Company Registration No. 00112955

The National Magazine Company Limited

Report and Financial Statements

31 December 2012

The National Magazine Company Limited

Report and financial statements 2012

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The National Magazine Company Limited

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Officers and professional advisers

Directors

F A Bennack Jr	(USA, Chairman)
J D Edwards	(USA, Deputy Chairman)
S Horne	
J P Loughlin	(USA)
G C Maurer	(USA)
M Clinton	(USA)
A de Puyfontaine	
S Swartz	
D F Carey	
A Jones	(appointed 24th April 2012)

Secretary

A Nisbet

Registered Office

National Magazine House
72 Broadwick Street
London
W1F 9EP

Bankers

HSBC plc
Bank of America, N A

Solicitors

Clifford Chance LLP
Field Fisher Waterhouse
Simon Muirhead and Burton

Auditor

Deloitte LLP
Chartered Accountants
London

The National Magazine Company Limited

Directors' report

The directors present their annual report and the audited financial statements of The National Magazine Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2012

Business review and principal activities

The National Magazine Company Limited is a wholly-owned subsidiary of Hearst Communications Inc

The Group is a consumer media business publishing content to consumers both in print and electronically, through a range of mediums including magazines, electronic distribution direct to consumers for a range of tablet and smart phones and through consumer facing websites The Group reaches large targeted consumer audiences through the various media it publishes and sells these target audiences to advertisers

On 16 January 2012 two titles, Prima Baby and You and Your Wedding were sold and on 14 June 2012, Coast was sold and the licence to publish Psychologies was terminated

The Company paid a dividend of £5,000,000 during the year (2011 £9,000,000)

As shown in the group's profit and loss account on page 8, the Group's revenue has increased by 3 4% to £335 6m and the profit on ordinary activities after tax has increased from £2 9 million in 2011 to a profit of £11 9 million in 2012

The balance sheet on page 10 of the financial statements shows that the Group's net asset position at the year-end has increased from £17 5 million to £21 5 million

The Group cash flow statement on page 11 shows that the Group's net cash inflow decreased from £7 0 million in 2011 to £1 5 million in 2012, driven largely by movements in working capital

The table below highlights some of the key performance indicators for the Group

	2012 £'000	2011 £'000
Turnover	335,550	324,363
Operating profit	13,481	10,156
Operating margin	4 0%	3 1%
Pre-tax profit	17,373	5,176

Excluding the disposals listed above, the average issue total circulation of the Company's magazines for the six month period ended 31st December 2012 (as audited by the Audit Bureau of Circulation) was 3,459,569 a decrease of 6 6% on the same period circulation of 3,706,017 last year

Future developments

The Group will continue to develop its magazine and online publishing business

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in Note 1 in the financial statements

The National Magazine Company Limited

Directors' report

Principal risks and uncertainties

The directors regularly review risks which face the Company in order to manage and mitigate any potential impact

As shown by the ABC circulation figures, circulation of printed copies is declining in a difficult market and with a shift to different forms of consumption The rate of decline differs by sector and between weekly and monthly titles The Group has a portfolio of titles across sectors and a mix of weekly and monthly titles

The Group continues to explore opportunities to widen the reach of its brands through new routes to market, desktop and mobile websites, social media, enhanced digital tablet editions and events to deepen engagement and loyalty with our consumers and advertising clients

Further non-core activities which support and complement the Group's client offering in the traditional distribution business are being pursued and system investment is ongoing to increase the ability to move into new areas and increase client service

Fluctuations in advertising revenue could have a marked impact on profitability However, the mixed portfolio of magazines and diversification into digital publishing limits the exposure to this risk

As costs fluctuate with the current economic conditions and markets consolidate it is important that business planning is supported by cost and supplier stability The Group works within Hearst's corporate structure on varied procurement initiatives to build long-term and successful supplier relationships which enable us to secure goods and services at the best quality and value over the long term

Financial Risk

Due to the nature of the Group's business, and the assets and liabilities contained within the balance sheet, the principal financial risk that the directors consider relevant to the Group is credit risk This risk is mitigated by the controls surrounding trade debtors, including obtaining credit insurance where appropriate Whilst the current economic conditions create uncertainty, particularly over recoverability of the outstanding debts, the Group has a good record of recoverability

Liquidity risk is mitigated by regular cash flow reviews to ensure the Company has sufficient cash to meet the operational requirements of the business

In respect of the distribution business, Conde Nast & National Magazine Distributors Limited ("Comag"), rolling publisher contract renewals present some risk each year but this is managed and balanced off by business acquisition activity No single client represents more than 5% of total company brokerage

Comag is also exposed to foreign exchange risk This is regularly reviewed and the use of forward contracts has been used during 2012 to reduce the exposure to this risk

Employees

Details of the number of employees and related costs can be found in Note 7 to the financial statements on page 17

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The Group participates in its parent company's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings, intranet and newsletter

The National Magazine Company Limited

Directors' report

Directors

The directors of the Company at 31 December 2012 are listed on page 1

Directors' interests in shares

The directors had no interests in the shares of the Company at either the beginning or end of the year nor were there any disclosable interests in the shares of other group companies

Subsequent events

On 1st January 2013 the existing loan note (valued at $108 6m at 31st December 2012) payable to Hearst Communication Inc was settled by the issue of an Original Issue Discount (OID) note to Hearst Investments LP The OID note is valued at £109 4m including the Original Issue Discount of £42 3m and is repayable on 1 January, 2023 This change removes foreign exchange risk to the Company debt structure but otherwise has no impact on business operations

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware there is no relevant audit information of which the Group's auditor is unaware, and
- the director has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board
and signed on its behalf on 11 June 2013

A de Puyfontaine

Director

The National Magazine Company Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK 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 will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions 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 2006 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of The National Magazine Company Limited

We have audited the financial statements of The National Magazine Company Limited and its subsidiaries (together, "the group") for the year ended 31 December 2012 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement and the related notes 1 to 37 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's affairs and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of The National Magazine Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Lee-Amies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

11 June 2013

The National Magazine Company Limited

Group profit and loss account
Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover			
Existing operations			
(In addition share of joint venture turnover £8,274,126 (2011 £8,868,762)	3, 4, 5	335,550	324,363
Cost of sales		(232,908)	(227,466)
Gross profit		102,642	96,897
Other operating expenses		(90,914)	(89,323)
Operating profit			
Existing operations	10	11,728	7,574
Share of joint venture operating profit	5	1,753	2,582
		13,481	10,156
Profit on sale of intangible assets		2,896	-
Profit on ordinary activities before interest		16,377	10,156
Interest receivable and similar income	8	4,297	782
Interest payable and similar charges	9	(3,301)	(5,762)
Profit on ordinary activities before taxation		17,373	5,176
Tax on profit on ordinary activities	11	(5,451)	(2,284)
Profit on ordinary activities after taxation		11,922	2,892
Equity minority interests	29	78	204
Profit for the financial year		12,000	3,096

All results were derived from continuing operations in current and prior years

Group statement of total recognised gains and losses
Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		12,000	3,096
Actuarial gain relating to the pension scheme	24	2,543	4,214
Effect of asset limit	24	(6,339)	-
		(3,796)	4,214
UK deferred tax attributable to actuarial (gain)/loss	34	873	(1,249)
Foreign exchange on Loan		-	(40)
Total recognised gains relating to the year		9,077	6,021

The National Magazine Company Limited

Group and company balance sheet
31 December 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Fixed assets					
Intangible assets	14	75,043	82,706	62,347	67,651
Tangible assets	15	2,989	3,918	1,714	2,403
Investments in subsidiaries	16	-	-	18,405	18,405
Investments in joint ventures					
- goodwill	17	4,401	4,541	5,658	5,658
- share of gross assets		2,605	2,563	-	-
- share of gross liabilities		(2,582)	(2,457)	-	-
		4,424	4,647	5,658	5,658
		82,456	91,271	88,124	94,117
Current assets					
Stocks	18	4,188	5,277	4,188	5,277
Debtors due within one year	19	77,891	73,505	32,799	43,771
Investments	20	2	19	2	1
Cash at bank and in hand		27,101	25,612	10,541	11,235
		109,182	104,413	47,530	60,284
Current liabilities					
Creditors due within one year	21	(89,763)	(94,358)	(39,354)	(60,594)
Net current assets / (liabilities)		19,419	10,055	8,176	(310)
Total assets less current liabilities		101,875	101,326	96,300	93,807
Creditors. amounts falling due after more than one year	23	(72,614)	(73,029)	(72,614)	(73,029)
Provisions for liabilities	22	(6,675)	(9,320)	(2,146)	(4,042)
Net assets excluding pension liability		22,586	18,977	21,540	16,736
Pension liability, net of deferred tax	24	(1,058)	(1,448)	(1,058)	(1,448)
Net assets including pension liability		21,528	17,529	20,482	15,288
Capital and reserves					
Called up share capital	26	283	283	283	283
Profit and Loss account	27	20,358	16,281	10,796	5,602
Unrealised reserve		-	-	9,403	9,403
Shareholders' funds	28	20,641	16,564	20,482	15,288
Equity minority interests	29	887	965	-	-
Total capital employed		21,528	17,529	20,482	15,288

The financial statements of The National Magazine Company Limited registered number 112955 were approved by the Board of Directors and authorised for issue on 11 June 2013

They were signed on its behalf by

A de Puyfontaine
Director

The National Magazine Company Limited

Group cash flow statement
Year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	30	9,735	14,968
Dividends received from joint ventures		1,375	1,900
Returns on investment and servicing of finance			
Interest received		55	102
Interest paid		-	(4)
Dividends paid to minority interests		-	(700)
		55	(602)
Taxation			
UK corporation tax paid		(3,458)	(3,200)
Group relief received		-	-
		(3,458)	(3,200)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(664)	(680)
Sale of intangible assets		3,950	4,585
		3,286	3,905
Acquisitions			
Cash acquired on acquisition		-	9,442
Acquisition Costs		-	(76,581)
		-	(67,139)
Equity dividends paid		(5,000)	(9,000)
Cash inflow/ (outflow) before financing		5,993	(59,168)
Financing			
Loan from parent company		-	66,143
Loans to IPH BV & HM Netherlands BV		(4,504)	-
Increase in cash in the year		1,489	6,975

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

1. **Going concern basis**

The Group's business activities, together with the factors likely to affect its future development, principal risks and uncertainties, performance and position are set out in the directors' report

The Group has a good cash position, current asset position and is cash generative The Group has met its day to day working capital requirements by cash generated from operations and an intercompany loan from the parent company The Group's forecasts show that the Group should be able to operate within the level of its current funding for the foreseeable period

After making enquiries, the directors believe that the Company and the Group have sufficient financial resources to adopt the going concern basis in preparing the financial statements

2. **Accounting policies**

The principal accounting policies are summarised below They have all been applied consistently throughout the current and the preceding years

Basis of accounting

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

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

Minority interests in the net assets of Group subsidiaries are identified separately from the Group's equity therein

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses

The result of subsidiaries acquired or disposed of during the year are included in the group Profit and Loss from effective date of acquisition or up to the effective date of disposal, as appropriate

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

Accounting for joint ventures

The gross equity basis of accounting has been applied Therefore the Group's share of joint venture operating profit or loss is included within group results In addition the Group's share of gross assets and liabilities together with goodwill are included within Group net assets

Intangible assets: Goodwill

Goodwill arising on businesses purchased is capitalised in the year in which it arises and amortised on a straight-line basis over its estimated useful life of 20 years

The goodwill is reviewed for impairment at the end of each reporting period and provision is made for any impairment

Notes to the accounts
Year ended 31 December 2012

2. Accounting policies (continued)

Other intangible fixed assets

Intangible assets have been reviewed on an individual basis and been assigned amortisation rates (between 2 and 20 years) dependent on their useful economic lives These assets include domain names and trademarks, customer relationships and other intangible assets

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost, together with any incidental costs of acquisition

Provision is made for any impairment

The principal annual rates used for this purpose are

Freehold buildings and improvements	-	2 to 10 per cent per annum
Motor vehicles	-	20 to 33 per cent per annum
Furniture and fittings	-	10 to 20 per cent per annum
Equipment	-	25 to 50 per cent per annum

Short term leasehold properties and improvements thereto are amortised over 15 years or, if shorter, the period of the lease Freehold land is not depreciated

Investments

Investments are stated at cost less any provision for impairment in value

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value Cost is determined generally on a "first-in, first-out" basis Where necessary, provision is made for obsolete and slow moving stocks

Finance and operating leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is recorded as an outstanding obligation and the interest element is charged against profit Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful economic lives of the assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term Benefits received as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the group which is sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date These translation differences are dealt with in the profit and loss account

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

2. Accounting policies (continued)

Turnover

Turnover, which excludes value added tax, sales between Group companies and trade discounts, represents the invoiced value of goods and services supplied

Newstrade circulation and advertising revenue relating to a magazine is recognised as at the on-sale date of the magazine

Subscription revenues are shown as deferred income and released to the profit and loss account over the life of the subscription, in accordance with the on-sale date of the magazine Distribution revenue is recognised in accordance with the on-sale date of the magazine

Digital advertising revenue is recognised rateably over the term of the advertising campaign

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computation in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Notes to the accounts
Year ended 31 December 2012

3. Turnover

All turnover of the Group originates in the United Kingdom The turnover of the Group by geographical area of destination in respect of its principal activities is set out below

	2012 £'000	2011 £'000
United Kingdom	283,190	268,783
Rest of Europe	26,091	28,756
USA/Canada	11,358	11,872
Australia	9,348	9,110
Rest of the world	5,563	5,842
	335,550	324,363

4 Segmental analysis by class of business

The analysis by class of business of the Group's turnover and profit before taxation all of which originated in the United Kingdom is set out below

	2012			2011		
	External sales £'000	Inter-segmental sales £'000	Total sales £'000	External sales £'000	Inter-segmental sales £'000	Total sales £'000
(i) **Turnover**						
Class of business						
Publishing	164,516	-	164,516	154,749	-	154,749
Distribution	171,034	49,992	221,026	169,614	56,576	226,190
	335,550	49,992	385,542	324,363	56,576	380,939

Inter-segmental sales relate to sales generated by a subsidiary of the Company in respect of distributing magazines of the Company Such sales do not form part of the Group turnover

	2012 £'000	2011 £'000
(ii) **Profit before taxation**		
Operating profit by class of business		
Publishing	13,572	9,242
Distribution	(91)	915
Operating Profit	13,481	10,157
Profit on sale of intangible assets	2,896	-
Net interest payable	(1,894)	(674)
Gains/(Loss) on foreign exchange	2,890	(4,307)
	17,373	5,176

Notes to the accounts
Year ended 31 December 2012

4. Segmental analysis by class of business (continued)

	2012 £'000	2011 £'000
(iii) Net assets (all held within the UK)		
Publishing	18,994	14,560
Distribution	2,534	2,757
	21,528	17,317

5. Share of joint venture turnover and operating profit

	Hearst-Rodale UK Limited 2012 £'000	2011 £'000
Attributable share of turnover (50 10%)	8,274	8,869
Attributable share of profit on ordinary activities before taxation	1,753	2,582
Amortisation of goodwill	140	140

The amortisation of goodwill arising on consolidation has been deducted from the attributable share of profit on ordinary activities before taxation in calculating the share of joint venture operating profit as shown in the Group profit and loss account

6. Directors' emoluments

	2012 £'000	2011 £'000
Emoluments	1,194	1,037
	1,194	1,037

Retirement benefits are accruing to two directors (2011 two directors) under the Group's defined benefit scheme

	2012 £'000	2011 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments excluding pension contributions	935	998

Retirement benefits paid to the highest paid director in 2012 were £122,352 (2011 £128,750)

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

7. **Employee information**

Group

The average monthly number of persons (including executive directors) employed by the Group during the year was

	2012 No.	2011 No.
Publishing	904	764
Distribution	264	263
	1,168	1,027

Staff costs (including executive directors) incurred during the year in respect of employees were

	£'000	£'000
Wages and salaries	47,644	45,338
Social security costs	4,716	4,596
Other pension costs	3,191	2,403
	55,551	52,337

8. **Interest receivable and similar income**

	2012 £'000	2011 £'000
Interest receivable from bank	92	102
Foreign exchange gain	2,890	-
Net return on pension scheme (see note 24)	1,315	680
	4,297	782

9. **Interest payable and similar charges**

	2012 £'000	2011 £'000
Interest payable to bank	-	(4)
Loan interest payable to group	(3,301)	(1,452)
Foreign exchange loss	-	(4,306)
	(3,301)	(5,762)

Notes to the accounts
Year ended 31 December 2012

10. Operating profit

	2012 £'000	2011 £'000
Operating profit is stated after charging:		
Depreciation on tangible fixed assets	1,212	1,344
Amortisation of intangible assets	5,326	2,914
Operating lease rentals – Land and buildings	6,668	5,529
Operating leases – Other	705	667
Impairment of intangible assets	1,448	-
Vacant space provision	(892)	2,914
Integration costs	-	3,486

The analysis of auditors' remuneration is as follows

	2012 £'000	2011 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	147	148
Fees payable to the Company's auditors and their associates for other services to the Group		
- The audit of the Company subsidiaries pursuant to legislation	-	112
- Other audit related services	40	-
Total audit fees	187	260

Notes to the accounts
Year ended 31 December 2012

11. Tax on profit on ordinary activities

The tax charge comprises

	2012 £'000	2011 £'000
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 24 5% (2011 26 5%)		
Current year	2,800	1,421
Share of joint ventures	437	705
Adjustment in respect of prior years	(1,054)	99
	2,183	2,225
Deferred tax at 23% (2011: 25.0%)		
Current year	1,112	(811)
Share of joint ventures	9	(6)
Adjustment in respect of prior year	729	(28)
Effect of rate change on opening balances	379	2
Deferred tax relating to pensions	1,039	902
Total tax on profit on ordinary activities	5,451	2,284

Factors affecting tax charge for the current year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 23% The differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	17,373	5,176
Tax at 24 5% (2011 26 5%)	4,256	1,372
Effects of		
Expenses not deductible for tax purposes	1,645	1,823
Capital allowances in excess of depreciation	75	102
Movement in short term timing differences	(834)	(66)
Utilisation of tax losses	(161)	(148)
Profit on disposal of intangible assets	(710)	-
Prior period adjustments	(1,054)	99
Short-term timing differences relating to pensions	(1,034)	(957)
Current tax charge for the year	2,183	2,225

12. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements The parent company's retained profit for the financial year was £8,117,062 after the payment of £5,000,000 of dividend (2011 Retained loss £15,364,720, dividends £9,000,000)

Notes to the accounts
Year ended 31 December 2012

13. Dividends on Equity Shares

Amounts recognised as distributions to equity holders in the period

	2012 £'000	2011 £'000
Final dividend for the year ended 31 December 2012 of 1,764p per ordinary share (2011 3,170p)	5,000	9,000

14. Intangible fixed assets

Group	Goodwill £'000	Customer database £'000	Domain names and trademarks £'000	Customer relationships £'000	Other intangibles £'000	Total £'000
Cost						
At 1 January 2012	107,340	2,400	18,751	14,624	15,726	158,841
Additions	-	-	-	-	165	165
Impairment	-	-	-	-	(2,095)	(2,095)
Disposals	(12,788)	-	-	-	-	(12,788)
At 31 December 2012	94,552	2,400	18,751	14,624	13,796	144,123
Amortisation						
At 1 January 2012	64,037	2,400	675	4,117	4,906	76,135
Charge for year	2,227	-	975	1,238	886	5,326
Impairment	-		-	-	(647)	(647)
Disposals	(11,734)	-	-	-	-	(11,734)
At 31 December 2012	54,530	2,400	1,650	5,355	5,145	69,080
Net book value						
At 31 December 2012	40,022	-	17,101	9,269	8,651	75,043
At 31 December 2011	43,307	-	18,076	10,507	10,820	82,706

Company	Total £'000
Cost	
At 1 January 2012	117,812
Disposals	(12,788)
At 31 December 2012	105,024
Accumulated depreciation	
At 1 January 2012	50,161
Charge for the year	4,250
Disposals	(11,734)
At 31 December 2012	42,677
Net book value	
At 31 December 2012	62,347
At 31 December 2011	67,651

14. Intangible fixed assets (continued)

The Group and Company disposals relate to the disposal of You and Your Wedding and Coast titles during 2012

15. Tangible fixed assets

Group	Short-term leasehold and improvements	Freehold land and buildings	Motor vehicles	Furniture, fixtures, fittings and equipment	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2012	3,700	1,896	13	11,946	17,555
Additions	73	-	-	426	499
Disposals	(137)	(5)	-	(491)	(633)
At 31 December 2012	3,636	1,891	13	11,881	17,421
Depreciation					
At 1 January 2012	(2,757)	(1,086)	(13)	(9,781)	(13,637)
Charge for year	(139)	(52)	-	(1,021)	(1,212)
Disposals	-	-	-	417	417
At 31 December 2012	(2,896)	(1,138)	(13)	(10,385)	(14,432)
Net book value					
At 31 December 2011	943	810	-	2,165	3,918
At 31 December 2012	740	753	-	1,496	2,989
Company					
Cost					
At 1 January 2012	2,320	-	13	8,882	11,215
Additions	73	-	-	426	499
Disposals	(77)	-	-	-	(77)
At 31 December 2012	2,316	-	13	9,308	11,637
Depreciation					
At 1 January 2012	(1,945)	-	(13)	(6,854)	(8,812)
Charge for year	(92)	-	-	(1,019)	(1,111)
Disposals	-	-	-	-	-
At 31 December 2012	(2,037)	-	(13)	(7,873)	(9,923)
Net book value					
At 31 December 2011	375	-	-	2,028	2,403
At 31 December 2012	279	-	-	1,435	1,714

Included within freehold land and buildings is land with a cost of £335,000, which is not depreciated

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

16. Investments in subsidiaries

Company	Interest in subsidiary undertaking £'000
Cost	
At 1 January 2012	18,405
At 31 December 2012	18,405

Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Description of share held	Proportion of nominal value of issued shares held by Company %
Conde Nast & National Magazine Distributors Limited	Great Britain	Ordinary Shares of £1 each	65
Handbag com Limited	Great Britain	Ordinary Shares of £1 each	100
F E P (UK) Limited	Great Britain	Ordinary Shares of £1 each	100
Hearst Dutch Trademark Holding Company BV	Holland	Ordinary Shares of €1 each	100
Hearst Magazines UK 2012-1 Limited	Great Britain	Ordinary Shares of £1 each	100

All subsidiary undertakings have been included in the consolidation

The principal business activity of Conde Nast & National Magazine Distributors Limited is the distribution of magazines and periodicals

The principal activity of Handbag com Limited is the operation of websites targeted at women

The principal activity of F E P (UK) Limited is a holding company for the subsidiaries Hearst Dutch Trademark Holding Company BV and Hearst Magazines UK 2012-1 Limited

The principal activity of Hearst Dutch Trademark Holding Company BV is a holding company for a magazine masthead trademark

Hearst Magazines UK 2012-1 Limited is not a trading company and solely holds a lease for a building

17. Investment in joint ventures

Group	2012 £'000	2011 £'000
Investment in joint ventures		
Goodwill – Hearst-Rodale UK Limited	4,401	4,541
Share of net assets – Hearst-Rodale UK Limited	23	106
	4,424	4,647

Notes to the accounts
Year ended 31 December 2012

17. Investment in joint ventures (continued)

Company	Interest in joint venture £'000
Cost	
At 1 January 2012 and at 31 December 2012	5,658

The balances above relate to Hearst–Rodale UK Limited (formerly Natmag-Rodale Limited) at 31 December 2012 The movement on the goodwill balance in Hearst-Rodale UK Limited relates to amortisation charge of £140,354

Interests in joint ventures

Name of undertaking	Country of incorporation	Description of Holdings	Proportion of holdings Group %	Company %
Hearst – Rodale UK Limited	Great Britain	Ordinary Shares of £1 each	50 10	50 10

	2012 £'000	2011 £'000
Fixed assets	11	18
Current assets	2,595	2,453
Creditors amounts falling due within one year	(2,560)	(2,341)
Creditors amounts falling due after one year	(23)	(25)

The principal business activity of Hearst – Rodale UK Limited is that of magazine publishing

18. Stocks

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Raw material and consumables	2,223	2,635	2,223	2,635
Work-in-progress	1,965	2,642	1,965	2,642
	4,188	5,277	4,188	5,277

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

19. Debtors: amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	66,393	66,203	26,474	27,124
Amounts owed by group undertakings	-	-	2,552	11,123
Amounts owed by fellow group companies	5,402	-	-	-
Marketable Securities	585	-	-	-
Prepayments and accrued income	3,478	3,045	2,589	2,260
Deferred tax (see note 34)	2,033	4,257	1,184	3,264
	77,891	73,505	32,799	43,771

20. Investments

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Unlisted investments – Class 'A' shares	2	19	2	1
	2	19	2	1

The Class 'A' Shares carry a right to the payment of a dividend which shall be declared daily and distributed monthly Class 'A' Shares seek to maintain a Net Asset Value per share of £1

21. Creditors: amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade creditors	49,971	46,022	6,264	733
Amounts owed to parent	-	382	-	382
Amounts owed to group undertakings	-	-	7,238	19,112
Corporation tax payable	11	486	179	99
Group relief payable	-	-	-	106
Other taxation and social security payable	1,775	2,857	1,465	2,501
Other creditors	3,994	4,570	2,116	9,122
Accruals and deferred income	34,012	40,041	22,092	28,539
	89,763	94,358	39,354	60,594

22. Provisions for liabilities

	Fair value of lease £'000	Vacant space £'000	Other £'000	Total £'000
Group				
At 1 January 2012	3,028	2,914	3,378	9,320
Charged to the profit and loss account	-	-	217	217
Released unused	-	-	(442)	(442)
Utilisation of provision	(524)	(892)	(1,004)	(2,420)
At 31 December 2012	2,504	2,022	2,149	6,675

	Vacant space £'000	Other £'000	Total £'000
Company			
At 1 January 2012	2,914	1,128	4,042
Charged to the profit and loss account			
Released unused	-	-	-
Utilisation of provision	(892)	(1,004)	(1,896)
At 31 December 2012	2,022	124	2,146

Included in the other provisions are amounts provided for potential liabilities arising from historic intra-group transactions Amounts provided are expected to be recoverable against purchaser warranties within the Sale Purchase Agreement Expected recoverable amounts have not be recognised on the basis that they are contingent

Notes to the accounts
Year ended 31 December 2012

23. Creditors: amounts fallıng due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Deferred lease ıncentıve	708	894	708	894
Deferred ıncome	289	344	289	344
Loan	71,617	71,791	71,617	71,791
	72,614	73,029	72,614	73,029

The deferred lease ıncentıve ıs beıng amortısed (on a straıght lıne basıs) over the lease term

The loan at 31 December 2012 ıs due to the parent company, Hearst Communıcatıons Inc, and ıs repayable by 29 July 2021 Interest on the ınıtıal loan of $108 6 mıllıon ıs at 5% and ıs payable on repayment of the capıtal Thıs loan was settled by the ıssue of a sterlıng Orıgınal Issue Dıscount note of £42 3m ın January 2013 – detaıls are provıded ın note 37

24. Pensıons

The Group operates a funded and unfunded defined benefit pensıon scheme and defined contrıbutıon pensıon schemes for ıts employees

Defined benefit scheme

The assets of the scheme are held separately from those of the Group, beıng ınvested wıth unıt trust managers

The pensıons cost for the group's defined benefit pensıon schemes ıs calculated ın accordance wıth the requırements of Fınancıal Reportıng Standard 17 ("FRS 17") The employer's contrıbutıon to the Group's defined benefit pensıon scheme was £4,306,000 (2011 £4,373,000) of whıch £2,652,937 (2011 £2,990,000) related to Natıonal Magazıne employees, £1,653,063 (2011 £1,383,000) related to employees wıthın ıts subsıdıary undertakıngs and to other related scheme members The lıabılıty for the unapproved unfunded retırement benefit scheme ıncreased by £252,000 (2011 ıncreased by £71,000) 26 7 % of pensıonable earnıngs, whıch ıncludes the employee's contrıbutıon, is the agreed fundıng rate for future years The pensıon cost ıs assessed ın accordance wıth the advıce of an ındependent qualıfied actuary usıng the projected unıt method The latest full actuarıal valuatıon of the scheme was at 1 Aprıl 2011, whıch was formally agreed at the Trustee meetıng ın June 2012

The scheme was revıewed on 31 December 2012 The assumptıons that have the most sıgnıficant effect on the results of the 31 December 2012 accountıng valuatıon are those relatıng to the rate of return on ınvestments and the rates of ıncrease ın salarıes and pensıons It was assumed that the average ınvestment returns would be 6 40% per annum, that the dıscount rate would be 5 11% per annum, that salary ıncreases would average 3 00% per annum and that present and future pensıons earned ın respect of servıce between 6 Aprıl 1997 and 5 Aprıl 2005 would ıncrease at the rate of 2 85% per annum and ın respect of servıce after 6 Aprıl 2005 at the rate of 2 9% per annum

At the date of the latest actuarıal valuatıon as at 1 Aprıl 2011, the past servıce deficıt was £5,800,000 (excludıng the Unapproved Unfunded Retırement Benefits Scheme) The market value of the scheme's assets was £103,600,000 The total past servıce lıabılıty was £109,400,000 (excludıng the Unapproved Unfunded Retırement Benefits Scheme) Based on the actuarıal value of the scheme's assets, the level of fundıng, ı e the ratıo of the assets to the accrued lıabılıtıes based on expected salarıes at retırement, was 95% at the valuatıon date In order to reduce the shortfall a recovery plan has been agreed between the trustees and employer whıch wıll result ın addıtıonal payments ın excess of £12,028,000 between 2011 and 2014 The Company expects to

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Year ended 31 December 2012

24. Pensions (continued)

contribute £4,439,000 in 2012, of which £3,161,000 is in respect of additional payments to address the shortfall determined at 1 April 2008

	2012	2011
Inflation assumption	3 00%	3 10%
Rate of increase in salaries	3 00%	3 10%
Rate of 5% LPI pension increases	2 90%	2 85%
Discount rate	5 11%	5 13%

The amounts recognised in the balance sheet are as follows:

Defined benefit pension plans

	2012 £'000	2011 £'000
Present value of funded obligations	106,864	102,212
Fair value of plan assets	(113,471)	(101,672)
Effect of asset limit	6,339	-
Present value of unfunded obligations	1,642	1,390
Deficit	1,374	1,930
Related deferred tax asset	(316)	(482)
Net liability	1,058	1,448

The amounts recognised in profit and loss are as follows:

Defined benefit pension plans

	2012 £'000	2011 £'000
Current service cost	1,269	1,445
Interest on obligation	5,239	5,720
Expected return on plan assets	(6,554)	(6,400)
Total	(46)	765
Actual return on plan assets	10,444	1,002

24. Pensions (continued)

Changes in the present value of the benefit obligation are as follows:

	2012 £'000	2011 £'000
Opening defined benefit obligation	103,602	109,303
Current service cost	1,269	1,445
Interest cost	5,239	5,720
Plan member contributions	321	379
Actuarial loss / (gain)	947	(9,612)
Benefits paid	(2,394)	(2,868)
Expenses paid	(478)	(765)
Closing defined benefit obligation	108,506	103,602

Changes in the fair value of plan assets are as follows:

	2012 £'000	2011 £'000
Opening fair value of defined benefit plan assets	101,672	99,551
Expected return	6,554	6,400
Actuarial loss / (gain)	3,490	(5,398)
Contributions by employer	4,306	4,373
Contributions by members	321	379
Benefits paid from plan	(2,394)	(2,868)
Expenses paid	(478)	(765)
Closing fair value of defined benefit plan assets	113,471	101,672

Components of pension expense under FRS 17

	2012 £'000	2011 £'000
Current service cost	1,269	1,445
Expected return on pension scheme assets	(6,554)	(6,400)
Interest on pension scheme liabilities	5,239	5,720
Total pension (credit) / expense recognised in profit and loss	(46)	765
Less amounts recognised in First Data Bank Ltd's profit and loss account	(73)	(165)
Total pension (credit) / expense recognised in The National Magazine Company's Group profit and loss account	(119)	600

Notes to the accounts
Year ended 31 December 2012

24. Pensions (continued)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL) under FRS 17

	2012 £'000	2011 £'000
Actuarial gain relating to the pension scheme	2,543	4,214
Effect of asset limit	(6,339)	-
Actuarial (loss)/gain immediately recognised in the STRGL	(3,796)	4,214
Cumulative amount of actuarial (loss) immediately recognised	(13,837)	(10,041)

The surplus in the scheme has been restricted to reflect the ability to recover the surplus through either reduced contributions in the future or through refunds in the scheme

The major categories of plan assets as a percentage of total plan assets are as follows:

	2012	2011
The asset allocations at the year end were as follows		
Equities	47 3%	47 0%
Bonds	28 2%	32 75%
Other	24 5%	20 25%
	100 0%	100 0%

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio This resulted in the selection of the 6 40% assumption at 31 December 2011 (6 37% at 31 December 2010)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

Weighted average assumptions used to determine benefit obligations·

	2012	2011
Discount rate	5 11%	5 13%
Rate of compensation increase	3 00%	3 10%

Weighted average assumptions used to determine pension expense for year ended:

	2012	2011
Discount rate	5 13%	5 30%
Expected long-term return on plan assets	6 40%	6 37%

The National Magazine Company Limited

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24. Pensions (continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2012	2011
Male		
Member age 65 (current life expectancy)	23 2	22 8
Member age 45 (life expectancy at 65)	24 9	24 1
Female		
Member age 65 (current life expectancy)	24 8	24 4
Member age 45 (life expectancy at 65)	26 8	26 0

The five-year history of experience adjustments is as follows

	2012 £	2011 £	2010 £	2009 £	2008 £
Present value of defined benefit obligations	108,506	103,602	109,303	102,341	88,574
Fair value of scheme assets	(113,471)	(101,672)	(99,551)	(88,104)	(73,057)
(Surplus) / deficit in the scheme	(4,965)	1,930	9,752	14,237	15,517
Experience adjustments on scheme liabilities Amount (£)	1,196	(4,489)	(2,010)	(1,020)	190
Percentage of scheme liabilities (%)	1%	(4%)	(2%)	(1%)	0%
Experience adjustments on scheme assets Amount (£)	(3,490)	5,398	(3,753)	(8,210)	23,543
Percentage of scheme assets (%)	(3%)	5%	(4%)	(9%)	32%

The defined benefit pension scheme is closed to new entrants Under the projected unit method the current service cost will increase as the age profile of the active members in the scheme increases significantly as members approach retirement The Company is to fund the pension scheme using the attained age method which will result in a level contribution rate throughout the life of the scheme

Defined contribution scheme

In addition, the Group operates defined contribution schemes The cost of these in the year was £1,424,523 (2011 £1,038,000)

The outstanding liability remaining at the balance sheet date amounted to £174,272 (2011 £141,774)

Notes to the accounts
Year ended 31 December 2012

25. Derivatives not included at fair value

The Group has derivatives which are not included at fair value in the accounts

		Fair Value	
		2012	2011
	Principal Amount	£	£
Forward foreign exchange contracts	2,023,838	(22,698)	(8 656)

The Group uses the derivatives to hedge its exposures to changes in foreign currency exchange rates The fair values are based on market values of equivalent instruments at the balance sheet date

26. Share capital

	2012 £'000	2011 £'000
Authorised:		
300,000 ordinary shares of £1 each	300	300
Allotted, called up and fully paid:		
283,392 ordinary shares of £1 each (2011 283,392)	283	283

27 Reserves

Group	**Profit and loss account £'000**
At 1 January 2012	16,281
Profit for the year	12,000
Dividend paid to parent company	(5,000)
Other recognised gains and losses relating to the year	(2,923)
At 31 December 2012	20,358
Company	
At 1 January 2012	5,602
Profit for the year	13,117
Dividend paid to parent company	(5,000)
Other recognised gains and losses relating to the year	(2,923)
At 31 December 2012	10,796

Notes to the accounts
Year ended 31 December 2012

28. Reconciliation of movements in group shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	12,000	3,096
Dividend paid to parent company	(5,000)	(9,000)
Other recognised (losses) / gains relating to the year	(2,923)	2,924
Net increase / (decrease) in shareholders' funds	4,077	(2,980)
Opening shareholders' funds	16,564	19,544
Closing shareholders' funds	20,641	16,564

29. Equity minority interests

	2012 £'000	2011 £'000
At 1 January	965	1,869
Profit and loss account	(78)	(204)
Minority interest dividends	-	(700)
At 31 December	887	965

Equity minority interests comprise 35% of the ordinary shares of £1 each in Conde Nast & National Magazine Distributors Limited The shares do not entitle the holders to any rights against other Group companies

30 Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	11,728	7 574
Foreign exchange movements	-	-
Amortisation on joint venture investment	140	140
Depreciation charge	1,212	1,344
Loss on disposal of tangible fixed assets	217	1
Amortisation of intangible assets	5,326	2,914
Impairment of intangible assets	1,448	--
Other provisons	(1,416)	2,914
Decrease in stocks	1,089	(124)
(Increase) in debtors	(1,868)	365
(Decrease) in creditors	(4,045)	2,736
(Decrease) in long term creditors	(241)	(134)
Impact of pension adjustments	(3,855)	(2,762)
Net cash inflow from operating activities	9,735	14,968

The National Magazine Company Limited

Notes to the accounts
Year ended 31 December 2012

31. Reconciliation of net cash flow to movement in net funds

	2012 £'000	2011 £'000
Increase/(decrease) in cash in the year	1,489	6,975
Decrease in current asset investments	(17)	(4,585)
Movement in net funds	1,472	(2,390)
Net funds at 1 January	25,631	23,241
Net funds at 31 December	27,103	25,631

32. Analysis of net debt

	At January 2012 £'000	Cashflow £'000	Exchange movement £'000	Other non-cash charges £	At December 2012 £
Cash at bank and in hand	25,612	1,489	-	-	27,101
Current asset investments	19	(17)	-	-	2
Amount owed to parent	(71,791)	-	3,475	(3,301)	(71,617)
Net debt	(46,160)	1,472	3,475	(3,301)	(44,514)

The Amount owed to parent relates to a loan of $108 6m set up in 2011 and originally valued at £66 146m Interest of £1 452m and exchange rate movements of £4 192m took the sterling value to £71 791m at 31 December 2011 The current asset investments are not classified as cash and have therefore been excluded from the Group cash flow statement However, the Group uses these investments to fund their operations hence the Group discloses these in the analysis of net funds

33. Financial commitments

At 31 December 2012 the Group had annual commitments under non-cancellable operating leases as follows

	2012		2011	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	151	2	80	29
Expiring between two and five years	43	495	184	443
Expiring in over five years	6,467	-	6,467	-
	6,661	497	6,731	472

Notes to the accounts
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33. Financial commitments (continued)

Company	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Expiring within one year	108	-	43	-
Expiring between two and five years	-	311	65	313
Expiring in over five years	5,955	--	5,955	-
	6,063	311	6,063	313

There were no capital expenditure commitments contracted but not provided for at the year end (2011 £nil) Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

34. Deferred tax

There is a deferred tax asset of £2,349,000 (2011 £4,739,000) in respect of short and long-term timing differences The directors believe it is more likely than not that this asset is recoverable against future taxable profits

	2012 £'000	2011 £'000
Movement on deferred taxation balance in the year		
Opening balance asset	4,739	4,138
(Charge)/credit to profit and loss account	(2,404)	939
Acquired from F E P Group	-	154
Prior Year Adjustments	(729)	-
Deferred tax on fair value adjustment	(130)	757
Increase / (decrease) due to change in pensions in STRGL	873	(1,249)
Closing balance	2,349	4,739

	2012 £'000	2011 £'000
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	730	790
Deferred tax on fair value adjustment	626	757
Short term timing differences	677	2,710
	2,033	4,257
Deferred tax on pension liability	316	482
Total deferred tax asset	2,349	4,739

There are unrecognised deferred tax assets of £757,152 (2011 £834,000), which the management do not believe to be recoverable against future taxable profits

Notes to the accounts
Year ended 31 December 2012

35. Related party transactions

The National Magazine Company Limited's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them, are summarised below

	2012 £'000	2011 £'000
Hearst Magazines		
Royalties, management fees and other charges to Hearst Magazines	6,277	11,180
Royalties, management fees and other charges from Hearst Magazines	(15,104)	(4,678)
Amount due (to)/from Hearst Magazines at balance sheet date	981	(381)
Hearst Communications Inc		
Interest payable on loan note to Hearst Communications Inc	4,856	1,452
Amount due to Hearst Communications Inc at balance sheet date	(71,617)	(71,791)
Hearst - Rodale UK Limited		
Management fees and other charges to Hearst – Rodale UK Limited	1,428	1,325
Amount due from Hearst – Rodale UK Limited at balance sheet date	1,321	353
International Publications Holdings BV		
Interest received on loan note from International Publications Holdings BV	2	-
Amount from International Publications Holdings BV at balance sheet date	408	-
CDS Global Limited ("CDS")		
Subscription fulfilment charge for the year from CDS	2,845	2,403
Conde Nast & National Magazine Distributors Limited		
Services and other charges from Conde Nast & National Magazine Distributors Limited	53,604	56,902
Amount due at balance sheet date from Conde Nast & National Magazine Distributors Limited	1,457	3,397
Hearst Magazines Netherlands BV		
Royalties to Hearst Magazines Netherlands BV	776	351
Interest received on loan note from Hearst Magazines Netherlands BV	35	-
Amount from Hearst Magazines Netherlands B V at balance sheet date	4,008	(38)

The Company has taken advantage of the exemption in FRS 8, not to disclose transactions or balances between the Company and its own subsidiary entities with the exception of Conde Nast & National Magazine Distributors Limited, as this is not wholly owned

Transactions and balances disclosed with Conde Nast & National Magazines Distribution Limited are with The National Magazine Company Limited All other transactions and balances are disclosed on a group basis The amounts due from related parties are included within trade debtors and creditors in the group balance sheet

35. Related party transactions (continued)

"Hearst Magazines" refers to the US subsidiary undertakings of The Hearst Corporation, the ultimate parent

Hearst Magazines Netherlands BV is a company incorporated in The Netherlands in which The Hearst Corporation has a controlling interest, and is therefore a fellow subsidiary undertaking of The Hearst Corporation

International Publications Holdings BV is a company incorporated in The Netherlands in which The Hearst Corporation has a controlling interest, and is therefore a fellow subsidiary undertaking of The Hearst Corporation

CDS Global Limited is a UK registered company in which The Hearst Corporation has a controlling interest, and is therefore a fellow subsidiary undertaking of The Hearst Corporation

All transactions are entered into in the ordinary course of business

Hearst – Rodale UK Limited is a UK registered company in which The National Magazine Company Limited has a 50 1% interest in its share capital

36. Ultimate parent company

The Hearst Corporation, which is incorporated in the United States of America, is the Company's ultimate parent company and controlling party The group's immediate parent company is Hearst Communications Inc The Hearst Corporation is the largest and smallest group for which group accounts are prepared and of which the Company is a member

37. Subsequent events

On 1st January 2013 the existing loan note (valued at $108 6m at 31st December 2012) payable to Hearst Communication Inc was settled by the issue of an Original Issue Discount (OID) note to Hearst Investments LP The OID note is valued at £109 4m including the Original Issue Discount of £42 3m and is repayable on 1 January, 2023 This change removes foreign exchange risk to the Company debt structure but otherwise has no impact on business operations