

**THE CONDÉ NAST PUBLICATIONS LIMITED**

**Registration Number 226900**

**DIRECTORS' REPORT AND GROUP FINANCIAL  
STATEMENTS**

**31 DECEMBER 1998**



# **THE CONDÉ NAST PUBLICATIONS LIMITED**

## **YEAR ENDED 31 DECEMBER 1998**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors present their report and the audited financial statements of the group for the year ended 31 December 1998.

#### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The group's principal activities during the year were magazine and book publishing. The profit and loss account for the year is set out on page 5.

The group sold its book publishing subsidiary, Random House (UK) Limited on 1 July 1998 for a consideration of £175,396,000 realising a gain of £33,254,000.

#### **RESULTS AND DIVIDENDS**

The consolidated profit after taxation was £41,189,000 (1997: £9,758,000). The directors proposed the payment of a dividend £37,952,000 (1997:£Nil). The retained profit has been transferred to reserves.

#### **DIRECTORS AND THEIR INTERESTS**

The names of the directors who served during the period are as follows:

J. Newhouse (appointed on 19 February 1998)

N Coleridge

M Garvin

S Boler

P Stuart

S Quinn

D Gresty

A Holcroft

A Shulman

S Amooore

V Matthews

M Hogg

A Willett

H Fifield

The directors had no interest in shares of the company in either year.

#### **FUTURE DEVELOPMENTS**

The group will continue to develop its magazine publishing activities and the directors expect the present level of activity to be sustained for the foreseeable future.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**  
**(Continued)**

**YEAR 2000 READINESS**

The Year 2000 issue arises from the possibility that computer based systems may fail to accommodate the date change to the Year 2000. The company has identified its critical and significant internal systems which will require modification to provide for the company's continuing business operations after 1 January 2000. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company implemented a new accounting system during the year which is fully Year 2000 compliant. The directors do not expect any costs of further compliance steps to have a material adverse effect on the company's financial condition, results of operations or liquidity.

**THE EURO**

The company is preparing for the introduction of the single European currency and will adapt systems to enable trading relationships with customers in member states of that currency as appropriate. In the opinion of the directors, the costs associated with these changes are not considered significant.

**CHARITABLE CONTRIBUTIONS**

Donations made by the group for charitable purposes were £103,563 (1997:£12,800).

**EMPLOYMENT OF DISABLED PERSONS**

Applications for employment by disabled persons are always considered fully having regard to the aptitudes and abilities of the applicant concerned and the requirements of the position for which the application is made. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and, where necessary, appropriate retraining is arranged.

**EMPLOYEE CONSULTATION**

The group places considerable importance on the contributions to be made by all employees to the progress of the group through their respective companies, and aims to keep employees informed on matters affecting them and on developments generally within the group. This is achieved by formal and informal meetings at the individual company level.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998**  
**(Continued)**

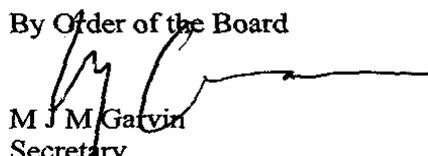
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 group 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

  
M J M Garvin  
Secretary

26 October 1999

Vogue House  
Hanover Square  
London W1R 0AD

## **AUDITORS' REPORT TO THE MEMBERS OF THE CONDÉ NAST PUBLICATIONS LIMITED**

We have audited the financial statements on pages 5 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 or our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

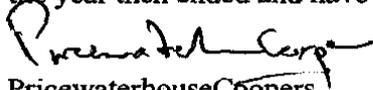
### **Basis of opinion**

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 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 affairs of the company and of the group as at 31 December 1998 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

26 October 1999

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £'000	1997 as restated £'000	1997 as restated £'000
<b>Turnover</b>	2			
Continuing operations		78,402		62,043
Acquisitions		-		17,371
			78,402	79,414
<b>Discontinued operations</b>			51,518	94,534
			129,920	173,948
Change in stocks of finished goods and work in progress	3		154	(4,326)
Other operating income	3		2,926	1,257
Raw materials and consumables	3	(21,516)		(36,724)
Other external charges	3	(62,712)		(75,687)
Staff costs	3	(33,603)		(37,328)
Depreciation	3, 7	(3,915)		(4,494)
Other operating charges	3	(1,777)		(2,447)
			(123,523)	(156,680)
<b>Operating Profit</b>	3			
Continuing operations		7,982		13,730
Acquisitions		-		469
Discontinued operations		1,495		-
			9,477	14,199
Income from interests in associated undertakings			1,043	2,098
Provision for loss on disposal of assets			-	(1,920)
Gain on disposal of discontinued operations	4		33,254	-
<b>Profit on Ordinary Activities Before Interest</b>			43,774	14,377
Other interest receivable and similar income			5,767	1,548
Interest payable and similar charges	3		20	(271)
<b>Profit on Ordinary Activities Before Taxation</b>			49,561	15,654
Tax on profit on ordinary activities	5		(8,372)	(5,896)
<b>Profit for the financial year</b>			41,189	9,758
Dividends			(37,952)	-
<b>Retained profit for the financial year</b>	14		3,237	9,758

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1998**

	Notes	1998 £'000	£'000	1997 £'000	£'000
<b>Fixed Assets</b>					
Tangible assets	7	20,343		71,371	
Investments	8	408		1,089	
			20,751		72,460
<b>Current Assets</b>					
Stocks	9	2,874		15,135	
Debtors	10	36,272		85,200	
Properties held for re-sale	15(4)	62		3,134	
Investments		157,580		-	
Cash at bank and in hand		6,081		31,855	
Advance royalties		382		20,809	
		203,251		156,133	
<b>Creditors (amounts falling due within one year)</b>	11	(34,182)		(96,765)	
<b>Net Current Assets</b>			169,069		59,368
<b>Total Assets less Current Liabilities</b>			189,820		131,828
<b>Provision For Liabilities and Charges</b>	12		(734)		(8,652)
<b>Total Net Assets</b>			189,086		123,176
<b>Capital and Reserves</b>					
Called up share capital	13	84,659		84,659	
Share premium account	14	13,330		13,330	
Reserves	14	91,097		25,187	
<b>Shareholders' Funds</b>			189,086		123,176

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**COMPANY BALANCE SHEET AS AT 31 DECEMBER 1998**

	Notes	1998		1997	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible assets	7	19,823		19,853	
Investments	8	5,105		149,946	
			24,928		169,799
<b>Current Assets</b>					
Stocks	9	2,546		1,379	
Debtors	10	27,441		29,621	
Investments		158,396		-	
Cash at bank and in hand		4,211		14,791	
		192,594		45,791	
<b>Creditors (amounts falling due within one year)</b>	11	(21,584)		(16,663)	
<b>Net Current Assets</b>			171,010		29,128
<b>Total Assets less Current Liabilities</b>			195,938		198,927
<b>Total Net Assets</b>			195,938		198,927
<b>Capital and Reserves</b>					
Called up share capital	13	84,659		84,659	
Share premium account	14	13,330		13,330	
Capital contributions	14	31,500		31,500	
Reserves	14	66,449		69,438	
<b>Shareholders' Funds</b>			195,938		198,927

The financial statements on pages 5 to 27 were approved by the board of directors on 26 October 1999 and were signed on its behalf by:

*Nicola Coleridge*

N Coleridge  
 DIRECTOR

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £'000	1997 £'000
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	15(1)	(1,989)	12,502
<b>Returns on Investments and Servicing of Finance</b>			
Interest received		5,822	1,548
Interest paid		(20)	(271)
Dividend received from associated undertaking		935	1,720
<b>Net Cash (Outflow)/Inflow from Return on Investments and Servicing of Finance</b>		<b>6,737</b>	<b>2,997</b>
<b>Taxation</b>			
Taxation paid		(3,460)	(3,532)
<b>Net Cash Outflow from taxation</b>		<b>(3,460)</b>	<b>(3,532)</b>
<b>Capital Expenditure and Financial Investment</b>			
Purchase of tangible fixed assets		(3,200)	(9,939)
Proceeds from sale of fixed assets		139	984
Repayment of investment loan		-	454
Purchase of other fixed asset investments		(2)	(128)
<b>Net Cash Outflow from Investing Activities</b>		<b>(3,063)</b>	<b>(8,629)</b>
<b>Acquisitions and Disposals</b>			
Cash acquired		-	1,005
Proceeds from disposal of subsidiary undertaking	15(5)	175,396	-
Cash disposed with subsidiary	15(5)	(3,863)	-
<b>Net Cash Inflow from Acquisitions and Disposals</b>		<b>171,533</b>	<b>1,005</b>
<b>Dividends</b>			
Dividends paid		(37,952)	-
<b>Management of Liquid Resources</b>			
Purchase of current asset investments		(157,580)	-
<b>(Decrease)/Increase in Cash</b>	15(2)	<b>(25,774)</b>	<b>4,343</b>

The current asset investment of £157,580 represents a holding in a managed dollar fund of Chase Manhattan Vista Funds Plc.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	3,237	9,758
Currency translation losses on foreign investments	(164)	(763)
<b>Total recognised gains relating to the year</b>	<b>3,073</b>	<b>8,995</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the financial year	3,237	9,758
Exchange losses	(164)	(763)
Goodwill set off against reserves	-	(3,100)
Goodwill previously set off to reserves in respect of disposed subsidiary	62,837	-
<b>Net addition to shareholders' funds</b>	<b>65,910</b>	<b>5,895</b>
Opening shareholders' funds at 1 January 1998	123,176	117,281
<b>Closing shareholders' funds at 31 December 1998</b>	<b>189,086</b>	<b>123,176</b>

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**(1) Basis of accounting**

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

**(2) Basis of consolidation**

The group financial statements incorporate the financial statements of the company and all of its subsidiaries. The accounts of overseas subsidiaries are translated into sterling at the exchange rates ruling at the balance sheet date and any gain or loss arising from changes in rate during the year is dealt with through reserves. The results of any subsidiaries acquired during the year are included from the date of acquisition.

**(3) Turnover**

Turnover represents billings to customers for advertising, news-stand sales, subscription revenues, commission sales of published magazines and books and book royalties. Income associated with a particular issue of a magazine is recognised in the profit and loss account when the magazine is published, being usually the month preceding that appearing on the magazine's cover. Income from books is recognised when the books are despatched to the customer.

**(4) Tangible fixed assets**

Long leasehold property is stated at cost and depreciated on a reducing balance over the period of the lease.

Leasehold improvements are stated at cost and are amortised over the period of the respective leases or, if shorter, the estimated useful lives of the improvements.

Plant and equipment and motor vehicles are stated at cost less accumulated depreciation.

Depreciation is provided in equal annual instalments at the following rates calculated to write off the assets over their estimated useful lives:

Short and long leaseholds	-	Term of lease
Plant and office equipment	-	10%
Computer equipment	-	10% - 20%
Motor vehicles	-	25%
Freehold properties	-	2%

Maintenance and repair costs are charged to the profit and loss account as incurred. Additions and improvements to leasehold properties are capitalised. At the time leaseholds, plant and equipment or motor vehicles are sold, retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the profit and loss account.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES (Continued)**

**(5) Operating leases**

Expenses under operating leases are recognised in the profit and loss account over the respective terms of the leases.

**(6) Finance leases**

Assets held under finance lease are capitalised at their fair market value and depreciated according to the rates on page 10. Commitments under these leases are included within creditors.

**(7) Premium on acquisition**

A premium on acquisition (or goodwill) arises when the amount paid for a subsidiary or associated undertaking exceeds the fair value attributed to the net assets acquired. On consolidation of a newly acquired subsidiary or associated undertaking, prior to the introduction of FRS10, such a premium has been set off against consolidated reserves in the year in which it arises.

**(8) Stocks and work-in-progress**

Stocks comprise raw materials and consumables, work-in-progress and finished goods.

Finished goods are stated at the lower of cost and net realisable value. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration) are charged to the profit and loss account in full on the publication of magazines, being usually the month preceding that appearing on the magazine's cover. Plant costs relating to books are charged in the month prior to shipment.

Raw materials and consumables and work-in-progress are stated at the lower of cost and net realisable value with cost being determined by the first-in-first-out (FIFO) method. Work in progress represents editorial production and associated expenses incurred at the balance sheet date on publishing projects for which revenues are to be accounted for after that date.

**(9) Deferred taxation**

Provision is made on the liability method for deferred taxation arising from timing differences between profits as computed for tax purposes and profits as stated in the accounts. A net deferred tax liability is provided for in the accounts to the extent that it is probable that a liability will crystallise. Net deferred taxation assets are not recognised.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES (Continued)**

**(10) Translation of foreign currencies**

Amounts receivable and payable in foreign currencies are translated at the rates of exchange in effect at the balance sheet date. Exchange gains and losses arising from translation of foreign currency transactions are included in the profit and loss account for the year. Assets and liabilities overseas are translated into sterling at the exchange rates ruling at the relevant balance sheet date. Differences arising from the retranslation of opening net assets are dealt with through reserves.

**(11) Royalties**

Royalty advances to authors, which are not expected to be earned from future sales of books and rights, are written off to the profit and loss account in the year of publication.

**(12) Pensions**

The cost of providing retirement pensions and related benefits are charged to the profit and loss account over the period benefiting from the employees' services.

**2. SEGMENTAL REPORTING**

<b>Turnover</b>	<b>1998</b> <b>£'000</b>	<b>1997</b> <b>£'000</b>
By geographical destination:		
United Kingdom	83,971	120,935
Australia, New Zealand and South Africa	9,700	22,980
Rest of the world	36,249	30,033
	<hr/> 129,920	<hr/> 173,948
By geographical origin:		
United Kingdom	99,680	149,227
Australia, New Zealand and South Africa	9,700	22,980
Rest of the world	20,540	1,741
	<hr/> 129,920	<hr/> 173,948

The activities of the group are principally in the areas of magazine and book publishing. An analysis of turnover, profit/(loss) before taxation and net assets by class of business and by geographic location has not been presented as the directors believe that the disclosure would be seriously prejudicial.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**2. SEGMENTAL REPORTING (Continued)**

The analysis of turnover presented above represents our approximation of actual results, using the 1997 segmental analysis as a basis for apportionment. The directors believe that the approximation is not materially different from actual results.

**3. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs:		
Wages and salaries	28,730	32,655
Social Security costs	3,393	2,668
Other pension costs	1,480	2,005
<b>Total staff costs</b>	<b>33,603</b>	<b>37,328</b>
Interest payable:		
Interest payable on bank loans and overdrafts repayable within five years	(20)	267
Interest payable on hire purchase contracts and finance leases	-	4
<b>Total interest payable</b>	<b>(20)</b>	<b>271</b>
Operating lease rentals:		
Plant and machinery	125	375
Other operating leases	541	1,160
Depreciation - owned assets	3,908	4,474
- finance leases	7	20
- intangibles	12	-
Provision for loss on disposal of fixed assets	-	1,920
Auditors' remuneration - audit	77	149
- non audit services	127	49
Loss/(Profit) on sale of tangible fixed assets	41	(264)
Currency translation differences	300	187
Rents receivable	583	(632)

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**3. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**  
**(Continued)**

The above includes charges to profit on ordinary activities before taxation, of £668,699 (1997:£50,000) in respect of expenses incurred by Tatler Publishing Company Ltd, whose trade and net assets were transferred to Condé Nast Publications Ltd on 31 August 1998. The amounts included for the year were derived directly from the accounting records following a revision in the group basis of cost allocation.

Included in auditors' remuneration for audit services above is £40,000 (1997:£42,000) in respect of the audit of the company. Operating income and charges is divided between continuing and discontinued operations as follows:

	1998			1997 (as restated)		
	Continuing operations £'000	Discontinued operations £'000	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Change in stocks of finished goods and work in progress	255	(101)	154	52	(4,378)	(4,326)
Other operating income	2,741	185	2,926	845	412	1,257
Raw materials and consumables	8,108	13,408	21,516	5,990	30,734	36,724
Other external changes	40,250	22,462	62,712	29,590	46,097	75,687
Staff costs	22,310	11,293	33,603	16,127	21,201	37,328
Depreciation	1,676	2,239	3,915	1,519	2,975	4,494
Other operating charges	1,306	471	1,777	1,930	517	2,447
<b>TOTAL OPERATING CHARGES</b>	<b>73,650</b>	<b>49,873</b>	<b>123,523</b>	<b>55,156</b>	<b>101,524</b>	<b>156,680</b>

**4. GAIN ON DISPOSAL OF SUBSIDIARY**

**Discontinued Operations**

	1998 £'000
Gain on disposal of subsidiary's net tangible assets	96,091
Goodwill previously eliminated against reserves	(62,837)
<b>Net profit on sale of subsidiary</b>	<b>33,254</b>

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax at 31% (1997: 31.5%)		
Current	(6,462)	(1,422)
Deferred	699	(3,916)
Under provision in respect of prior years		
Current	(2,262)	239
Deferred	-	(126)
Associated undertakings	(347)	(671)
	<hr/>	<hr/>
	(8,372)	(5,896)

**6. PROFIT AND LOSS ACCOUNT**

The Condé Nast Publications Limited has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The profit on ordinary activities after taxation for the financial year for the company is £37,233,000 (1997: £6,178,000).

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**7. TANGIBLE FIXED ASSETS**

Group	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 1998	42,031	14,531	5,113	31,859	93,534
Reclassifications	-	70	-	(5)	65
Additions	326	276	-	2,598	3,200
Disposals - Random House (UK) Limited	(42,267)	(128)	-	(23,549)	(65,944)
Disposals	(90)	(1)	-	(489)	(580)
Exchange adjustments	-	-	-	(163)	(163)
<b>At 31 December 1998</b>	<b>-</b>	<b>14,748</b>	<b>5,113</b>	<b>10,251</b>	<b>30,112</b>
<b>Depreciation</b>					
At 1 January 1998	1,726	593	1,846	17,998	22,163
Reclassification	-	33	-	32	65
Charge for the year	389	659	-	2,867	3,915
Exchange adjustment	(12)	-	-	(85)	(97)
Disposals - Random House (UK) Limited	(2,103)	(15)	-	(13,759)	(15,877)
Disposals - Other	-	-	-	(400)	(400)
<b>At 31 December 1998</b>	<b>-</b>	<b>1,270</b>	<b>1,846</b>	<b>6,653</b>	<b>9,769</b>
<b>Net book amount at 31 December 1998</b>	<b>-</b>	<b>13,478</b>	<b>3,267</b>	<b>3,598</b>	<b>20,343</b>
<b>Net book amount at 31 December 1997</b>	<b>40,305</b>	<b>13,938</b>	<b>3,267</b>	<b>13,861</b>	<b>71,371</b>

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
**YEAR ENDED 31 DECEMBER 1998**  
**NOTES TO THE ACCOUNTS**

**7. TANGIBLE FIXED ASSETS (Continued)**

Company	Long leasehold property £'000	Short leasehold property £'000	Plant and Equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 1998	14,350	5,114	7,411	26,875
Reclassification	122	-	(102)	20
Amalgamation of Tatler Publishing	-	-	430	430
Additions	276	-	1,247	1,523
Disposals	(1)	-	(22)	(23)
<b>At 31 December 1998</b>	<b>14,747</b>	<b>5,114</b>	<b>8,964</b>	<b>28,825</b>
<b>Depreciation</b>				
At 1 January 1998	543	1,848	4,631	7,022
Reclassification	67	-	55	122
Amalgamation of Tatler Publishing	-	-	320	320
Disposals	-	-	(21)	(21)
Charge for the year	658	-	901	1,559
<b>At 31 December 1998</b>	<b>1,268</b>	<b>1,848</b>	<b>5,886</b>	<b>9,002</b>
<b>Net book amount at 31 December 1998</b>	<b>13,479</b>	<b>3,266</b>	<b>3,078</b>	<b>19,823</b>
<b>Net book amount At 31 December 1997</b>	<b>13,807</b>	<b>3,266</b>	<b>2,780</b>	<b>19,853</b>

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**8. INVESTMENTS**

<b>Group</b>	<b>Share in the net assets of associated undertakings £'000</b>	<b>Other participating interests £'000</b>	<b>Other investments £'000</b>	<b>Total £'000</b>
<b>Cost or amount under equity method of accounting:</b>				
At 1 January 1998	645	23	421	1,089
Change in net asset values	(239)	-	-	(239)
Purchase of listed investments	-	-	2	2
Disposals	-	(23)	(421)	(444)
<b>At 31 December 1998</b>	<b>406</b>	<b>-</b>	<b>2</b>	<b>408</b>

<b>Company</b>	<b>Share in the Group undertakings £'000</b>	<b>Participating interests £'000</b>	<b>Total £'000</b>
Cost as at 1 January 1998	148,729	1,217	149,946
Disposals	(144,841)	-	(144,841)
<b>As at 31 December 1998</b>	<b>3,888</b>	<b>1,217</b>	<b>5,105</b>

With the exception of Vesey Publications Limited and Les Publications Condé Nast SA which are registered and operate in the Republic of Ireland and France respectively, all other subsidiary, associated and other undertakings are registered in England and Wales and operate primarily within the United Kingdom.

<b>Subsidiary undertakings</b>	<b>Principal activity</b>	<b>Percentage of ordinary share capital directly or indirectly held by the company</b>
Magazine Holdings Ltd	Magazine Publishing	100
Pharos Publications Ltd	Magazine Publishing	100
Tatler Publishing Company Ltd	Magazine Publishing	100
Vesey Publications Ltd	Magazine Publishing	100

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**8 INVESTMENTS (Continued)**

A number of minor subsidiary undertakings of The Condé Nast Publications Limited have been omitted from the list above, the results of which do not materially affect the company's annual financial statements.

<b>Associated undertakings</b>	<b>Percentage of ordinary share capital held directly or indirectly by the company</b>
Business People Publications Ltd	50 *
Condé Nast and National Magazine Distributors Ltd	35**
Wagadon Ltd	40**

\*direct holding

\*\*indirect holding

The principal activity of Wagadon Limited is magazine publishing. The principal activity of Condé Nast and National Magazine Distributors Limited is the distribution of magazines. Business People Publications Limited ceased trading during 1992.

During the period, the Random House (UK) group transferred its investments in Condé Nast and National Magazine Distributors Limited and Les Publications Condé Nast SA to The Condé Nast Publications Limited for nil consideration, realising a loss of £40,252.

On 12 May 1999 the company disposed of its interest in Wagadon Limited for a consideration of £2 million, realising a gain of £0.8 million.

**9. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	913	1,233	732	512
Work in progress	1,892	5,437	1,746	860
Finished goods and goods for resale	69	8,465	68	7
	<b>2,874</b>	<b>15,135</b>	<b>2,546</b>	<b>1,379</b>

The replacement cost of stocks is not materially different from the amounts stated above.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
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**10. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	21,356	71,696	18,397	14,614
Amounts owed by group undertakings	7,242	-	7,197	11,972
Amounts owed by associated undertakings	2,901	3,250	-	1,300
Other debtors	1,293	7,709	957	699
Prepayments and accrued income	3,480	2,545	890	1,036
	<b>36,272</b>	<b>85,200</b>	<b>27,441</b>	<b>29,621</b>

**11. CREDITORS (amounts falling due within one year)**

	<b>Group</b>		<b>Company</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	6,509	51,408	4,911	3,798
Amounts owed to parent and fellow subsidiary undertakings	12,953	15,913	6,228	1,051
Other creditors	4,177	4,654	3,003	3,140
Other taxation and social security	175	1,729	624	584
Accruals and deferred income	3,931	19,146	3,557	4,086
Corporation tax payable	6,437	3,915	3,261	4,004
	<b>34,182</b>	<b>96,765</b>	<b>21,584</b>	<b>16,663</b>

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**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred taxation £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Balance as at 1 January 1998	7,934	718	8,652
Movement in the year	(699)	-	(699)
Additions	-	16	16
Disposals	(7,235)	-	(7,235)
<b>Balance as at 31 December 1998</b>	<b>-</b>	<b>734</b>	<b>734</b>

Other provisions relate mainly to restructuring costs.

	<b>1998 Amount provided £'000</b>	<b>1998 Full potential liability £'000</b>	<b>1997 Amount Provided £'000</b>	<b>1997 Full potential liability £'000</b>
<b>Deferred taxation</b>				
<b>Group</b>				
Excess of capital allowances received over depreciation charge on fixed assets	-	-	1,948	1,948
Other timing differences	-	-	6,025	6,025
Unutilised tax losses	-	-	(39)	(39)
ACT	-	-	-	-
	<b>-</b>	<b>-</b>	<b>7,934</b>	<b>7,934</b>

**13. CALLED UP SHARE CAPITAL**

	<b>1998 £'000</b>	<b>1997 £'000</b>
Authorised, allotted, called up and fully paid: 846,593 ordinary shares of £100 each	84,659	84,659

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**14. RESERVES**

	Profit and loss account £'000	Special reserve £'000	Total reserves £'000	Share premium account £'000	Capital contributions £'000
<b>Group</b>					
At 1 January 1998	25,187	-	25,187	13,330	-
Resurrection of Goodwill on disposal of subsidiary	62,837	-	62,837	-	-
Exchange adjustments	(164)	-	(164)	-	-
Profit for the year	3,237	-	3,237	-	-
<b>At 31 December 1998</b>	<b>91,097</b>	<b>-</b>	<b>91,097</b>	<b>13,330</b>	<b>-</b>
<b>Company</b>					
At 1 January 1998	32,768	36,670	69,438	13,330	31,500
Tatler 1997 and prior reserves	(2,271)	-	(2,271)	-	-
Retained loss for the year	(718)	-	(718)	-	-
<b>At 31 December 1998</b>	<b>29,779</b>	<b>36,670</b>	<b>66,449</b>	<b>13,330</b>	<b>31,500</b>

Within the group's retained profit as at 31 December 1998, £1,043,000 (1997: £2,263,000) of losses retained by associates are included.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
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**15. NOTES TO THE CASH FLOW STATEMENT**

	1998 £'000	1997 £'000	
<b>(1) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit	9,477	14,199	
Depreciation	3,915	4,494	
Loss /(Profit) on sale of tangible fixed assets	41	(264)	
Decrease/(Increase) in stocks	(738)	4,572	
Increase in debtors	23,130	(20,803)	
(Decrease)/Increase in creditors	(39,478)	15,854	
Decrease/(Increase) in advance royalties	2,647	(9,065)	
(Decrease)/Increase in provisions	(683)	4,041	
Exchange differences	(300)	(526)	
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,989)</b>	<b>12,502</b>	
	<b>1998 £'000</b>	<b>1997 £'000</b>	
<b>(2) RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
(Decrease)/Increase in cash in the year	(25,774)	4,343	
Net funds at 1 January 1998	31,855	27,512	
<b>Net funds at 31 December 1998</b>	<b>6,081</b>	<b>31,855</b>	
<b>(3) ANALYSIS OF NET FUNDS</b>			
	<b>As at 1 January 1998 £'000</b>	<b>Cash flows £'000</b>	<b>As at 31 December 1998 £'000</b>
Cash at bank and in hand	31,855	(25,774)	6,081
	31,855	(25,774)	6,081
Current asset Investments	-	157,580	157,580
<b>Total</b>	<b>31,855</b>	<b>131,806</b>	<b>163,661</b>

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
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**15. NOTES TO THE CASH FLOW STATEMENT (continued)**

**(4) NON CASH FLOW ITEM**

Property held for resale at a value of £62,000 has been reclassified from fixed assets to current assets. This is a non-cash flow item whose effect has been excluded from note 14(1) above.

**(5) EFFECTS OF DISPOSAL OF SUBSIDIARY UNDERTAKING**

During the year 100% of the ordinary shares in Random House UK Limited was disposed of for a net consideration of £175,396,000.

	<b>1998</b> <b>£'000</b>
Tangible assets	(50,096)
Investments	(442)
Stocks	(12,999)
Debtors	(25,547)
Advance royalties	(17,780)
Properties held for resale	(3,114)
Cash	(3,863)
Creditors	27,302
Provisions	7,234
Random House investment and post acquisition reserves	(62,837)
Net consideration	175,396
<hr/>	
Gain on disposal of discontinued operations	33,254

**(6) ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE DISPOSAL OF SUBSIDIARY UNDERTAKING**

	<b>1998</b> <b>£'000</b>
Net cash consideration	175,396
Cash outflow in respect of subsidiary at date of disposal	(3,863)
<hr/>	
Net inflow	171,533

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
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**16. COMMITMENTS**

- (1) The capital commitments outstanding at the year end which were contracted for but not provided for were £304,200. (1997: £204,000). This includes the groups share of Condé Nast and National Magazine Distributors Limited, an associated undertaking.
- (2) At 31 December 1998 there was no capital expenditure authorised by the Board but not contracted for. (1997: £835,000).
- (3) There are commitments to authors for payment of royalty advances amounting to £383,927 at 31 December 1998 (1997: £24,188,000). Together with the advances already paid these are charged against sales for future accounting periods as the books are published.
- (4) Commitments under operating leases to pay rentals during the forthcoming year are as follows:

	1998	1997
	Land and buildings £'000	Land and buildings £'000
Expiring within one year	[-]	84
Expiring between one and five years	250	250
Expiring after five years	649	-
	899	983
		243

**17 PENSION FUND**

The group has operated two funded defined benefit pension schemes for its UK employees during the year: The Condé Nast Retirement Benefits Scheme and The Random House Pension Scheme which was merged with the Century Hutchinson Pension Scheme in September 1991. The assets of these schemes are held in separate trustee administered funds. The overseas operations of The Random House Group provide pension benefits to local employees which are smaller in size than the UK schemes.

The total pension cost for the group was £1,480,165 (1997: £2,005,000). The pension cost relating to the UK schemes was £1,480,165 (1997: £1,664,000). This includes £729,934 attributable to the Random House Pension Scheme. The group carries no liability towards this scheme as at 31 December 1998.

These costs are assessed in accordance with the advice of a qualified actuary using the projected unit credit method in one of the funds and the aggregate method in the other. The Random House Pension Scheme was last actuarially assessed in January 1996 and the Condé Nast Scheme in April 1996. The principal assumptions used were that the rate of return on investments would be 9.5% per annum and that salary increases would average 7.0% per annum.

**THE CONDÉ NAST PUBLICATIONS LIMITED**  
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**PENSION FUND (Continued)**

The most recent actuarial valuation of the Condé Nast Scheme showed that the market value of the scheme was £9.3 million which represented more than 100% of the benefits that had accrued to members based on salaries at that date.

**18 EMPLOYEES**

The average number of persons employed by the group were 470. (1997: 1,421).

**19 DIRECTORS' EMOLUMENTS**

	1998 £'000	1997 £'000
Remuneration as directors	1,669	1,179
Pension contributions	45	64
	<hr/> 1,714	<hr/> 1,243

Pension benefits are accruing for all the directors under the company's defined benefits scheme.

The emoluments of the highest paid director, excluding pension contributions, were as follows:

	1998 £'000	1997 £'000
Aggregate emoluments	<hr/> 229	<hr/> 208

The accrued pension benefits for the highest paid director as at 31 December 1998 amounted to £46,000 (1997:£36,000).

**20 ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is Advance Publications Inc which is incorporated in the United States of America.

The ultimate parent undertaking is privately owned and is not required to publish its accounts. The intermediate parent undertaking is Condé Nast International Inc.

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**21 OTHER STATUTORY INFORMATION**

Other debtors include the following loans to directors of the company to allow them to perform their duties:

	<b>Liability outstanding at 1 January 1998</b>	<b>Movement in the year</b>	<b>Liability outstanding at 31 December 1998</b>	<b>Maximum liability outstanding</b>
	£	£	£	£
P Holcroft	-	293,466	293,466	293,466
S Quinn	101,979	6,495	95,484	101,979
A Shulman	40,394	5,574	34,820	40,394

The loans are repayable on demand.

In addition to the loans disclosed above, all directors received advances on corporate expenses during the year to enable them to perform their duties to the company

**22 RELATED PARTY TRANSACTIONS**

During the year the Group had the following transactions with related parties:

- Agreements under which the group received distribution services from Condé Nast & National Magazine Distributors Limited (COMAG) totalling £13,127,000. (1997: £13,292,000). At the year end COMAG owed the group £954,000 (1997: £1,094,000) in respect of these transactions.
- Agreements under which the group entered into transactions for the purchase of sale of books, publishing rights, management services and direct overheads with Advance Publications Incorporated and its subsidiaries totalling £348,147 (1997: £4,219,000). At the year end Advance Publications Incorporated and its subsidiaries were owed by the group £1,458,899 (1997: £14,696,000) in respect of these transactions.
- Agreements under which the group provided purchasing and management services from Wagadon Limited totalling £2,816,170 (1997: £1,948,000). At the year end Wagadon owed the group £679,927 (1997: £523,811) in respect of these transactions.