

THE CONDE NAST PUBLICATIONS LIMITED
Registration number 226900

DIRECTORS' REPORT AND GROUP FINANCIAL STATEMENTS

31 DECEMBER 1996



THE CONDE NAST PUBLICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report and the audited financial statements of the group for the year ended 31 December 1996.

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.

RESULTS AND DIVIDENDS

The consolidated profit after taxation was £11,062,000 (1995:£9,595,000). The directors do not propose the payment of a dividend (1995 - £Nil). The profit has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

FIXED ASSETS

The movements in fixed assets during the year are set out in note 6 to the financial statements.

FUTURE DEVELOPMENTS

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

CHARITABLE CONTRIBUTIONS

Donations made by the group for charitable purposes were £29,587 (1995: £20,222).

THE CONDE NAST PUBLICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

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.

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.

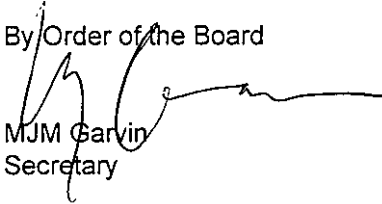
THE CONDE NAST PUBLICATIONS LIMITED

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996
(CONTINUED)**

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



MJM Garvin
Secretary

23rd Oct 1997

Vogue House
Hanover Square
London
W1R 0AD

AUDITORS' REPORT TO THE MEMBERS OF THE CONDE NAST PUBLICATIONS LIMITED

We have audited the financial statements on pages 5 to 25 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

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

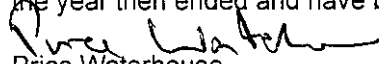
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company and group'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 affairs of the company and of the group as at 31 December 1996 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.


Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

23 October 1997

THE CONDE NAST PUBLICATIONS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER FROM CONTINUING OPERATIONS	2	149,460	132,198
Change in stocks of finished goods and work in progress		918	4,713
Other operating income		3,761 154,139	1,354 138,265
Raw materials and consumables		44,186	41,946
Other external charges		60,945	56,433
Staff costs	3	30,201	27,616
Depreciation	6	4,259	3,959
Other operating charges		1,311	1,593
		<u>140,902</u>	<u>131,547</u>
OPERATING PROFIT FROM CONTINUING OPERATIONS		13,239	6,718
Income from interests in associated undertakings		1,963	2,092
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		15,202	8,810
Other interest receivable and similar income		1,474	1,642
Interest payable and similar charges	3	(150)	(72)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,526	10,380
Tax on profit on ordinary activities	4	(5,464)	(785)
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	<u>11,062</u>	<u>9,595</u>

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 CONDE NAST PUBLICATIONS LIMITED

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	6	71,441	57,459
Investments	7	1,710	2,021
		<u>73,151</u>	<u>59,480</u>
CURRENT ASSETS			
Stocks	8	19,286	18,615
Debtors	9	60,486	54,015
Advance royalties		11,435	13,122
Cash at bank and in hand		27,512	27,360
		<u>118,719</u>	<u>113,112</u>
CREDITORS (amounts falling due within one year)	10	<u>(70,697)</u>	<u>(68,298)</u>
NET CURRENT ASSETS		<u>48,022</u>	<u>44,814</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>121,173</u>	<u>104,294</u>
CREDITORS (amounts falling due after more than one year)	11	-	(5)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(3,892)</u>	<u>(2,604)</u>
TOTAL NET ASSETS		<u>117,281</u>	<u>101,685</u>
CAPITAL AND RESERVES			
Called up share capital	13	84,659	80,065
Share premium account	14	13,330	13,330
Reserves	14	19,292	8,290
SHAREHOLDERS' FUNDS		<u>117,281</u>	<u>101,685</u>

The financial statements on pages 5 to 25 were approved by the board of directors on and were signed on its behalf by:

N Coleridge

23 October 1997

Nimola O'Brien

THE CONDE NAST PUBLICATIONS LIMITED

COMPANY BALANCE SHEET - 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	6	18,887	19,296
Investments	7	149,946	149,945
		<u>168,833</u>	<u>169,241</u>
CURRENT ASSETS			
Stocks	8	1,006	1,055
Debtors	9	22,301	16,531
Cash at bank and in hand		15,236	16,435
		<u>38,543</u>	<u>34,021</u>
CREDITORS (amounts falling due within one year)	10	<u>(14,627)</u>	<u>(21,206)</u>
NET CURRENT ASSETS		<u>23,916</u>	<u>12,815</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>192,749</u>	<u>182,056</u>
CREDITORS (amounts falling due after more than one year)	11	<u>-</u>	<u>-</u>
TOTAL NET ASSETS		<u>192,749</u>	<u>182,056</u>
CAPITAL AND RESERVES			
Called up share capital	13	84,659	80,065
Share premium account	14	13,330	13,330
Capital contributions	14	31,500	31,500
Reserves	14	63,260	57,161
SHAREHOLDERS' FUNDS		<u>192,749</u>	<u>182,056</u>

The financial statements on pages 5 to 25 were approved by the board of directors on and were signed on its behalf by:

N Coleridge

DIRECTOR

23 October 1997

Nicola Coleridge

THE CONDE NAST PUBLICATIONS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15(1)	12,141	9,755
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,474	1,642
Interest paid		(150)	(1,625)
Dividend received from associated undertaking		1,545	1,050
NET CASH INFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		2,869	1,067
TAXATION			
Consortium relief received		-	3,221
Taxation paid		(1,385)	-
NET CASH (OUTFLOW)/INFLOW FROM TAXATION		(1,385)	3,221
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(18,587)	(2,977)
Proceeds of sale of fixed assets		590	358
Proceeds of sale of investment		-	136
Purchase of listed shares		-	(3)
Purchase of non listed investments		(65)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(18,062)	(2,486)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(4,437)	11,557
FINANCING			
Issue of ordinary share capital		4,594	-
Capital element of finance lease rental payments		(5)	123
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		4,589	(123)
INCREASE IN CASH AND CASH EQUIVALENTS	15(2)	152	11,434

THE CONDE NAST PUBLICATIONS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for the financial year	11,062	9,595
Currency translation differences on foreign investments	(60)	(10)
Total recognised gains relating to the year	<u>11,002</u>	<u>9,585</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Group</u> £'000	<u>Company</u> £'000
Profit for the financial year	11,062	6,099
Other recognised gains and (losses)	(60)	-
Issue of share capital	4,594	4,594
Net addition to shareholders' funds	<u>15,596</u>	<u>10,693</u>
Opening shareholders' funds at 1 January 1996	<u>101,685</u>	<u>182,056</u>
Closing shareholders' funds at 31 December 1996	<u>117,281</u>	<u>192,749</u>

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost accounting convention as modified by the revaluation of freehold properties 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 CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

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, such a premium is written off to 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.

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(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.

(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

Turnover	1996 £'000	1995 £'000
By geographical destination:		
United Kingdom	98,407	89,941
Australia, New Zealand and South Africa	23,595	19,069
Rest of the world	27,458	23,188
	<u>149,460</u>	<u>132,198</u>

By geographical origin:

United Kingdom	127,431	113,732
Australia, New Zealand and South Africa	22,029	18,466
	<u>149,460</u>	<u>132,198</u>

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 CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1996	1995
	Profit on ordinary activities before taxation is stated after charging/(crediting):	£'000	£'000
	Staff costs:		
	Wages and salaries	26,379	24,111
	Social security costs	1,973	1,863
	Other pension costs	1,849	1,642
		<u>30,201</u>	<u>27,616</u>
	Total staff costs		
	Interest payable:		
	Interest payable on bank loans and overdrafts repayable within five years	115	3
	Interest payable on hire purchase contracts and finance leases	35	69
		<u>150</u>	<u>72</u>
	Total interest payable		
	Operating lease rentals:		
	Plant and machinery	414	454
	Other operating leases	978	769
	Depreciation - owned assets	4,169	3,882
	- finance leases	90	77
	Auditors' remuneration - audit	128	199
	- non audit services	97	130
	Profit on sale of tangible fixed assets	(200)	(141)
	Profit on sale of investments	-	(62)
	Exceptional items	-	201
	Currency translation differences	211	(23)
	Rents receivable	<u>(564)</u>	<u>(477)</u>

The exceptional items relate to redundancy, relocation and restructuring costs.

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £'000	<u>1995</u> £'000
Corporation tax at 33% (1995 - 33%)		
Current	(3,541)	(1,545)
Deferred	(1,361)	66
Under provision in respect of prior years		
Current	160	328
Deferred	73	1,113
Associated undertakings	(795)	(747)
	<u> </u>	<u> </u>
Tax charge	<u>(5,464)</u>	<u>(785)</u>

5 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 dealt with in the accounts of the parent undertaking is £6,099,000 (1995: £3,338,000).

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

6 TANGIBLE FIXED ASSETS

Group

	Freehold <u>property</u> £'000	Long leasehold <u>property</u> £'000	Short leasehold <u>property</u> £'000	Plant and <u>equipment</u> £'000	<u>Total</u> £'000
<u>Cost or valuation</u>					
At 1 January 1996	31,941	14,788	3,009	23,794	73,532
Additions	13,144	-	280	5,160	18,584
Reclassification		(310)	310	-	-
Disposals	(168)	-	(8)	(1,503)	(1,679)
Exchange adjustments	(16)	-	-	(82)	(98)
At 31 December 1996	<u>44,901</u>	<u>14,478</u>	<u>3,591</u>	<u>27,369</u>	<u>90,339</u>
<u>Depreciation</u>					
At 1 January 1995	644	331	1,109	13,989	16,073
Disposals	-	-	(6)	(1,337)	(1,343)
Charge for the year	569	130	337	3,223	4,259
Exchange adjustment	(2)	-	-	(89)	(91)
At 31 December 1996	<u>1,211</u>	<u>461</u>	<u>1,440</u>	<u>15,786</u>	<u>18,898</u>
<u>Net book amounts</u>					
At 31 December 1996	<u>43,690</u>	<u>14,017</u>	<u>2,151</u>	<u>11,583</u>	<u>71,441</u>
At 31 December 1995	<u>31,297</u>	<u>14,457</u>	<u>1,900</u>	<u>9,805</u>	<u>57,459</u>

The freehold property above includes £5,367,000 at a valuation which has an original cost of £1,956,000. This property comprises the group's freehold printing works and warehouses which were professionally revalued as at 31 December 1987.

Included in the above is £29,000 (1995: £109,000) of leased assets principally comprising computer equipment and motor vehicles.

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

6 TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
<u>Cost</u>					
At 1 January 1996	-	14,660	3,009	6,923	24,592
Additions	168	-	280	777	1,225
Reclassification	-	(310)	310	-	-
Disposals	(168)	-	(7)	(392)	(567)
At 31 December 1996	-	14,350	3,592	7,308	25,250
<u>Depreciation</u>					
At 1 January 1996	-	318	1,111	3,867	5,296
Disposals	-	-	(6)	(343)	(349)
Charge for the year	-	112	337	967	1,416
At 31 December 1996	-	430	1,442	4,491	6,363
<u>Net book amounts</u>					
At 31 December 1996	-	13,920	2,150	2,817	18,887
At 31 December 1995	-	14,342	1,898	3,056	19,296

7 INVESTMENTS

Group	Interests in associated undertakings £'000	Other participating interests £'000	Other investments £'000	Total £'000
Cost or amount under equity method of accounting:				
At 1 January 1996	1,316	23	682	2,021
Movement during the year	(376)	-	-	(376)
Purchase of listed investments	-	-	-	-
Disposals	-	-	(150)	(150)
Purchase of unlisted investments	-	-	215	215
At 31 December 1996	940	23	747	1,710

The group's investment in associated undertakings is arrived at after deducting £1,968,000 (1995: £1,592,000) in respect of the group's share of the post-acquisition accumulated losses of those undertakings.

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7 INVESTMENTS (CONTINUED)

With the exception of Vesey Publications Limited which is registered and operates in the Republic of Ireland, Random House Australia Pty Limited, Random House NZ Limited and Random House South Africa (Pty) Limited, which are registered and operate in Australia, New Zealand, and South Africa respectively, all other subsidiary, associated and other undertakings are registered in England and Wales and operate primarily within the United Kingdom.

<u>Subsidiary undertakings</u>	<u>Principal activity</u>	<u>Percentage of ordinary share capital held directly or indirectly by the company</u>
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
Random House Publishing Group Ltd	Book publishing	100
Barrie & Jenkins Ltd	Book publishing	98
The Bodley Head Ltd	Book publishing	100
Chatto and Windus Ltd	Book publishing	100
Jonathan Cape Ltd	Book publishing	100
Hutchinson Properties Ltd	Property & investment	100
Tiptree Book Services Ltd	Book distribution	100
Random House Australia Pty Ltd	Book publishing	100
Random House NZ Ltd	Book publishing	100
Random House South Africa (Pty) Ltd	Book publishing	100
Random House Properties Ltd	Property & Investment	100

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.

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

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

All three associates are registered in Great Britain.

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7 INVESTMENTS (CONTINUED)

<u>Interests in other undertakings</u>	<u>Principal activity</u>	<u>Percentage of ordinary shares held indirectly by the company</u>	<u>Nominal value of ordinary shares held</u> £
Andersen Press Ltd	Book publishing	20	6,000
Constable and Company Ltd	Book publishing	48	14,023
Helicon Publishing Ltd	Book publishing	26	426,737

All holdings are in the ordinary share capital of the undertakings concerned. All the undertakings are registered in Great Britain. In addition to the above, Random House Properties Limited holds 16% of the preference shares of Constable and Company Limited. Random House Publishing Group Limited holds 38.9% of the preference shares of Helicon Publishing Limited.

8 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Raw materials and consumables	876	1,233	413	514
Work in progress	8,570	7,670	590	541
Finished goods and goods for resale	9,840	9,712	3	-
	<u>19,286</u>	<u>18,615</u>	<u>1,006</u>	<u>1,055</u>

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

9 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Trade debtors	55,589	49,186	10,808	8,540
Amounts owed by group undertakings	-	-	10,380	6,366
Amounts owed by parent undertaking	-	404	-	-
Amounts owed by associated undertakings	806	586	372	586
Other debtors	379	766	488	526
Prepayments and accrued income	3,712	3,073	253	513
	<u>60,486</u>	<u>54,015</u>	<u>22,301</u>	<u>16,531</u>

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

10 CREDITORS (amounts falling due within one year)

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Trade creditors	37,546	37,754	3,642	5,131
Amounts owed to parent and fellow subsidiary undertakings	6,611	10,609	2,920	9,812
Other creditors	2,046	1,979	1,835	1,703
Other taxation and social security	1,135	1,361	459	438
Hire purchase and finance lease obligations	31	147	-	-
Accruals and deferred income	19,353	14,829	2,575	2,267
Corporation tax payable	3,975	1,619	3,196	1,855
	<u>70,697</u>	<u>68,298</u>	<u>14,627</u>	<u>21,206</u>

11 CREDITORS (amounts falling due after more than one year)

	<u>Group</u>		<u>Company</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Hire purchase and finance lease obligations repayable between one and five years	-	5	-	-

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred taxation</u>	
	£'000	
Balance at 1 January 1996	2,604	
Amount debited to the profit and loss account	1,288	
Balance at 31 December 1996	<u>3,892</u>	

	<u>1996</u>		<u>1995</u>	
<u>Deferred taxation</u>	Full		Full	
	Amount	potential	Amount	potential
	<u>provided</u>	<u>liability</u>	<u>provided</u>	<u>liability</u>
	£'000	£'000	£'000	£'000
Group				
Excess of capital allowances received over depreciation charge on fixed assets	1,255	1,255	1,144	1,144
Other timing differences	3,543	3,543	4,125	4,125
Unutilised tax losses	(815)	(815)	(2,574)	(2,574)
ACT	(91)	(91)	(91)	(91)
	<u>3,892</u>	<u>3,892</u>	<u>2,604</u>	<u>2,604</u>

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

13 CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Authorised, allotted, called up and fully paid:		
846,593 ordinary shares of £100 each	84,659	80,065

On 23 May 1996 the issued share capital of the company was increased by the authorisation, issue and allotment for cash at par of 45,944 ordinary shares of £100 each.

14 RESERVES

	<u>Profit and loss account</u>	<u>Special reserve</u>	<u>Total reserves</u>	<u>Share premium account</u>	<u>Capital contributions</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Group					
At 1 January 1996	8,290	-	8,290	13,330	-
Exchange adjustments	(60)	-	(60)	-	-
Retained profit for the year	11,062	-	11,062	-	-
	<u>19,292</u>	<u>-</u>	<u>19,292</u>	<u>13,330</u>	<u>-</u>
At 31 December 1996	19,292	-	19,292	13,330	-
Company					
At 1 January 1996	20,491	36,670	57,161	13,330	31,500
Retained profit for the year	6,099	-	6,099	-	-
	<u>26,590</u>	<u>36,670</u>	<u>63,260</u>	<u>13,330</u>	<u>31,500</u>
At 31 December 1996	26,590	36,670	63,260	13,330	31,500

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

15 NOTES TO THE CASH FLOW STATEMENT

	<u>1996</u>	<u>1995</u>	
	£'000	£'000	
(1) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit	13,239	6,718	
Depreciation charge	4,259	3,959	
Profit on sale of tangible fixed assets	(200)	(141)	
(Increase) in stocks	(671)	(4,692)	
(Increase) in debtors	(6,471)	(439)	
Increase/(decrease) in creditors	(886)	2,580	
Decrease in advance royalties	1,687	1,848	
Increase in provisions	1,288	-	
Profit on sale of investment	-	(62)	
Exchange differences	(104)	(16)	
Net cash inflow from operating activities	<u>12,141</u>	<u>9,755</u>	
(2) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR	<u>1996</u>	<u>1995</u>	
	£'000	£'000	
Balance at 1 January	27,360	15,926	
Net cash inflow	152	11,434	
Balance at 31 December	<u>27,512</u>	<u>27,360</u>	
(3) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
	<u>1996</u>	<u>1995</u>	Change
	£'000	£'000	in year
			£'000
Cash at bank and in hand	27,512	27,360	152

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

15 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(4) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Capital element of <u>finance lease rental payments</u> £'000
Balance at 1 January 1996	53
Repayment	(5)
Balance at 31 December 1996	<u>48</u>

16 COMMITMENTS

- (1) Capital commitments outstanding at the year end which were contracted for but not provided amounted to £7,475,000 (1995: £177,000).
- (2) There are commitments to authors for payment of royalty advances amounting to £19,806,000 at 31 December 1996 (1995 - £19,965,000). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.
- (3) Commitments under operating leases to pay rentals during the forthcoming year are as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Land and buildings</u> £'000	<u>Other</u> £'000	<u>Land and buildings</u> £'000	<u>Other</u> £'000
Expiring within one year	29	17	46	113
Expiring between one and five years	323	309	198	350
Expiring after five years	606	4	544	-
	<u>958</u>	<u>330</u>	<u>788</u>	<u>463</u>

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

17 PENSION FUND

The group has two defined benefit pension schemes for its UK employees; 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 £1,849,329 (1995: £1,641,048). The pension cost relating to the UK schemes was £1,583,181 (1995: £1,408,648). 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 December 1993 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 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.

The most recent actuarial valuation of the Random House Pension Scheme showed that the market value of the scheme was £11.1 million which represented 89% of the benefits that had accrued to members at that date. The funding deficiency is being corrected through increased contributions over a ten year period which commenced on 1 January 1994.

18 EMPLOYEES

The average number of persons employed by the group were 1,197 (1995: 1,134).

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

19 DIRECTORS' EMOLUMENTS

	<u>1996</u> £'000	<u>1995</u> £'000
Remuneration as directors	880	839
Pension contributions	109	75
	<u>989</u>	<u>914</u>

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

	<u>1996</u> £'000	<u>1995</u> £'000
Chairman	<u>45</u>	<u>44</u>
Highest paid director	<u>188</u>	<u>172</u>

The table below shows the number of directors, whose emoluments, excluding pension contributions, were within the bands stated.

	<u>1996</u>	<u>1995</u>
40,001 - 45,000	1	1
70,001 - 75,000	1	-
75,001 - 80,000	1	1
80,001 - 85,000	-	1
110,001 - 115,000	1	-
115,001 - 120,000	1	-
125,001 - 130,000	1	2
130,001 - 135,000	-	-
135,001 - 140,000	1	2
145,001 - 150,000	-	-
150,001 - 155,000	-	-
180,001 - 185,000	-	1
185,001 - 190,000	1	-

THE CONDE NAST PUBLICATIONS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

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.

21 CAPITAL COMMITMENTS

At 31 December 1996 there was capital expenditure authorised by the Board but not contracted for of approximately £6,725,000 (1995 - £22,000,000).

22 OTHER STATUTORY INFORMATION

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

	Maximum liability outstanding £	1 January 1996 £	Movement in the year £	31 December 1996
MJM Garvin	1,500	1,500	(1,500)	-
S Boler	5,732	5,732	(4,013)	1,719
S Quinn	110,000	-	106,800	106,800

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. Also, the Chairman occupied property owned by the company free of rent. The estimated value of this benefit in 1996 was £13,045 (1995: £13,754).

23 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 £12,857,000. At the year end COMAG owed the Group £891,000 (1995 - £1,104,068) in respect of these transactions.
- agreements under which the Group entered into transactions for the purchase and sale of books, publishing rights, management services and direct overheads with Advance Publications Incorporated and its subsidiaries totalling £4,693,757. At the year end Advance Publications Incorporated and its subsidiaries owed the Group £2,541,236 (1995 - £2,897,554) in respect of these transactions.
- agreements under which the Group provided purchasing and management services from Wagadon Limited totalling £1,785,018. At the year end Wagadon owed the Group £288,575 (1995 - £375,428) in respect of these transactions.