

REGISTRAR'S COPY

COMPANY NUMBER 2056979

G E Publishing Limited

Report and Financial Statements

Year Ended

31 December 2003



BDO Stoy Hayward
Chartered Accountants



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G E PUBLISHING LIMITED

Annual report and financial statements for the year ended 31 December 2003

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Directors

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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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

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

The directors recommend no final ordinary dividend (2002 - £600,000).

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 profit during the year and 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 2003 (*Continued*)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

P L Edwards

Director

Date 28.1.05

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 2003 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 2003 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date 28 January 2005

G E PUBLISHING LIMITED

Consolidated profit and loss account for the year ended 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Turnover - group and share of joint ventures		2,414,045		2,555,995	
Less: Share of joint ventures turnover		(996,073)		(1,173,472)	
Group turnover	2		1,417,972		1,382,523
Cost of sales			947,298		932,983
Gross profit			470,674		449,540
Administrative expenses			1,487,669		1,070,121
Group operating loss			(1,016,995)		(620,581)
Share of operating (loss)/profit in					
Joint ventures		(20,113)		400,248	
Associates		2,026,132		1,913,616	
			2,006,019		2,313,864
Profit on ordinary activities before interest			989,024		1,693,283
Interest receivable					
Group		17,897		21,631	
Joint venture		-		23,868	
Associates		30,323		103,483	
			48,220		148,982
Interest payable					
Group		(352)		(500)	
			(352)		(500)
Profit on ordinary activities before taxation (carried forward)	3		1,036,892		1,841,765

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 2003 (*Continued*)**

	Note	2003 £	2002 £
Profit on ordinary activities before taxation (brought forward)		1,036,892	1,841,765
Tax on profit on ordinary activity	5	(770,534)	(501,266)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		266,358	1,340,499
Equity dividends	7	-	(600,000)
		<hr/>	<hr/>
Profit for group and its share of associates and joint ventures	14	266,358	740,499
		<hr/> <hr/>	<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 2003**

	2003	2002
	£	£
Profit/(loss) for the financial year		
- group	(1,063,953)	(568,411)
- joint ventures	(95,334)	424,116
- associated undertaking	1,425,645	1,484,794
	<hr/>	<hr/>
Total gains and losses for the year before currency adjustments	266,358	1,340,499
Share of exchange differences relating to associated undertaking	69,117	-
	<hr/>	<hr/>
Total recognised gains and losses since last financial statement	335,475	1,340,499
	<hr/> <hr/>	<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 2003

	2003	2002
	£	£
Profit for the year	266,358	1,340,499
Dividends	-	(600,000)
	<hr/>	<hr/>
	266,358	740,499
	<hr/>	<hr/>
Other recognised gains and losses relating to the year	69,117	-
	<hr/>	<hr/>
Net addition to shareholders' funds	335,475	740,499
	<hr/>	<hr/>
Opening shareholders' funds	4,247,392	3,506,893
	<hr/>	<hr/>
Closing shareholders' funds	4,582,867	4,247,392
	<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 2003

	Note	2003 £	2003 £	2002 (as restated) £	2002 (as restated) £
Fixed assets					
Tangible fixed assets	8		160,778		78,480
Investment in associate	9		2,880,964		1,875,206
Investments in joint ventures	9		104,790		136,778
			<u>3,146,532</u>		<u>2,090,464</u>
Current assets					
Stock		28,068		-	
Debtors	10	1,534,030		1,979,146	
Cash at bank and in hand		615,274		1,668,690	
			<u>2,177,372</u>	<u>3,647,836</u>	
Creditors: amounts falling due within one year	11	(600,156)		(1,490,908)	
Net current assets			<u>1,577,216</u>		<u>2,156,928</u>
Total assets less current liabilities			<u>4,723,748</u>		<u>4,247,392</u>
Provisions for liabilities and charges	12		140,881		-
Net assets			<u>4,582,867</u>		<u>4,247,392</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Capital reserve	14		441,572		441,572
Profit and loss account	14		4,140,295		3,804,820
Shareholders' funds - equity			<u>4,582,867</u>		<u>4,247,392</u>

The financial statements were approved by the Board on

P L Edwards
Director

28.1.05

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

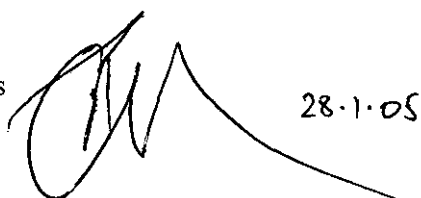
G E PUBLISHING LIMITED

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 (as restated) £	2002 (as restated) £
Fixed assets					
Investments	9		28,724		28,724
Current assets					
Debtors	10	877,994		2,135,114	
Cash at bank and in hand		464,210		1,627,374	
		<u>1,342,204</u>		<u>3,762,488</u>	
Creditors: amounts falling due within one year	11	(532,884)		(1,444,426)	
Net current assets			<u>809,320</u>		<u>2,318,062</u>
Total assets less current liabilities			<u>838,044</u>		<u>2,346,786</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		837,044		2,345,786
Shareholders' funds - equity			<u>838,044</u>		<u>2,346,786</u>

The financial statements were approved by the Board on

P L Edwards
Director



28.1.05

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 2003

	Note	2003 £	2003 £	2002 (as restated) £	2002 (as restated) £
Net cash (outflow)/inflow from operating activities	18		(1,535,002)		451,192
Dividends received from joint ventures associates			1,375,310		2,076,194
Returns on investments and servicing of finance					
Interest received		17,897		21,631	
Interest paid		(352)		(500)	
Net cash inflow from returns on investment and servicing of finance			17,545		21,131
Taxation					
Tax paid			(182,674)		(30,174)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(128,545)		(36,235)	
Proceeds on disposal of fixed assets		-		10,000	
Net cash (outflow)/inflow from capital expenditure			(128,545)		(26,235)
Acquisitions					
Purchase of interest in a joint venture			(50)		-
Equity dividends paid			(600,000)		(1,750,000)
(Decrease)/increase in cash	19		(1,053,416)		742,108

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

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003

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 2003. 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.

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

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.

2 Turnover

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

	2003 £	2002 £
United Kingdom	1,748,344	1,382,523
Europe	665,701	1,173,472
	<hr/>	<hr/>
	2,414,045	2,555,995
Less: Share of joint ventures turnover	(996,073)	(1,173,472)
	<hr/>	<hr/>
	1,417,972	1,382,523
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	2003 £	2002 £
This is arrived at after charging:		
Depreciation of own assets	46,247	62,053
Auditors' remuneration - audit services	14,200	13,500
- non audit services	16,791	15,662
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 2003 (Continued)****4 Employees**

	2003	2002
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	906,411	1,003,895
Social security costs	104,562	104,773
Other pension costs	82,343	110,785
	<hr/>	<hr/>
	1,093,316	1,219,453
	<hr/>	<hr/>

The average monthly number of employees during the year was 19 (2002 - 19).

	2003	2002
	£	£
Directors' emoluments		
Remuneration for management services	275,704	269,166
Pension contributions	72,000	72,000
	<hr/>	<hr/>
	347,704	341,166
	<hr/>	<hr/>

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

	2003	2002
	£	£
Emoluments of the highest paid director:		
Emoluments	97,637	96,379
	<hr/>	<hr/>
Pension contributions	24,000	24,000
	<hr/>	<hr/>

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

5 Taxation on profit on ordinary activities

	2003 £	2003 £	2002 £	2002 £
<i>Corporation tax</i>				
Current tax on profits for the year	451,988		402,948	
Adjustment in respect of prior years	280,000		(83,618)	
Total current tax		731,988		319,330
<i>Deferred tax</i>				
Origination and reversal of timing differences		(36,675)		40,098
<i>Other tax</i>				
Current share of joint ventures tax charge	41,806		141,838	
Adjustment in respect of prior year share of joint ventures tax charge	33,415		-	
		75,221		141,838
Taxation on profit on ordinary activities		770,534		501,266

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

	2003 £	2002 £
Profit on ordinary activities before tax	1,014,864	1,841,765
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	304,459	552,530
Effect of:		
Expenses not deductible for tax purposes	97,110	15,266
Capital allowances in excess of depreciation	(7,162)	(5,133)
Adjustment to tax in respect of prior years	313,416	(83,618)
Net movement in general provisions	41,029	(35,000)
Overseas tax not recoverable	5,560	19,427
Other	10,517	(2,304)
Losses carried forward	42,280	-
Current tax charge for the year	807,209	461,168

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 2003 (Continued)

6 Profit for the year

	2003 £	2002 £
(Loss)/profit dealt with in the financial statements of the parent company	(1,508,742)	414,363

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 Dividends

	2003 £	2002 £
Ordinary - final proposed of £Nil (2002 - £600) per share	-	600,000

8 Tangible fixed assets

Group	Furniture fixtures and fittings £	Office equipment £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>					
At 1 January 2003	78,112	57,206	122,720	113,927	371,965
Additions	100,282	10,378	-	17,885	128,545
At 31 December 2003	178,394	67,584	122,720	131,812	500,510
<i>Depreciation</i>					
At 1 January 2003	60,586	40,650	90,376	101,873	293,485
Provided for the year	13,436	14,502	8,626	9,683	46,247
At 31 December 2003	74,022	55,152	99,002	111,556	339,732
<i>Net book value</i>					
At 31 December 2003	104,372	12,432	23,718	20,256	160,778
At 31 December 2002	17,526	16,556	32,344	12,054	78,480

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

9 Fixed asset investments

a) Group

	Associated undertakings £
Unlisted	
<i>Cost</i>	
At 1 January 2003 and 31 December 2003	28,722
<i>Amounts written-off investments</i>	
At 1 January 2003 and 31 December 2003	18,944
<i>Discount on acquisition</i>	
At 1 January 2003 and 31 December 2003	441,572
<i>Share of retained profits</i>	
At 1 January 2003	1,423,856
Share of profit for year	936,641
At 31 December 2003	2,360,497
<i>Share of comparative exchange differences</i>	
At 1 January 2003	-
Share of exchange differences for the year	69,117
At 31 December 2003	69,117
<i>Net book value</i>	
At 31 December 2003	2,880,964
At 31 December 2002	1,875,206

	Subsidiary undertakings £	Associated undertakings £	Total £
b) Company			
<i>Cost</i>			
At 1 January 2003 and at 31 December 2003	800,002	28,722	828,724
<i>Provision</i>			
At 1 January 2003 and at 31 December 2003	800,000	-	800,000
<i>Net book value</i>			
At 31 December 2003 and at 31 December 2002	2	28,722	28,724

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

9 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%** 1,000 US\$1 shares	United States	Distributor of magazines of America
G E Fabbri Phoenix sp.z.o.o.	32.8%* 100 Zloty shares	Poland	Publisher of partworks
Dane Publishing	100%* 100 US\$ shares	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 2003 (Continued)

9 Fixed asset investments (Continued)

d) Joint venture

	SEP BDA		GE Popworld Publishing Limited	
	2003	2002	2003	2002
	£	£	£	£
Share of gross assets	1,430,842	2,054,016	127,979	-
Share of gross liabilities	(1,326,052)	(1,917,238)	(268,860)	-
Share of net assets/(liabilities)	104,790	136,778	(140,881)	-

Further analysis is given below:

	SEP BDA		G E Popworld Publishing Limited	
	2003	2002	2003	2002
	£	£	£	£
Share of fixed assets	147	921	-	-
Share of current assets	1,430,695	2,053,095	127,799	-
Share of liabilities due within one year	1,326,052	913,574	268,860	-

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 2003.

The following relate to the company's joint venture G E Popworld Publishing Limited which exceeds the 25% threshold as set out in FRS 9.

	2003 £
Share of turnover	330,371
Share of loss before and after tax	140,932
Share of fixed assets	-
Share of current assets	127,979
Share of liabilities due within one year	268,860
Share of liabilities after one year or more	-

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

9 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.

	2003 £	2002 £
Share of turnover	18,995,694	23,001,910
Share of profit before tax	2,071,404	1,982,937
Share of taxation	630,810	532,305
Share of profit after tax	1,440,594	1,500,509
Share of minority interest	15,159	997
Share of assets		
Share of fixed assets	252,324	36,909
Share of current assets	6,959,937	6,487,206
	7,212,261	6,524,115
Share of liabilities:		
Liabilities due within one year or less	4,772,640	4,949,641
Share of minority interest	15,159	757
Share of net assets	2,439,621	1,574,474

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

10 Debtors

	Group 2003 £	Group (as restated) 2002 £	Company 2003 £	Company (as restated) 2002 £
Trade debtors	4,559	25,427	-	-
Amounts due from subsidiary undertakings	-	-	56,392	355,221
Amounts due from associated undertakings	1,248,647	1,629,950	706,120	1,456,314
Other debtors	18,406	2,946	10,546	2,756
Prepayments and accrued income	157,482	258,837	-	258,837
Corporation tax	104,936	61,986	104,936	61,986
	<u>1,534,030</u>	<u>1,979,146</u>	<u>877,994</u>	<u>2,135,114</u>

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

A prior year adjustment has been made in respect of payments receivable for surrender of group relief, incorrectly debited to corporation tax debtors rather than amounts due from associated undertakings. The value of this adjustment was £222,094 and there was no impact on profit.

11 Creditors: amounts falling due within one year

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Trade creditors	171,384	24,469	148,755	24,360
Amounts due to associated undertakings	141,399	243,860	135,169	222,616
Taxation and social security	144,986	181,045	144,986	181,045
Proposed dividend	-	600,000	-	600,000
Accruals and deferred income	125,257	438,444	86,846	413,315
Other creditors	17,130	3,090	17,128	3,090
	<u>600,156</u>	<u>1,490,908</u>	<u>532,884</u>	<u>1,444,426</u>

G E PUBLISHING LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

12 Provisions for liabilities and charges

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Group's share of deficiency in net assets within a joint venture:				
Share of gross assets	127,979	-	-	-
Share of gross liabilities	(268,860)	-	-	-
	<u>140,881</u>	<u>-</u>	<u>-</u>	<u>-</u>

13 Called up share capital

	2003 £	2002 £
<i>Authorised, allotted and fully paid</i>		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

14 Reserves

	Group Capital reserve £	Group Profit and loss account £	Company Profit and loss account £
At 1 January 2003	441,572	3,804,820	2,345,786
Profit/(loss) for the year	-	266,358	(1,508,742)
Exchange differences	-	69,117	-
	<u>441,572</u>	<u>4,140,295</u>	<u>837,044</u>

15 Pensions

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

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Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

16 Commitments under operating leases

As at 31 December 2003, the group and company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2003 £	Land and buildings 2002 £
Operating leases which expire:		
In two to five years	304,000	304,000

17 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 £1,104,000 (2002 - £1,041,000)
- b) Management and development charges of £154,153 (2002 - £676,526)
- c) Staff cost recharges of £596,799 (2002 - £783,953)
- d) Trade sales of £140,111 (2002 - £544,396)

There was a management charge debtor of £154,143 (2002 - £159,140) at the year end.

It also made purchases of £286,198 (2002 - £136,125) from the company.

Tax losses were surrendered to G E Fabbri for consideration of £215,497 (2002 - £172,877).

At the year end a net amount of £1,107,248 (2002 - £1,368,090) was due to the group from G E Fabbri Limited. This includes a proposed dividend of £489,000 (2002 - £1,222,503).

A loan of £240,000 was made by the group to G E Popworld Publishing Limited (a joint venture) during the year. This loan was written off at the year end. Sales with a value of £84,337 were made to G E Popworld Publishing Limited during the year.

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Notes forming part of the financial statements for the year ended 31 December 2003 *(Continued)*

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

	2003 £	2002 £
Operating loss	(1,016,995)	(620,581)
Depreciation	46,247	62,053
Increase in stocks	(28,068)	-
Profit on sale of fixed assets	-	(10,000)
(Increase)/decrease in debtors	(245,434)	1,008,198
(Decrease)/increase in creditors	(290,752)	11,522
Net cash (outflow)/inflow from operating activities	<u>(1,535,002)</u>	<u>451,192</u>

19 Reconciliation of net cash flow to movements in funds

	2003 £	2002 £
(Decrease)/increase in cash in year	(1,053,416)	742,108
Change in funds	(1,053,416)	742,108
Funds at start of year	1,668,690	926,582
Funds at end of year	<u>615,274</u>	<u>1,668,690</u>

20 Analysis of net funds

	At 1 January 2003 £	Cash flow £	At 31 December 2003 £
Cash at bank	1,668,690	(1,053,416)	<u>615,274</u>