Company registration no. 53626

IPC Media Limited

Report and financial statements for the year ended

31 December 2003

Registered office: King's Reach Tower,
Stamford Street, London SE1 9LS

Directors' report

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

Review of business activities and future developments

The principal activity of the company is the publication of magazines. During the coming year it is anticipated that this will continue to be the company's principal activity.

With effect from 1 October 2003 the entire business of ipc electric Limited, a subsidiary undertaking which operated internet websites and other e-commerce ventures, and ipc electric (services) Limited, a fellow subsidiary undertaking which provided technical infrastructure services and support for the group's websites, was transferred to IPC Media Limited.

Results and dividends

Operating profit for the year was £76.6 million (2002 - £55.9 million). An interim dividend of £90.0m was proposed (2002 - £160.0 million paid). The directors do not recommend the payment of a final dividend (2002 - £nil).

Directors and their interests

W R Aley	
R G Atkinson	
S J Auton	
T S Brooks	
P A Brown	(appointed 1 January 2003)
G Crace	
C J J Drinkall	(resigned 30 April 2003)
R J Evans	
L M Genower	(resigned 17 April 2003)
D M Mair	(appointed 12 July 2004)
M J Soutar	
D B Stam	
C S Ward	(resigned 20 February 2004)
E A Webster	(appointed 7 April 2003)
A Whetton	(appointed 24 March 2003)
P R Williams	(appointed 12 July 2004)

Company Secretaries

J S Redpath	(appointed 17 March 2003)
S J Williams	

At the year end no director held any beneficial interests in the shares of the company.

The directors' beneficial interests in the shares of other group undertakings, as recorded in the registrar of directors' interests at the year end, are shown below:

	IPC Holdings (UK) Limited *Preference shares of £1 each*	
	31 December 2003 Number	31 December 2002 Number
W R Aley	**200**	200
S J Auton	**200**	200
G Crace	**200**	200
D B Stam	**200**	200
C S Ward	**200**	-

R G Atkinson, T S Brooks, P A Brown, R J Evans, M J Soutar, E A Webster and A Whetton had no beneficial interests in the shares of other group undertakings recorded in the register of directors' interests at the year end.

Directors' report (continued)

Employee participation

Employees are informed of the performance and prospects of the company and encouraged to become aware of the financial and economic factors which affect the company and its ability to compete in the marketplace. The individual contributions of staff are recognised as being essential to the future success of the business.

The company has an established staff council which met regularly during the year.

Disabled persons

It is the policy of the group to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

Donations

During the year the company made charitable donations of £5,590 (2002 - £1,209).

Euro

Whilst the UK remains outside the European Monetary Union the only effect on the business of the introduction of the Euro is as an additional trading currency. The company's systems are able to process multi-currency transactions.

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

S J Williams
Company Secretary
27 October 2004

Statement of directors' reponsibilities

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 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 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.

Independent auditors' report to the members of IPC Media Limited

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses and the related notes 1 to 21. These financial statements have been prepared on the basis of 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 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 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 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.

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 judgments 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 the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

28 October 2004

Profit and loss account

for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Turnover	2	**390,216**	381,290
Cost of sales		**(189,939)**	(189,883)
Gross profit		**200,277**	191,407
Sales and distribution costs		**(87,821)**	(86,432)
Administrative expenses	3	**(35,817)**	(49,100)
Other operating income		-	51
Operating profit	4	**76,639**	55,926
Income from joint ventures		**1,850**	2,000
		78,489	57,926
Net interest receivable	7	**3,220**	1,444
Profit on ordinary activities before taxation		**81,709**	59,370
Taxation on profit on ordinary activities	9	**(12,743)**	(15,301)
Profit on ordinary activities after taxation		**68,966**	44,069
Dividends on equity shares	10	**(90,000)**	(160,000)
Retained loss for the year transferred to reserves		**(21,034)**	(115,931)

Turnover and operating income arose from continuing operations.

Statement of total recognised gains and losses
for the year ended 31 December 2003

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit for the financial year	**68,966**	44,069
Total recognised gains and losses relating to the year	**68,966**	44,069
Prior year adjustment - adoption of FRS 19	-	13,055
Total gains and losses recognised since last annual report	**68,966**	57,124

Balance sheet

as at 31 December 2003

	Note	31 December 2003 £'000	31 December 2002 £'000
Fixed assets			
Intangible assets	11	**27,488**	30,414
Tangible assets	12	**19,270**	18,270
Investments	13	**75,955**	75,955
		122,713	124,639
Current assets			
Stocks	14	**4,831**	4,439
Debtors: amounts falling due within one year	15	**184,228**	143,228
Debtors: amounts falling due after more than one year	15	**4,856**	4,856
Cash at bank and in hand		**23,220**	25,400
		217,135	177,923
Creditors: amounts falling due within one year	16	**(216,708)**	(144,938)
Net current assets		**427**	32,985
Total assets less current liabilities		**123,140**	157,624
Creditors: amounts falling due after more than one year	16	**-**	(13,450)
Total net assets		**123,140**	144,174
Capital and reserves			
Called up share capital	17	**2,580**	2,580
Share premium account	18	**112,887**	112,887
Share redemption account	18	**2,318**	2,318
Profit and loss account	18	**5,355**	26,389
Equity shareholders' funds	18	**123,140**	144,174

These financial statements were approved by the Board of Directors on 27 October 2004.
Signed on behalf of the Board of Directors

W R Aley
Director

Notes to the financial statements
for the year ended 31 December 2003

1 Accounting policies

Basis of accounting

The financial statements are presented for the company as an individual undertaking. The company is not required to prepare group financial statements under Section 228 of the Companies Act 1985 because its parent undertaking is established under the law of a member State of the European Union.

Under the provisions of Financial Reporting Standard 1 - Cash Flow Statements', the company has not prepared a cash flow statement because it is a wholly owned subsidiary of Time Warner Holdings Limited, which is incorporated in Great Britain, and has prepared consolidated financial statements which include the financial statements of the company and which contain a cash flow statement.

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Investments

Investments are stated at cost less provision, if appropriate, for any impairment in value.

Intangible assets

Publishing rights are stated at fair value on acquisition and are amortised on a straight line basis over the useful economic life up to a maximum of 20 years. Goodwill arising on the acquisition of the trade or assets of a business, being the difference between the fair value of the assets acquired and the consideration paid, is also amortised on a straight line basis over its useful economic life up to a maximum of 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on a basis that will write off the book value of fixed assets on a straight line basis over their expected lives. The depreciation rates range from $6^2/_3$% to $33^1/_3$% for plant and equipment, and $6^2/_3$% to $12^1/_2$% for fixtures and fittings.

Notes to the financial statements
for the year ended 31 December 2003

1 Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the periods of the leases.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

Pensions

The company operates both defined benefit and defined contribution pension schemes.

For defined benefit schemes, the expected costs of pensions in respect of the scheme are charged to the profit and loss account so as to spread the costs over the service lives of the employees in the scheme. Actuarial surpluses or deficits are allocated over the average expected remaining service lives of the employees.

For defined contribution schemes, the pension cost charged to the profit and loss account represents contributions payable by the company to the relevant funds as they become payable in accordance with the rules of the schemes.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling on that date. The translation differences are dealt with in the profit and loss account.

Notes to the financial statements
for the year ended 31 December 2003

2 Segmental information

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
The analysis of the group's turnover by destination of geographical market is as follows:		
United Kingdom	**341,836**	335,195
Europe	**30,145**	28,651
Rest of the world	**18,235**	17,444
Total	**390,216**	381,290

Turnover is derived principally from the company's main activity, magazine publishing, in the United Kingdom.

It is not appropriate to analyse operating profit or net assets attributable to geographical market as the company operates principally from one geographical location.

3 Administrative expenses

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Exceptional reorganisation costs	**(2,816)**	18,420
Other administrative expenses	**38,633**	30,680
Total administrative expenses	**35,817**	49,100

During the year the company released £2,816,000 (2002 - £18,420,000 charge) of the exceptional reorganisation costs provision set up in 2002 to cover the costs incurred associated with reorganising and integrating its business into that of Time Warner Inc.

4 Operating profit

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible assets	**7,595**	7,248
Amortisation of intangible assets	**2,926**	2,926
Auditors' remuneration		
Audit fees	**110**	105
Operating lease rentals - land and buildings	**6,184**	5,966
(Profit)/loss on disposal of fixed assets and titles	**(212)**	1,060

Notes to the financial statements

for the year ended 31 December 2003

5 Information regarding directors and employees

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Staff costs (including directors)		
Wages and salaries	72,340	66,332
Social security costs	7,376	6,275
Pensions	7,798	3,202
	87,514	75,809

	Number	Number
The monthly average number of persons employed		
Editorial	952	898
Sales and distribution	778	768
Administration and finance	347	356
	2,077	2,022

6 Directors' emoluments

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Total emoluments	2,407	2,992
Compensation for loss of office	220	-
Company contributions paid to money purchase schemes	10	-

The number of directors accruing benefits at the year end in respect of defined benefit pension schemes is 8 (2002 - 9). There was 1 (2002 - none) director accruing benefits at the year end in respect of defined contribution pension schemes.

Analysis of emoluments (excluding pension contributions) of the highest paid director:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Aggregate emoluments	534	585
Accrued pension at year end	151	68

7 Net interest receivable

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Bank interest receivable	3	22
Interest receivable from group undertakings	3,248	1,422
Other interest payable	(31)	-
	3,220	1,444

8 Pension commitments

The company operates a number of pension schemes. The principal scheme, the IPC Media Pension Scheme (the Scheme) is of the defined benefit type. SSAP 24 has been used as the basis for preparing the financial statements. The disclosures set out below cover the requirements of SSAP 24 and the FRS 17 transitional arrangements.

SSAP 24

The pension cost of the Scheme charged to the profit and loss account has been assessed in accordance with the advice of a qualified actuary using the projected unit method. The Scheme was closed throughout the year hence the projected unit service cost will increase as members approach retirement. The latest actuarial assessment was as at 5 April 2003. The assumptions which 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 of salaries and pensions. It was assumed that the investment return for past service would be 7.5% per annum and for future service 6.5% per annum, that salary increases would average 4.5% per annum and that present and future pensions would increase at 3% per annum.

At the date of the latest formal actuarial valuation, the market value of the assets of the Scheme was £90.4m which represented a shortfall of £17.1m compared with the benefits that had accrued to members, after allowing for expected future increases in earnings (actuarial value of assets 84% of accrued benefits).

Since the date of the valuation the company has made a lump sum contribution of £21.1m to the Scheme. This is equivalent to the shortfall as at 5 April 2003 of £17.1m plus subsequent investment returns on the Scheme's assets.

The assets are held in separate trustee administered funds.

The total pension cost for the company for the year was £7,797,773 (2002 - £3,202,291).

FRS 17 additional transitional disclosures

The valuation used for FRS 17 disclosures has been based on the most recent formal actuarial valuation at 5 April 2003 and updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the Scheme at 31 December 2003. Scheme assets are stated at their market values at the balance sheet date.

Actuarial assumptions	**31 December 2003**	31 December 2002
	%	%
Rate of price inflation	**2.5**	2.25
Rate of increase in salaries	**4.0**	3.75
Rate of increase in pensions	**2.5**	2.25
Discount rate	**5.5**	5.5
Contributions		
employees	**5.0**	3.0 or 5.0
employers	**12.6**	0.0

Notes to the financial statements
for the year ended 31 December 2003

8 Pension commitments (continued)

Fair value of assets and expected rate of return

	Expected rate of return 31 December 2003 %	Fair value 31 December 2003 £m	Expected rate of return 31 December 2002 %	Fair value 31 December 2002 £m
Equities	8.0	119.9	8.25	86.0
Corporate bonds	5.50	11.0	5.50	8.1
Gilts	4.75	10.9	4.50	6.8
Cash	3.75	0.2	3.75	0.5
Total fair value of assets		142.0		101.4

Impact on net assets if FRS 17 pension liability were recognised

	31 December 2003 £m	31 December 2002 £m
Fair value of scheme assets	142.0	101.4
Present value of scheme liabilities	(167.8)	(153.9)
Deficit in scheme	(25.8)	(52.5)
Related deferred tax	7.7	15.8
Net FRS 17 pension liability	(18.1)	(36.7)
Add back SSAP 24 pension (asset)/liability	(2.0)	13.5
Impact on net assets if FRS 17 pension liability recognised	(20.1)	(23.2)
Net assets as currently stated	123.1	144.2
Net assets including pension liability	103.0	121.0

Profit and loss reserves if FRS 17 pension liability were recognised

	31 December 2003 £m	31 December 2002 £m
Profit and loss reserve as currently stated	5.4	26.4
Net FRS 17 pension liability	(18.1)	(36.7)
(Deduct)/add back SSAP 24 pension (asset)/liability	(2.0)	13.5
Profit and loss reserve if FRS 17 pension liability recognised	(14.7)	3.2

Amounts to be charged to profit and loss account under FRS 17

	Defined benefit schemes year ended 31 December 2003 £m	Other schemes year ended 31 December 2003 £m	Total year ended 31 December 2003 £m	Defined benefit schemes year ended 31 December 2002 £m	Other schemes year ended 31 December 2002 £m	Total year ended 31 December 2002 £m
Current service cost	6.8	0.3	7.1	7.0	0.4	7.4
Past service cost	0.2	-	0.2	1.1	-	1.1
Total charge to operating profit	7.0	0.3	7.3	8.1	0.4	8.5
Expected return on assets	(7.8)	-	(7.8)	(9.8)	-	(9.8)
Interest on liabilities	8.4	-	8.4	8.0	-	8.0
Total finance income	0.6	-	0.6	(1.8)	-	(1.8)
Total profit and loss account charge	7.6	0.3	7.9	6.3	0.4	6.7

Notes to the financial statements
for the year ended 31 December 2003

8 Pension commitments (continued)

	Year ended 31 December 2003 £m	Year ended 31 December 2002 £m
Amounts to be included in statement of recognised gains and losses under FRS 17		
Gain/(loss) on assets	11.6	(34.5)
Experience gain/(loss) on liabilities	7.0	(1.3)
Loss on change of assumptions	(7.3)	-
Total actuarial gain/(loss)	11.3	(35.8)

Analysis of actuarial gains and losses	Year ended 31 December 2003 %	Year ended 31 December 2002 %
Actual returns less expected returns on assets as % of scheme assets	8.2%	(34.0%)
Experience gains and losses on liabilities as % of scheme liabilities	4.1%	(0.8%)

Analysis of movement in deficit	Year ended 31 December 2003 £'m	Year ended 31 December 2002 £'m
Deficit at 1 January	(52.5)	(11.6)
Contributions paid	23.0	1.2
Current service cost	(6.8)	(7.0)
Past service cost	(0.2)	(1.1)
Finance income	(0.6)	1.8
Actuarial profit/(loss)	11.3	(35.8)
Deficit at 31 December	(25.8)	(52.5)

9 Taxation on profit on ordinary activities

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
a) The charge/(credit) based on the results for the year is as follows:		
Taxation based on the profit for the year		
Corporation tax payable at 30.0%	8,790	-
Double tax relief	(4)	-
Group relief payments	2,887	17,239
Under provision for prior years	420	-
Overseas tax suffered	4	-
Total current tax charge (see 9 b) below)	12,097	17,239
Deferred tax		
Timing differences, origination and reversal	1,148	(1,938)
Adjustment to estimated recoverability of deferred tax assets arising in earlier periods	(502)	-
Total deferred tax (see 9 c) below)	646	(1,938)
Total tax charge on profit on ordinary activities	12,743	15,301

Notes to the financial statements
for the year ended 31 December 2003

9 Taxation on profit on ordinary activities (cont'd)

b) Circumstances affecting the current tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2002 - 30%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before tax	**81,709**	59,370
Tax on profit on ordinary activities at standard rate	**24,513**	17,811
Factors affecting the tax charge:		
Disallowable expenses	**1,296**	1,296
Capital allowances in excess of depreciation	**(2,590)**	-
Group relief received for nil consideration	**(12,429)**	(3,206)
UK dividends received	**(555)**	(600)
Tax overprovided in previous years	**420**	-
Other timing differences	**1,442**	1,938
Total current tax charge (see 9 a) above)	**12,097**	17,239

c) Deferred tax

Deferred tax is provided at 30% (2002 - 30%) in the financial statements as follows:

Included in debtors (see note 15)	**(19,608)**	(14,993)
Capital allowance pool in excess of book value of qualifying assets	**(12,732)**	(9,559)
Short term timing differences	**(6,876)**	(5,434)
	(19,608)	(14,993)
Deferred tax asset	**(19,608)**	(14,993)

Analysis of movement in asset:	**£'000**
At 1 January 2003	(14,993)
Charged to the profit and loss account (see note 9 a) above)	646
Transfer from ipc electric (services) Ltd	(5,261)
At 31 December 2003	**(19,608)**

Notes to the financial statements
for the year ended 31 December 2003

10 Dividends on equity shares

Equity dividends on ordinary shares	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Interim dividends	**90,000**	160,000

11 Intangible fixed assets

	Publishing rights £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2003	37,036	21,477	58,513
At 31 December 2003	**37,036**	**21,477**	**58,513**
Amortisation			
At 1 January 2003	23,789	4,310	28,099
Title disposals	-	-	-
Charge for the year	1,852	1,074	2,926
At 31 December 2003	**25,641**	**5,384**	**31,025**
Net book value			
At 31 December 2003	**11,395**	**16,093**	**27,488**
At 31 December 2002	13,247	17,167	30,414

12 Tangible fixed assets

	Plant & equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2003	57,916	24,519	82,435
Additions	6,799	1,824	8,623
Disposals	(1,185)	-	(1,185)
At 31 December 2003	**63,530**	**26,343**	**89,873**
Accumulated depreciation			
At 1 January 2003	46,592	17,573	64,165
Charge for the year	5,445	2,150	7,595
Disposals	(1,157)	-	(1,157)
At 31 December 2003	**50,880**	**19,723**	**70,603**
Net book value			
At 31 December 2003	**12,650**	**6,620**	**19,270**
At 31 December 2002	11,324	6,946	18,270

Notes to the financial statements

for the year ended 31 December 2003

13 Fixed asset investments

Shares in subsidiary undertakings and joint ventures	31 December 2003 £'000	31 December 2002 £'000
Cost	117,373	117,373
Provisions	(41,418)	(41,418)
Net Book Value	75,955	75,955

Interests in the share capital of subsidiary undertakings relate to IPC Magazines (Overseas) Limited and dormant companies all of which are wholly owned. The dormant companies hold certain publishing rights to magazines published by the company.

The principal function of IPC Magazines (Overseas) Limited is to hold shares in overseas publishing undertakings.

IPC Magazines (Overseas) Limited has a 50% economic interest in Avantages SAS, whose principal activity is magazine publishing and is incorporated in France. IPC Magazine (Overseas) Limited also holds a 100% share of the capital of IPC Media Australia Holdings Pty Limited (formerly IPC Magazines Australia Holdings Pty Limited). IPC Media Australia Holdings Pty Limited is a holding company for magazine publishing interests in New Zealand and Australia and is incorporated in Australia.

IPC Media Limited has a joint venture interest in European Magazines Limited by virtue of its 50% ownership of the company's £100 issued share capital. This interest is included within fixed asset investments at its original cost of £50. European Magazines Limited's principal activity is magazine publishing. European Magazines Limited made a profit before tax of £4,207,000 for the year ended 31 December 2003 (year ended 31 December 2002 - £5,347,000) and had total shareholders' funds of £2,061,000 (31 December 2002 - £2,135,000). The year end for European Magazines Limited is 31 December. European Magazines Limited is incorporated in England and Wales.

In the opinion of the directors, the aggregate value of the company's investments is not worth less than the aggregate amount shown above.

14 Stocks

	31 December 2003 £'000	31 December 2002 £'000
Raw materials and consumables	4,831	4,439

Notes to the financial statements

for the year ended 31 December 2003

15 Debtors

	31 December 2003 £'000	31 December 2002 £'000
Amounts falling due within one year:		
Trade debtors	**29,935**	28,560
Amounts owed by group undertakings	**127,418**	93,244
Amounts owed by joint ventures	**435**	108
Other debtors	**3,180**	1,521
Corporation tax	**-**	572
Prepayments and accrued income	**3,652**	4,230
Deferred tax asset (see note 9 c) above)	**19,608**	14,993
	184,228	143,228

	31 December 2003 £'000	31 December 2002 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	**4,856**	4,856

16 Creditors

	31 December 2003 £'000	31 December 2002 £'000
Amounts falling due within one year:		
Trade creditors	46,694	41,784
Amounts owed to group undertakings	45,855	60,510
Amounts owed to joint ventures	-	128
Accruals and deferred income	14,519	13,682
Other creditors	6,419	8,949
Corporation tax	3,724	-
Taxation and social security	3,791	2,646
Group relief payable	5,706	17,239
Dividends payable to immediate parent undertaking	90,000	-
	216,708	144,938
Amounts falling due after more than one year:		
Accrued pension costs	-	13,450

Notes to the financial statements
for the year ended 31 December 2003

17 Called up share capital

	31 December 2003 £'000	31 December 2002 £'000
Authorised		
3,230,000 ordinary shares of £1 each	**3,230**	3,230
Called up, allotted and fully paid		
2,580,500 ordinary shares of £1 each	**2,580**	2,580

18 Reconciliations of movements in shareholders' funds and movement in reserves

	Share capital £'000	Share premium account £'000	Share redemption account £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	2,580	112,887	2,318	26,389	144,174
Loss for the year	-	-	-	(21,034)	(21,034)
At 31 December 2003	**2,580**	**112,887**	**2,318**	**5,355**	**123,140**

19 Operating lease commitments

Annual commitments under non-cancellable land and buildings operating leases are as follows:

	31 December 2003 £'000	31 December 2002 £'000
Leases which expire:		
Within one year	**7**	251
Between two to five years	**5,406**	4,204
After five years	**26**	22
	5,439	4,477

20 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with fellow members of the group where 90% of the voting rights are controlled within the group.

There were no material related party transactions during the year other than those set out below or disclosed elsewhere in the financial statements.

Joint ventures

During the year the group sold goods and provided management and other services to European Magazines Limited. The total value of these transactions was £11.7m (2002 - £10.2m). As at 31 December 2003 the company was owed £0.2m by European Magazines Limited (31 December 2002 - £0.1m due to European Magazines Limited).

The company also charged royalties totalling £0.4m (2002 - £0.4m) to Avantages SAS and as at 31 December 2003 the company was owed £0.2m (31 December 2002 - £0.1m) by Avantages SAS.

The directors are satisfied that all related party transactions were carried out on an arm's length basis.

Notes to the financial statements
for the year ended 31 December 2003

21 Parent undertakings

The immediate parent undertaking is IPC Magazines Holdings Limited.

Time Warner Holdings Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up. Time Warner Holdings Limited is registered in England and Wales and copies of its financial statements may be obtained from the Registrar of Companies in Cardiff.

Time Warner Inc., a company incorporated in the United States of America, is the ultimate parent undertaking of the largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.