Company Registration No. 00112955

The National Magazine Company Limited

Report and Financial Statements

31 December 2013

The National Magazine Company Limited

Report and financial statements 2013

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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 P B Horne	
J P Loughlin	(USA)
G C Maurer	(USA)
M Clinton	(USA)
A de Puyfontaine	(resigned 3 January 2014)
S Swartz	(USA)
D F Carey	(USA)
A K Jones	
J W H Weir	(appointed 29 January 2014)

Secretary

A L 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
Foot Anstey LLP

Auditor

Deloitte LLP
London

The National Magazine Company Limited

Strategic report

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.

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.

Through Comag, the Group markets and distributes magazines worldwide. As shown in the Group's profit and loss account on page 9, the Group's revenue has decreased by 6.9% to £312.1 million and the profit on ordinary activities after tax has decreased from £11.9 million in 2012 to a profit of £9.9 million in 2013.

The balance sheet on page 11 of the financial statements shows that the Group's net asset position at the year-end has increased from £21.5 million to £24.2 million.

The Group cash flow statement on page 12 shows that the Group's net cash inflow increased from £1.5 million in 2012 to £2.7 million in 2013, driven largely by movements in working capital. The Group cash position as at 31 December 2013 was £29.8 million (2012: £27.1 million).

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

	2013 £'000	2012 £'000
Turnover	312,116	335,550
Operating profit	14,841	13,481
Operating margin	4.8%	4.0%
Pre-tax profit	12,698	17,373

The average issue print and digital total circulation of the Company's magazines for the six month period ended 31 December 2013 (as audited by the Audit Bureau of Circulation) was 3,168,383 a decrease of 8.4% on the same period circulation of 3,459,569 last year.

Future developments

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

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 continues to increase the ability to move into new areas and increase client service.

Principal risks and uncertainties

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.

The National Magazine Company Limited

Strategic report

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 Group has sufficient cash to meet the operational requirements of the business.

The Group is exposed to risk from the net liability of the defined benefit pension plans. As of 31 December 2013, the deficit (excluding deferred tax asset) stood at £5.2 million (2012: £1.4 million).

Comag is also exposed to foreign exchange risk. This is regularly reviewed and the use of forward contracts has been enhanced during 2013 to reduce the exposure to this risk.

Approved by the Board
and signed on its behalf on 10 September 2014

A K Jones

Director

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 2013.

The Company did not pay a dividend during the year (2012: £5,000,000).

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.

Principal risks and uncertainties

Details of the principal risks and uncertainties and financial instruments are included in the Strategic Report.

Employees

Details of the number of employees and related costs can be found in Note 7 to the financial statements on page 18.

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 Group 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.

Directors

The directors of the Company during the year and to the date of this report 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.

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.

The National Magazine Company Limited

Directors' report

Auditor (continued)

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 10 September 2014

A L Nisbet
Company Secretary

The National Magazine Company Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group and Parent Company 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 Group and Parent Company and of their profit or loss for that period. In preparing Group and Parent Company 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions with reasonable accuracy at any time the financial position of the Parent 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 Group 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 2013 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 36. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and 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.

Sarah Shillingford

Sarah Shillingford (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

15th September 2014

The National Magazine Company Limited

Group profit and loss account
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover			
Existing operations			
(In addition, share of joint venture turnover was £8,503,686 (2012: £8,274,126)	3, 4, 5	312,116	335,550
Cost of sales		(212,917)	(232,908)
Gross profit		99,199	102,642
Other operating expenses		(86,178)	(90,914)
Operating profit			
Existing operations	10	13,021	11,728
Share of joint venture operating profit	5	1,820	1,753
		14,841	13,481
Profit on sale of intangible assets		-	2,896
Profit on ordinary activities before interest		14,840	16,377
Interest receivable and similar income	8	2,080	4,297
Interest payable and similar charges (net)	9	(4,223)	(3,301)
Profit on ordinary activities before taxation		12,698	17,373
Tax on profit on ordinary activities	11	(2,816)	(5,451)
Profit on ordinary activities after taxation		9,882	11,922
Equity minority interests	30	196	78
Profit for the financial year		10,078	12,000

All results were derived from continuing operations in the current and prior year.

Group statement of total recognised gains and losses
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Profit for the financial year		10,078	12,000
Actuarial (loss)/gain relating to the pension scheme	25	(15,330)	2,543
Effect of asset limit	25	6,339	(6,339)
		(8,991)	(3,796)
UK deferred tax attributable to actuarial loss	24	1,798	873
Total recognised gains relating to the year		2,885	9,077

The National Magazine Company Limited

Group and company balance sheet
31 December 2013

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Fixed assets					
Intangible assets	14	69,680	75,043	58,139	62,347
Tangible assets	15	3,376	2,989	1,630	1,714
Investments in subsidiaries	16	-	-	18,405	18,405
Investments in joint ventures:					
- goodwill	17	4,261	4,401	5,658	5,658
- share of gross assets	17	1,932	2,605	-	-
- share of gross liabilities	17	(1,889)	(2,582)	-	-
		4,304	4,424	5,658	5,658
		77,360	82,456	83,832	88,124
Current assets					
Stocks	18	3,401	4,188	3,401	4,188
Debtors: due within one year	19	81,297	77,306	42,662	32,799
Investments	20	1,847	587	2	2
Cash at bank and in hand		29,839	27,101	14,765	10,541
		116,384	109,182	60,830	47,530
Current liabilities					
Creditors: due within one year	21	(90,043)	(89,763)	(45,029)	(39,354)
Net current assets		26,341	19,419	15,800	8,176
Total assets less current liabilities		103,701	101,875	99,632	96,300
Creditors: amounts falling due after more than one year	22	(71,511)	(72,614)	(71,511)	(72,614)
Provisions for liabilities	23	(3,791)	(6,675)	(1,843)	(2,146)
Net assets excluding pension liability		28,399	22,586	26,278	21,540
Pension liability, net of deferred tax	25	(4,182)	(1,058)	(4,182)	(1,058)
Net assets including pension liability		24,217	21,528	22,096	20,482
Capital and reserves					
Called up share capital	27	283	283	283	283
Profit and Loss account	28	23,243	20,358	12,410	10,796
Unrealised reserve	28	-	-	9,403	9,403
Shareholders' funds	29	23,526	20,641	22,096	20,482
Equity minority interests	30	691	887	-	-
Total capital employed		24,217	21,528	22,096	20,482

The financial statements of The National Magazine Company Limited registered number 00112955 were approved by the Board of Directors and authorised for issue on 10 September 2014.

They were signed on its behalf by:

J W H Weir
Director

The National Magazine Company Limited

Group cash flow statement
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	31	11,094	9,735
Dividends received from joint ventures		1,359	1,375
Returns on investment and servicing of finance			
Interest received		138	55
Interest paid		(5,118)	-
		(4,980)	55
Taxation			
UK corporation tax paid		(1,931)	(3,458)
Group relief received		-	-
		(1,931)	(3,458)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,544)	(664)
Sale of intangible assets		-	3,950
Purchase of investments		(1,260)	-
		(2,804)	3,286
Equity dividends paid		-	(5,000)
Cash inflow/(outflow) before financing		2,738	5,993
Financing			
Loans to IPH BV & HM Netherlands BV		-	(4,504)
Increase in cash in the year		2,738	1,489

Notes to the financial statements
Year ended 31 December 2013

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 strategic report and 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 year.

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.

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 or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date or, if appropriate, at the forward contract rate. These translation differences are dealt with in the profit and loss account.

Notes to the financial statements
Year ended 31 December 2013

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. The principal defined benefit scheme is 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 financial statements
Year ended 31 December 2013

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:

	2013 £'000	2012 £'000
United Kingdom	267,199	283,190
Rest of Europe	23,680	26,091
USA/Canada	9,345	11,358
Australia	7,697	9,348
Rest of the world	4,195	5,563
	312,116	335,550

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:

	2013			2012		
	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	160,683	-	160,683	164,516	-	164,516
Distribution	151,433	60,537	211,970	171,034	49,992	221,026
	312,116	60,537	372,653	335,550	49,992	385,542

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.

	2013 £'000	2012 £'000
(ii) Profit on ordinary activities before taxation		
Operating profit/ (loss) by class of business		
Publishing	15,403	13,572
Distribution	(562)	(91)
Operating profit	14,841	13,481
Profit on sale of intangible assets	-	2,896
Net interest payable	(870)	(1,894)
Foreign exchange (loss)/ gain	(1,273)	2,890
	12,698	17,373

Notes to the financial statements
Year ended 31 December 2013

4. Segmental analysis by class of business (continued)

	2013 £'000	2012 £'000
(iii) Net assets (all held within the UK)		
Publishing	22,244	18,994
Distribution	1,973	2,534
	24,217	21,528

5. Share of joint venture turnover and operating profit

	Hearst-Rodale UK Limited 2013 £'000	2012 £'000
Attributable share of turnover (50.10%)	8,504	8,274
Attributable share of profit on ordinary activities before taxation	1,820	1,753
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

	2013 £'000	2012 £'000
Emoluments	1,244	1,194
	1,244	1,194

Retirement benefits are accruing to two directors (2012: two directors) under the Group's defined benefit scheme.

	2013 £'000	2012 £'000
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments excluding pension contributions	1,019	985

Pension contributions paid to the highest paid director in 2013 were £nil (2012: £83,647).

Notes to the financial statements
Year ended 31 December 2013

7. Employee information

Group

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

	2013 No.	2012 No.
Publishing	865	904
Distribution	269	264
	1,134	1,168

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

	£'000	£'000
Wages and salaries	50,725	47,644
Social security costs	5,317	4,716
Other pension costs	2,325	3,191
	58,367	55,551

8. Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from bank	32	92
Loan interest receivable from group	106	-
Foreign exchange gain	-	2,890
Net return on pension scheme (see note 25)	1,942	1,315
	2,080	4,297

9. Interest payable and similar charges (net)

	2013 £'000	2012 £'000
Loan interest payable to group	(3,359)	(3,301)
Other interest receivable	409	-
Foreign exchange loss	(1,273)	-
	(4,223)	(3,301)

Notes to the financial statements
Year ended 31 December 2013

10. Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting):		
Depreciation on tangible fixed assets	1,157	1,212
Amortisation of intangible assets	5,222	5,326
Operating lease rentals – Land and buildings	5,203	6,668
Operating leases – Other	1,395	705
Impairment of intangible assets	141	1,448
Vacant space provision	861	(892)

The analysis of auditor's remuneration is as follows:

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	151	147
Fees payable to the Company's auditor and their associates for other services to the Group		
- The audit of the Company subsidiaries pursuant to legislation	107	105
- Other audit related services	-	40
Total audit fees	258	292

11. Tax on profit on ordinary activities

The tax charge comprises:

	2013 £'000	2012 £'000
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 23.25 % (2012: 24.5%)		
Current year	2,508	2,800
Share of joint ventures	431	437
Adjustment in respect of prior years	(1,587)	(1,054)
	1,352	2,183
Deferred tax at 20.00% (2012: 23.0%)		
Current year	-	1,112
Share of joint ventures	-	9
Originating and reversal of timing differences	523	-
Adjustment in respect of prior year	(128)	729
Effect of rate change on opening balances	-	379
Deferred tax relating to pensions	1,069	1,039
Total tax on profit on ordinary activities	2,816	5,451

Notes to the financial statements
Year ended 31 December 2013

11. Tax on profit on ordinary activities (continued)

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 23.25%. The differences are explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	12,698	17,373
Tax at 23.25% (2012: 24.5%)	2,952	4,256
Effects of:		
Expenses not deductible for tax purposes	1,335	1,645
Capital allowances in excess of depreciation	(23)	75
Movement in short-term timing differences	(129)	(834)
Utilisation of tax losses	-	(161)
Profit on disposal of intangible assets	-	(710)
Prior period adjustments	(1,589)	(1,054)
Short-term timing differences relating to pensions	(1,194)	(1,034)
Current tax charge for the year	1,352	2,183

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 £8,806,854 (2012: £8,117,062). No dividend was paid in 2013 (2012: £5,000,000).

13. Dividends on Equity Shares

Amounts recognised as distributions to equity holders in the period:

	2013 £'000	2012 £'000
Final dividend for the year ended 31 December 2013 of £Nil per ordinary share (2012: 1.764p)	-	5,000

Notes to the financial statements
Year ended 31 December 2013

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 2013	94,552	2,400	18,751	14,624	13,796	144,123
Transfer	165	-	-	-	(165)	-
At 31 December 2013	94,717	2400	18,751	14,624	13,631	144,123
Amortisation						
At 1 January 2013	(54,530)	(2,400)	(1,650)	(5,355)	(5,145)	(69,080)
Charge for year	(2,228)	-	(975)	(1,238)	(781)	(5,222)
Impairment	-	-	-	-	(141)	(141)
At 31 December 2013	(56,758)	(2,400)	(2,625)	(6,593)	(6,067)	(74,443)
Net book value						
At 31 December 2013	37,959	-	16,126	8,031	7,564	69,680
At 31 December 2012	40,022	-	17,101	9,269	8,651	75,043

Company

	Goodwill £'000	Customer database £'000	Domain names and trademarks £'000	Other intangibles £'000	Total £'000
Cost					
At 1 January 2013	46,852	10,400	40,787	6,985	105,024
At 31 December 2013	46,852	10,400	40,787	6,985	105,024
Amortisation					
At 1 January 2013	(15,248)	(3,533)	(23,000)	(896)	(42,677)
Charge for year	(1,657)	(800)	(1,118)	(633)	(4,208)
At 31 December 2013	(16,905)	(4,333)	(24,118)	(1,529)	(46,885)
Net book value					
At 31 December 2013	29,947	6,067	16,669	5,456	58,139
At 31 December 2012	31,604	6,867	17,787	6,089	62,347

Notes to the financial statements
Year ended 31 December 2013

15. Tangible fixed assets

Group	Short-term leasehold and improvements £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture, fixtures, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost						
At 1 January 2013	3,636	1,891	13	11,881	-	17,421
Additions	-	-	15	1,478	51	1,544
Disposals	-	-	-	(25)	-	(25)
At 31 December 2013	3,636	1,891	28	13,334	51	18,940
Depreciation						
At 1 January 2013	(2,896)	(1,138)	(13)	(10,385)	-	(14,432)
Charge for year	(161)	(50)	(2)	(944)	-	(1,157)
Disposals	-	-	-	25	-	25
At 31 December 2013	(3,057)	(1,188)	(15)	(11,304)	-	(15,564)
Net book value						
At 31 December 2013	579	703	13	2,030	51	3,376
At 31 December 2012	740	753	-	1,496	-	2,989

Company	Short-term leasehold and improvements £'000	Freehold land and buildings £'000	Motor vehicles £'000	Furniture, fixtures, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost						
At 1 January 2013	2,316	-	13	9,308	-	11,637
Additions	-	-	15	835	51	901
Disposals	-	-	-	-	-	-
At 31 December 2013	2,316	-	28	10,143	51	12,538
Depreciation						
At 1 January 2013	(2,037)	-	(13)	(7,873)	-	(9,923)
Charge for year	(81)	-	(2)	(902)	-	(985)
Disposals	-	-	-	-	-	-
At 31 December 2013	(2,118)	-	(15)	(8,775)	-	(10,908)
Net book value						
At 31 December 2013	198	-	13	1,368	51	1,630
At 31 December 2012	279	-	-	1,435	-	1,714

Included within freehold land and buildings is land with a cost of £335,000 (2012: £335,000), which is not depreciated.

Notes to the financial statements
Year ended 31 December 2013

16. Investments in subsidiaries

Company	Interest in subsidiary undertaking £'000
Cost	
At 1 January 2013 and at 31 December 2013	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	United Kingdom	Ordinary Shares of £1 each	65
Handbag.com Limited	United Kingdom	Ordinary Shares of £1 each	100
F.E.P. (UK) Limited	United Kingdom	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	United Kingdom	Ordinary Shares of £1 each	100
Edited Financial Services Limited	United Kingdom	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.

Edited Financial Services Limited acts as a marketing agent for an insurance broker.

Notes to the financial statements
Year ended 31 December 2013

17. Investment in joint ventures

Group	2013 £'000	2012 £'000
Investment in joint ventures		
Goodwill – Hearst-Rodale UK Limited	4,261	4,401
Share of net assets – Hearst-Rodale UK Limited	43	23
	4,304	4,424

Company	Interest in joint venture £'000
Cost	
At 1 January 2013 and at 31 December 2013	5,658

The balances above relate to Hearst–Rodale UK Limited (formerly Natmag-Rodale Limited) at 31 December 2013. 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	United Kingdom	Ordinary Shares of £1 each	50.10	50.10

The amounts below represents 50.10% of Natmag's holdings in Hearst–Rodale UK Limited assets and liabilities.

	2013 £'000	2012 £'000
Fixed assets	6	11
Current assets	1,926	2,595
Creditors: amounts falling due within one year	(1,874)	(2,560)
Creditors: amounts falling due after one year	(15)	(23)

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

Notes to the financial statements
Year ended 31 December 2013

18. Stocks

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Raw material and consumables	1,492	2,223	1,492	2,223
Work-in-progress	1,909	1,965	1,909	1,965
	3,401	4,188	3,401	4,188

19. Debtors: amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade debtors	68,118	66,393	32,630	26,474
Amounts owed by group undertakings	-	-	5,053	2,552
Amounts owed by fellow group companies	6,293	5,402	-	-
Prepayments and accrued income	5,250	3,478	3,883	2,589
Deferred tax (see note 24)	1,636	2,033	1,096	1,184
	81,297	77,306	42,662	32,799

20. Investments

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Unlisted investments – Class 'A' shares	1,847	587	2	2
	1,847	587	2	2

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 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade creditors	52,830	49,971	10,960	6,264
Amounts owed to group undertakings	-	-	7,562	7,238
Amounts owed to fellow group companies	939	-	939	-
Corporation tax payable	1,040	11	1,391	179
Other taxation and social security payable	1,393	1,775	1,089	1,465
Other creditors	2,130	3,994	1,733	2,116
Accruals and deferred income	31,711	34,012	21,355	22,092
	90,043	89,763	45,029	39,354

Notes to the financial statements
Year ended 31 December 2013

22. Creditors: amounts falling due after more than one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Deferred lease incentive	696	708	696	708
Deferred income	268	289	268	289
Loan	70,547	71,617	70,547	71,617
	71,511	72,614	71,511	72,614

The deferred lease incentive is being amortised (on a straight line basis) over the lease term.

The principal amount of loan due to Hearst Investments LP as at 31 December 2013 was £67.2 million, repayable by 2022. 5% interest is payable on repayment of the capital.

23. Provisions for liabilities

	Fair value of lease £'000	Vacant space £'000	Other £'000	Total £'000
Group				
At 1 January 2013	2,504	2,022	2,149	6,675
Charged to the profit and loss account	-	861	-	861
Released unused	-	-	(2,040)	(2,040)
Utilisation of provision	(557)	(1,148)	-	(1,705)
At 31 December 2013	1,947	1,735	109	3,791

	Vacant space £'000	Other £'000	Total £'000
Company			
At 1 January 2013	2,022	124	2,146
Charged to the profit and loss account	861	-	861
Released unused	-	(16)	(16)
Utilisation of provision	(1,148)	-	(1,148)
At 31 December 2013	1,735	108	1,843

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 been recognised on the basis that they are contingent.

Notes to the financial statements
Year ended 31 December 2013

24. Deferred tax

There is a deferred tax asset of £2,681,000 (2012: £2,349,000) 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.

	Group	
	2013	**2012**
	£'000	**£'000**
Movement on deferred taxation balance in the year		
Opening balance: asset	2,349	4,739
Charge to profit and loss account	(1,406)	(2,404)
Prior Year Adjustments	127	(729)
Deferred tax on fair value adjustment	(187)	(130)
Increase due to change in pensions in STRGL	1,798	873
Closing balance	2,681	2,349
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	636	730
Deferred tax on fair value adjustment	389	626
Short-term timing differences	610	677
	1,635	2,033
Deferred tax on pension liability	1,046	316
Total deferred tax asset	2,681	2,349

There are unrecognised deferred tax assets of £1,757,648 (2012: £757,152), which the management do not believe to be recoverable against future taxable profits.

	Company	
	2013	**2012**
	£'000	**£'000**
Movement on deferred taxation balance in the year		
Opening balance: asset	1,500	3,746
Charge to profit and loss account	(1,313)	(2,390)
Prior Year Adjustments	156	(729)
Increase due to change in pensions in STRGL	1,798	873
Closing balance	2,141	1,500
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	547	586
Short-term timing differences	548	598
	1,095	1,184
Deferred tax on pension liability	1,046	316
Total deferred tax asset	2,141	1,500

Notes to the financial statements
Year ended 31 December 2013

25. Pensions

The Group operates a funded and unfunded defined benefit pension scheme and defined contribution pension schemes for its employees.

Defined benefit scheme

The assets of the scheme are held separately from those of the Group, being invested with unit trust managers.

The pensions cost for the group's defined benefit pension schemes is calculated in accordance with the requirements of Financial Reporting Standard 17 ("FRS 17"). The group is unable to reliably identify the split of the underlying assets and liabilities of the scheme. However, as The National Magazines Company Limited is the principal sponsoring company in the group scheme, it recognises the full defined benefit obligation in its financial statement.

The liability for the unapproved unfunded retirement benefit scheme increased by £423,000 (2012: increased by £252,000). 26.7 % of pensionable earnings, which includes the employee's contribution, is the agreed funding rate for future years.

The employer's contribution to the Group's defined benefit pension scheme was £4,324,000 (2012: £4,306,000) of which £2,938,000 (2012: £2,652,937) related to National Magazine employees, £1,386,000 (2012: £1,653,063) related to employees within its subsidiary undertakings and to other related scheme members. The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest full actuarial valuation of the scheme was at 1 April 2011, which was formally agreed at the Trustee meeting in June 2012.

The scheme was reviewed on 31 December 2013. The assumptions that have the most significant effect on the results of the 31 December 2013 accounting valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the average investment returns would be 6.49% per annum, that the discount rate would be 4.69% per annum, that salary increases would average 3.45% per annum and that present and future pensions earned in respect of service between 6 April 1997 and 5 April 2005 would increase at the rate of 3.35% per annum.

At the date of the latest actuarial valuation as at 1 April 2011, the past service deficit was £5,800,000 (excluding the Unapproved Unfunded Retirement Benefits Scheme). The market value of the scheme's assets was £103,600,000. The total past service liability was £109,400,000 (excluding the Unapproved Unfunded Retirement Benefits Scheme). Based on the actuarial value of the scheme's assets, the level of funding, i.e. the ratio of the assets to the accrued liabilities based on expected salaries at retirement, was 95% at the valuation date. In order to reduce the shortfall a recovery plan has been agreed between the trustees and employer which will result in additional payments in excess of £12,028,000 between 2011 and 2014. The Company expects to contribute £3,789,000 in 2014, of which £ 3,399,000 is in respect of additional payments to address the shortfall determined at 1 April 2011.

	2013	2012
Inflation assumption	3.45%	3.00%
Rate of increase in salaries	3.45%	3.00%
Rate of 5% LPI pension increases	3.35%	2.90%
Discount rate	4.69%	5.11%

Notes to the financial statements
Year ended 31 December 2013

25. Pensions (continued)

The amounts recognised in the balance sheet are as follows:

Defined benefit pension plans

	2013 £'000	2012 £'000
Present value of funded obligations	128,894	106,864
Fair value of plan assets	(125,731)	(113,471)
Effect of asset limit	-	6,339
Present value of unfunded obligations	2,065	1,642
Deficit	5,228	1,374
Related deferred tax asset	(1,046)	(316)
Net liability	4,182	1,058

The amounts recognised in profit and loss are as follows:

Defined benefit pension plans

	2013 £'000	2012 £'000
Current service cost	1,129	1,269
Interest on obligation	5,482	5,239
Expected return on plan assets	(7,424)	(6,554)
Total	(813)	(46)
Actual return on plan assets	10,770	10,444

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

	2013 £'000	2012 £'000
Opening defined benefit obligation	108,506	103,602
Current service cost	1,129	1,269
Interest cost	5,482	5,239
Plan member contributions	300	321
Actuarial loss	18,676	947
Benefits paid	(2,766)	(2,394)
Expenses paid	(368)	(478)
Closing defined benefit obligation	130,959	108,506

Notes to the financial statements
Year ended 31 December 2013

25. Pensions (continued)

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

	2013 £'000	2012 £'000
Opening fair value of defined benefit plan assets	113,471	101,672
Expected return	7,424	6,554
Actuarial gain	3,346	3,490
Contributions by employer	4,324	4,306
Contributions by members	300	321
Benefits paid from plan	(2,766)	(2,394)
Expenses paid	(368)	(478)
Closing fair value of defined benefit plan assets	125,731	113,471

Components of pension expense under FRS 17

	2013 £'000	2012 £'000
Current service cost	1,129	1,269
Expected return on pension scheme assets	(7,424)	(6,554)
Interest on pension scheme liabilities	5,482	5,239
Total pension (credit)/expense recognised in profit and loss	(813)	(46)
Less amounts recognised in First Data Bank Ltd's profit and loss account	(98)	(73)
Total pension (credit)/expense recognised in The National Magazine Company's Group profit and loss account	(911)	(119)

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

	2013 £'000	2012 £'000
Actuarial (loss)/gain relating to the pension scheme	(15,330)	2,543
Effect of asset limit	6,339	(6,339)
Actuarial loss immediately recognised in the STRGL	(8,991)	(3,796)
Cumulative amount of actuarial loss immediately recognised	(22,828)	(13,837)

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.

Notes to the financial statements
Year ended 31 December 2013

25. Pensions (continued)

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

	2013 £'000	2012 £'000
The asset allocations at the year end were as follows:		
Equities	51.5%	47.3%
Bonds	28.4%	28.2%
Other	20.1%	24.5%
	100%	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 6.53% assumption at 31 December 2013 (6.49% at 31 December 2012).

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

Weighted average assumptions used to determine benefit obligations:

	2013	2012
Discount rate	4.69%	5.11%
Rate of increase in salaries	3.45%	3.00%

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

	2013	2012
Discount rate	5.11%	5.13%
Expected long-term return on plan assets	6.53%	6.49%

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

	2013	2012
Male		
Member age 65 (current life expectancy)	23.3	22.8
Member age 45 (life expectancy at 65)	25.0	24.1
Female		
Member age 65 (current life expectancy)	24.9	24.4
Member age 45 (life expectancy at 65)	26.9	26.0

Notes to the financial statements
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25. Pensions (continued)

The five-year history of experience adjustments is as follows:

	2013 £	2012 £	2011 £	2010 £	2009 £
Present value of defined benefit obligations	(130,959)	(108,506)	(103,602)	(109,303)	(102,341)
Fair value of scheme assets	125,731	113,471	101,672	99,551	88,104
(Deficit)/surplus in the scheme	(5,228)	4,965	(1,930)	(9,752)	(14,237)
Experience adjustments on scheme liabilities					
Amount (£)	74	1,196	(4,489)	(2,010)	(1,020)
Percentage of scheme liabilities (%)	0%	1%	(4%)	(2%)	(1%)
Experience adjustments on scheme assets					
Amount (£)	(3,346)	(3,490)	5,398	(3,753)	(8,210)
Percentage of scheme assets (%)	(3%)	(3%)	5%	(4%)	(9%)

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 £1,191,316 (2012: £1,424,523). The outstanding liability remaining at the balance sheet date amounted to £149,135 (2012: £174,272).

26. Derivatives not included at fair value

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

	Principal amount		Fair value	
	2013 £	2012 £	2013 £	2012 £
Forward foreign exchange contracts	1,134,461	2,023,838	18,087	(22,698)

27. Share capital

	2013 £'000	2012 £'000
Authorised:		
300,000 ordinary shares of £1 each	300	300
Allotted, called up and fully paid:		
283,392 ordinary shares of £1 each (2012: 283,392)	283	283

Notes to the financial statements
Year ended 31 December 2013

28. Reserves

Group	Profit and loss account £'000
At 1 January 2013	20,358
Profit for the year	10,078
Other recognised gains and losses relating to the year	(7,193)
At 31 December 2013	23,243
Company	
At 1 January 2013	10,796
Profit for the year	8,807
Other recognised gains and losses relating to the year	(7,193)
At 31 December 2013	12,410

	Unrealised reserve £'000
At 1 January 2013 and 31 December 2013	9,403

The unrealised reserve relates to unrealised gain on disposal of Best to ACP-NatMag Partnership on 1 January 2005.

29. Reconciliation of movements in group shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	10,078	12,000
Dividend paid to parent company	-	(5,000)
Other recognised losses relating to the year	(7,193)	(2,923)
Net increase in shareholders' funds	2,885	4,077
Opening shareholders' funds	20,641	16,564
Closing shareholders' funds	23,526	20,641

Notes to the financial statements
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30. Equity minority interests

	2013 £'000	2012 £'000
At 1 January	887	965
Profit and loss account	(196)	(78)
At 31 December	691	887

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

31. Reconciliation of operating profit to net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating profit	13,021	11,728
Amortisation on joint venture investment	140	140
Depreciation charge	1,157	1,212
(Profit)/loss on disposal of tangible fixed assets	-	217
Amortisation of intangible assets	5,222	5,326
Impairment of intangible assets	141	1,448
Other provisions	(844)	(1,416)
Decrease in stocks	787	1,089
(Increase) in debtors	(4,968)	(1,868)
Increase/(Decrease) in creditors	(339)	(4,045)
(Decrease) in long-term creditors	(11)	(241)
Impact of pension adjustments	(3,212)	(3,855)
Net cash inflow from operating activities	11,094	9,735

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

	2013 £'000	2012 £'000
Increase/(decrease) in cash in the year	2,738	1,489
Increase/(decrease) in current asset investments	1,260	568
Movement in net funds	3,998	2,057
Net funds at 1 January	27,688	25,631
Net funds at 31 December	31,686	27,688

Notes to the financial statements
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33. Analysis of net debt

	At January 2013 £'000	Cash flow £'000	Other non-cash charges £	At December 2013 £
Cash at bank and in hand	27,101	2,738	-	29,839
Current asset investments	587	-	1,260	1,847
Amount owed to parent	(71,617)	-	1,070	(70,547)
Net debt	(43,929)	2,738	2,330	(38,861)

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.

34. Financial commitments

At 31 December 2013 the Group had annual commitments under non-cancellable operating leases as follows:

	2013		2012	
Group	**Land and buildings £'000**	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Expiring within one year	36	40	151	2
Expiring between two and five years	6,184	704	43	495
Expiring in over five years	759	-	6,467	-
	6,979	744	6,661	497

	2013		2012	
Company	**Land and buildings £'000**	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Expiring within one year	-	-	108	-
Expiring between two and five years	6,170	428	-	311
Expiring in over five years	208	-	5,955	-
	6,378	428	6,063	311

There were no capital expenditure commitments contracted but not provided for at the year end (2012: £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.

Notes to the financial statements
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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:

	2013 £'000	2012 £'000
Hearst Corporation		
Royalties, management fees and other charges to Hearst Magazines	3,010	6,277
Royalties, management fees and other charges from Hearst Magazines	(5,130)	(15,104)
Amount due from Hearst Magazines at balance sheet date	939	981
Hearst Communications Inc		
Interest payable on loan note to Hearst Communications Inc	-	4,856
Amount due to Hearst Communications Inc at balance sheet date	-	(71,617)
Hearst Investments LP		
Interest payable on loan note to Hearst Investments LP	3,359	-
Amount due to Hearst Investments LP at balance sheet date	(70,547)	-
Hearst - Rodale UK Limited		
Management fees and other charges to Hearst – Rodale UK Limited	1,455	1,428
Amount due (to)/from Hearst – Rodale UK Limited at balance sheet date	(341)	1,321
International Publications Holdings BV		
Interest received on loan note from International Publications Holdings BV	11	2
Amount due from International Publications Holdings BV at balance sheet date	834	408
CDS Global Limited ("CDS")		
Subscription fulfilment charge for the year from CDS	2,730	2,845
Conde Nast & National Magazine Distributors Limited		
Services and other charges from Conde Nast & National Magazine Distributors Limited	65,725	53,604

35. Related party transactions (continued)

	2013 £'000	2012 £'000
Amount due at balance sheet date from Conde Nast & National Magazine Distributors Limited	3,489	1,457
Hearst Magazines Netherlands BV		
Royalties to Hearst Magazines Netherlands BV	892	776
Interest received on loan note from Hearst Magazines Netherlands BV	95	35
Amount due from Hearst Magazines Netherlands BV at balance sheet date	5,418	4,008

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. All transactions are entered into in the ordinary course of business.

"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.

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.