on pages 12 to 24 form part of these financial statements

G E PUBLISHING LIMITED

Consolidated cash flow statement for the year ended 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Net cash inflow/(outflow) from operating activities	17		280,406		(1,535,002)
Dividends received from joint ventures and associates			110,197		1,375,310
Returns on investments and servicing of finance					
Interest received		6,374		17,897	
Interest paid		(382)		(352)	
Net cash inflow from returns on investment and servicing of finance			5,992		17,545
Taxation					
Tax received/(paid)			62,981		(182,674)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(66,650)		(128,545)	
Net cash outflow from capital expenditure			(66,650)		(128,545)
Acquisitions					
Purchase of interest in a joint venture			-		(50)
Equity dividends paid			-		(600,000)
Increase/(decrease) in cash	18		392,926		(1,053,416)

The notes on pages 12 to 24 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. Royalty income is accounted for on a received basis.

Basis of consolidation

The consolidated accounts incorporate the accounts of G E Publishing Limited, its subsidiary undertakings, associated undertakings and joint ventures, as at 31 December 2004. The acquisition method of accounting has been used to consolidate the results of the subsidiary undertakings in the group accounts. The equity method of accounting has been used to consolidate the results of the associated undertakings and joint ventures in the group accounts.

Goodwill

Goodwill arising on the acquisition of the associated undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. This position goodwill is not amortised as the directors consider its useful economic life to be indefinite. Impairment tests on the carrying value of goodwill are carried out annually.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives on a straight line basis, calculated at the following rates:

Furniture, fixtures and fittings	-	20% per annum
Office equipment	-	20% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	30% per annum

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Leases are treated as 'operating leases' when the leasing agreement does not give rights approximating to ownership. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

1 Accounting policies (Continued)

Pension costs

Contributions made to employees' personal pension schemes are charged to the profit and loss account at the agreed rate.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Stocks and work in progress

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

Comparatives

The comparatives have been restated to reflect a reclassification from administrative expenses to cost of sales. The directors consider this provides a more accurate reflection of the nature of the underlying costs. The effect of this is an increase in gross profit of £746,957; there is no impact on operating loss.

2 Turnover

The turnover is wholly attributable to the group's principal activity and is analysed by market below.

	2004 £	2003 £
United Kingdom	2,410,642	1,748,344
Europe	307,139	665,701
	<hr/>	<hr/>
	2,717,781	2,414,045
Less: Share of joint ventures turnover	(327,747)	(996,073)
	<hr/>	<hr/>
	2,390,034	1,417,972
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	2004 £	2003 £
This is arrived at after charging:		
Depreciation of own assets	51,889	46,247
Auditors' remuneration - audit services	15,000	14,200
- non audit services	24,573	16,791
Operating lease charges - land and buildings	304,000	304,000
	<hr/>	<hr/>

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

4 Employees

	2004 £	2003 £
Staff costs (including directors) consist of:		
Wages and salaries	930,117	906,411
Social security costs	107,521	104,562
Other pension costs	99,370	82,343
	<u>1,137,008</u>	<u>1,093,316</u>

The average monthly number of employees during the year was 25 (2003 - 20).

	2004 £	2003 £
Directors' emoluments		
Remuneration for management services	261,707	275,704
Pension contributions	64,000	72,000
	<u>325,707</u>	<u>347,704</u>

All directors of the group receive pension contributions from the company into personal pension plans.

	2004 £	2003 £
Emoluments of the highest paid director:		
Emoluments	<u>95,212</u>	<u>97,637</u>
Pension contributions	<u>24,000</u>	<u>24,000</u>

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

5 Taxation on profit on ordinary activities

	2004 £	2004 £	2003 £	2003 £
<i>Corporation tax</i>				
Current tax on profits for the year	-		451,988	
Adjustment in respect of prior years	-		280,000	
Total current tax		-		731,988
<i>Deferred tax</i>				
Origination and reversal of timing Differences relating to share of Associate		(44,658)		(36,675)
<i>Other tax</i>				
Current share of joint ventures tax charge	(122,126)		41,806	
Adjustment in respect of prior year share of joint ventures tax charge	2,480		33,415	
		(119,646)		75,221
Taxation on profit on ordinary activities		(164,304)		770,534

The tax assessed for the year is lower / higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £	2003 £
Loss/profit on ordinary activities before tax	(1,595,555)	1,014,864
Loss/profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	(478,666)	304,459
Effect of:		
Expenses not deductible for tax purposes	11,652	97,110
Capital allowances in excess of depreciation	10,883	(7,162)
Adjustment to tax in respect of prior years	2,480	313,416
Net movement in general provisions	-	41,029
Overseas tax not recoverable	-	5,560
Other	(44,532)	10,517
Losses carried forward	378,537	42,280
Current tax charge for the year	(119,646)	807,209

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

6 Profit for the year

	2004 £	2003 £
Profit/(loss) dealt with in the financial statements of the parent company	118,343	(1,508,742)

The company has taken advantage of the exemption from presenting its own profit and loss account, under section 230(3) of the Companies Act 1985.

7 Tangible fixed assets

Group	Furniture fixtures and fittings £	Office equipment £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>					
At 1 January 2004	178,394	67,584	122,720	131,812	500,510
Additions	319	1,690	-	64,641	66,650
At 31 December 2004	178,713	69,274	122,720	196,453	567,160
<i>Depreciation</i>					
At 1 January 2004	74,022	55,152	99,002	111,556	339,732
Provided for the year	23,957	8,338	8,625	10,969	51,889
At 31 December 2004	97,979	63,490	107,627	122,525	391,621
<i>Net book value</i>					
At 31 December 2004	80,734	5,784	15,093	73,928	175,539
At 31 December 2003	104,372	12,432	23,718	20,256	160,778

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

8 Fixed asset investments

a) Group

	Associated undertakings £
Unlisted	
<i>Cost</i>	
At 1 January 2004 and 31 December 2004	28,722
<i>Amounts written-off investments</i>	
At 1 January 2004 and 31 December 2004	18,944
<i>Discount on acquisition</i>	
At 1 January 2004 and 31 December 2004	441,572
<i>Share of retained profits</i>	
At 1 January 2004	2,360,497
Share of loss for year	(533,985)
At 31 December 2004	1,826,512
<i>Share of comparative exchange differences</i>	
At 1 January 2004	69,117
Share of exchange differences for the year	(33,255)
At 31 December 2004	35,862
<i>Net book value</i>	
At 31 December 2004	2,313,724
At 31 December 2003	2,880,964

	Subsidiary undertakings £	Associated undertakings £	Total £
b) Company			
<i>Cost</i>			
At 1 January 2004 and at 31 December 2004	800,002	28,722	828,724
<i>Provision</i>			
At 1 January 2004 and at 31 December 2004	800,000	-	800,000
<i>Net book value</i>			
At 31 December 2004 and at 31 December 2003	2	28,722	28,724

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

8 Fixed asset investments (*Continued*)

c) The following were subsidiary and associated undertakings at the end of the year.

Name of company	Proportion of ordinary share capital held by company	Country of incorporation	Nature of business
G E Magazines Limited	100%	Great Britain	Production of editorial copy and layouts
Inspirations Publishing Limited	100%	Great Britain	Dormant
G E Fabbri Limited	48.9%	Great Britain	Production and sale of partwork magazines
Fabbri Publishing Limited	48.9%*	Great Britain	Production and sale of partwork magazines
Fabbri Publishing Inc.	48.9%**	United States	Distributor of magazines of America
G E Fabbri Phoenix sp.z.o.o.	32.8%*	Poland	Publisher of partworks
Dane Publishing	100%*	Ukraine	Publisher of partworks

* Held by G E Fabbri Limited, an associated undertaking.

** Held by Fabbri Publishing Limited, an associated undertaking.

The results of G E Magazines Limited and Inspirations Publishing Limited have been included in these consolidated financial statements.

The company has a 48.9% interest in SEP BDA, a French joint venture formed between G E Publishing Limited and Editions Fabbri, a company incorporated in France.

The company has a 50% interest in the ordinary share capital GE Popworld Publishing Limited, a joint venture formed between G E Magazines Limited and Popworld Limited, a company incorporated in the UK.

Both joint ventures are included in publishing activities.

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 *(Continued)*

8 Fixed asset investments *(Continued)*

d) Joint venture

	SEP BDA		GE Popworld Publishing Limited	
	2004	2003	2004	2003
	£	£	£	£
Share of gross assets	1,375,720	1,430,842	-	127,979
Share of gross liabilities	(1,349,355)	(1,326,052)	(500)	(268,860)
	<hr/>	<hr/>	<hr/>	<hr/>
Share of net assets/(liabilities)	26,365	104,790	(500)	(140,881)
	<hr/>	<hr/>	<hr/>	<hr/>

Further analysis is given below:

	SEP BDA		G E Popworld Publishing Limited	
	2004	2003	2004	2003
	£	£	£	£
Share of fixed assets	147	147	-	-
Share of current assets	1,375,720	1,430,695	-	127,799
Share of liabilities due within one year	1,349,355	1,326,052	500	268,860
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts included in these financial statements in respect of SEP BDA have been taken from unaudited financial statements for the year ended 31 December 2004.

G E PUBLISHING LIMITEDNotes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)**8 Fixed asset investments (*Continued*)****e) Associated undertaking**

The following relate to the company's associates G E Fabbri Limited and Fabbri Publishing Limited which in aggregate exceed the 25% threshold as set out in FRS 9.

	2004 £	2003 £
Share of turnover	24,392,298	18,995,694
Share of (loss)/profit before tax	(698,292)	2,071,404
Share of taxation	164,304	630,810
Share of (loss)/profit after tax	(533,988)	1,440,594
Share of minority interest	(1,956)	15,159
Share of assets:		
Share of fixed assets	286,065	252,324
Share of current assets	11,236,242	6,959,937
	11,522,307	7,212,261
Share of liabilities:		
Liabilities due within one year or less	9,661,662	4,772,640
Share of minority interest	24,450	15,159
Share of net assets	1,860,645	2,439,621

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

9 Debtors

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Trade debtors	563,563	4,559	147,127	-
Amounts due from subsidiary undertakings	-	-	78,001	56,392
Amounts due from associated undertakings	-	1,248,647	-	706,120
Other debtors	51,846	18,406	6,234	10,546
Prepayments and accrued income	133,172	157,482	107,537	-
Corporation tax	41,955	104,936	41,955	104,936
	<u>790,536</u>	<u>1,534,030</u>	<u>380,854</u>	<u>877,994</u>

All amounts shown above fall due for payment within one year.

10 Creditors: amounts falling due within one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Trade creditors	356,288	171,384	148,645	148,755
Amounts due to associated undertakings	6,516	141,399	6,516	135,169
Taxation and social security	156,487	144,986	93,117	144,986
Accruals and deferred income	585,619	125,257	44,285	86,846
Other creditors	112,393	17,130	74,455	17,128
	<u>1,217,303</u>	<u>600,156</u>	<u>367,018</u>	<u>532,884</u>

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

11 Provisions for liabilities and charges

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Group's share of deficiency in net assets within a joint venture:				
Share of gross assets	-	127,979	-	-
Share of gross liabilities	500	268,860	-	-
	<u>500</u>	<u>140,881</u>	<u>-</u>	<u>-</u>

12 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted and fully paid</i> Ordinary shares of £1 each	1,000	1,000

13 Reserves

	Group Capital reserve £	Group Profit and loss account £	Company Profit and loss account £
At 1 January 2004	441,572	4,140,295	837,044
Profit/(loss) for the year	-	(1,431,251)	118,393
Exchange differences	-	(33,255)	-
	<u>441,572</u>	<u>2,675,789</u>	<u>955,437</u>

14 Pensions

The company contributes to the personal pension scheme of its employees.

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

15 Commitments under operating leases

As at 31 December 2004, the group and company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2004 £	Land and buildings 2003 £
Operating leases which expire:		
In two to five years	364,000	364,000

16 Related party transactions

During the year, the group entered into the following arrangements with G E Fabbri Limited, an associated undertaking and carried out the following transaction with that company:

- a) Rent and overhead charge of £1,152,000 (2003 - £1,104,000)
- b) Management and development charges of £nil (2003 - £154,153)
- c) Staff cost recharges of £833,177 (2003 - £596,799)
- d) Trade sales of £164,063 (2003 - £140,111)

There was a management charge debtor of £nil (2003 - £154,143) at the year end.

It also made purchases of £74,855 (2003 - £286,198) from the company.

Tax losses were surrendered to G E Fabbri in the year for consideration of £276,735 (2003 - £215,497).

At the year end a net amount of £nil (2003 - £1,107,248) was due to the group from G E Fabbri Limited. This includes a proposed dividend of £nil (2003 - £489,000).

A loan of £240,000 was made by the group to G E Popworld Publishing Limited (a joint venture) during the prior year. A further £43,280 was advanced during the year ended 31 December 2004. The balance of £283,280 was written off at the year end.

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

17 Reconciliation of operating loss to net cash outflow from operating activities

	2004 £	2003 £
Operating loss	(1,075,409)	(1,016,995)
Depreciation	51,889	46,247
Decrease/(increase) in stocks	6,268	(28,068)
Decrease/(increase) in debtors	680,511	(245,434)
Increase/(decrease) in creditors	617,147	(290,752)
Net cash inflow/(outflow) from operating activities	<u>280,406</u>	<u>(1,535,002)</u>

18 Reconciliation of net cash flow to movements in funds

	2004 £	2003 £
Increase/(decrease) in cash in year	392,926	(1,053,416)
Change in funds	392,926	(1,053,416)
Funds at start of year	615,274	1,668,690
Funds at end of year	<u>1,008,200</u>	<u>615,274</u>

19 Analysis of net funds

	At 1 January 2004 £	Cash flow £	At 31 December 2004 £
Cash at bank	<u>615,274</u>	<u>392,926</u>	<u>1,008,200</u>