Company Registration No. 00112955

The National Magazine Company Limited

Report and Financial Statements

31 December 2014

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	(resigned 14 January 2015)

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
Chartered Accountants and Statutory Auditor
London
United Kingdom

The National Magazine Company Limited

Strategic report

The directors, in preparing this strategic report have complied with s414C of the Companies Act 2006.

Business review and principal activities

The National Magazine Company Limited (the "Company") and its subsidiaries (the "Group") are wholly-owned subsidiaries 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.

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 5.1% to £296.3 million and the profit on ordinary activities after tax has decreased from £9.9 million in 2013 to a profit of £7.3 million in 2014.

The balance sheet on page 11 of the financial statements shows that the Group's net asset position at the year-end has decreased from £24.2 million to £3.5 million. The reduction of £20.7 million reflects the increase in the pension liability of £8.8 million, reduction of £7.6m in debtors – trade and intercompany and reduction of £4.3 million cash.

The Group cash flow statement on page 12 shows that the Group's net cash inflow decreased from £2.7 million in 2013 to £(4.3) million in 2014, driven largely by movements in working capital. The Group cash position as at 31 December 2014 was £25.6 million (2013: £29.8 million).

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

	2014 **£'000**	**2013** **£'000**
Turnover	296,290	312,116
Operating profit	6,977*	14,841
Operating margin	2.4%	4.8%
Pre-tax profit	8,697	12,698

* Operating profit excludes gain on disposal of subsidiary, but includes share of joint venture operating profit.

The average issue print and digital total circulation of the Company's magazines for the six month period ended 31 December 2014 (as audited by the Audit Bureau of Circulation) was 2,962,288 a decrease of 6.5% on the same period circulation of 3,168,383 last year.

During the year, the Company distributed its subsidiary Hearst Dutch Trading Holding B.V. (HDTBV) to the Group's immediate parent company, Hearst Communications Inc. via a dividend in specie of £18,840,000. F.E.P. (UK) Limited, one of the Company's subsidiaries that held the HDTBV, received a capital contribution from the Company and subsequently undertook a capital reduction to create the distributable reserves required for the dividend distribution.

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.

Strategic report

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.

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.

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 2014, the deficit (excluding deferred tax asset) stood at £16.3 million (2013: £5.2 million).

Comag is also exposed to foreign exchange risk. This is regularly reviewed and the use of forward contracts has been enhanced during 2014 to reduce the exposure to this risk.

Approved by the Board
and signed on its behalf on 28 July 2015

A K Jones

Director

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 2014.

During the year, the Company distributed its subsidiary Hearst Dutch Trading Holding B.V. (HDTBV) to the Group's immediate parent company, Hearst Communications Inc. via a dividend in specie of £18,840,000. F.E.P. (UK) Limited, one of the Company's subsidiaries that held the HDTBV, received a capital contribution from the Company and subsequently undertook a capital reduction to create the distributable reserves required for the dividend distribution.

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.

Future developments

Details of future developments 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' 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.

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 28 July 2015

A L Nisbet
Company Secretary

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 2014 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheet, 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 2014 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

28th July 2015

The National Magazine Company Limited

Group profit and loss account
Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover			
Existing Operations			
(In addition, share of joint venture turnover was £9,415,488 (2013: £8,503,686)	3, 4, 5	296,290	312,116
Cost of Sales		(206,702)	(212,917)
Gross profit		89,588	99,199
Other operating expenses		(84,420)	(86,178)
Operating profit	10	5,168	13,021
Share of joint venture operating profit	5	1,809	1,820
Gain on disposal of subsidiary	12	3,737	-
Profit on ordinary activities before interest		10,714	14,841
Interest receivable and similar income	8	2,415	2,489
Interest payable and similar charges	9	(4,432)	(4,632)
Profit on ordinary activities before taxation		8,697	12,698
Tax on profit on ordinary activities	11	(1,385)	(2,816)
Profit on ordinary activities after taxation		7,312	9,882
Equity minority interests	30	350	196
Profit for the financial year		7,662	10,079

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

The National Magazine Company Limited

Group statement of total recognised gains and losses
Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		7,662	10,078
Actuarial (loss)/gain relating to the pension scheme	25	(16,551)	(15,330)
Effect of asset limit	25	-	6,339
		(16,551)	(8,991)
UK deferred tax attributable to actuarial loss	24	2,550	1,798
Current tax going through equity		817	-
Total recognised gains relating to the year		(5,522)	2,885

The National Magazine Company Limited

Group and company balance sheet
31 December 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Fixed assets					
Intangible assets	14	63,529	69,680	54,069	58,139
Tangible assets	15	5,969	3,376	3,136	1,630
Investments in subsidiaries	16	-	-	8,365	18,405
Investments in joint ventures:					
- investments	17	-	-	5,658	5,658
- goodwill	17	4,121	4,261	-	-
- share of gross assets	17	2,784	1,932	-	-
- share of gross liabilities	17	(2,704)	(1,889)	-	-
		4,201	4,304	5,658	5,658
		73,699	77,360	71,228	83,832
Current assets					
Stocks	18	2,766	3,401	2,766	3,401
Debtors: due within one year	19	73,729	81,297	44,882	42,662
Investments	20	4,275	1,847	-	2
Cash at bank and in hand		25,569	29,839	11,725	14,765
		106,339	116,384	59,373	60,830
Current liabilities					
Creditors: due within one year	21	(86,740)	(90,043)	(43,046)	(45,030)
Net current assets		19,599	26,341	16,327	15,800
Total assets less current liabilities		93,298	103,701	87,555	99,632
Creditors: amounts falling due after more than one year	22	(74,641)	(71,511)	(74,641)	(71,511)
Provisions for liabilities	23	(2,107)	(3,791)	(164)	(1,843)
Net assets excluding pension liability		16,550	28,399	12,750	26,278
Pension liability, net of deferred tax	25	(13,045)	(4,182)	(13,045)	(4,182)
Net assets including pension liability		3,505	24,217	(295)	22,096
Capital and reserves					
Called up share capital	27	283	283	283	283
Profit and Loss account	28	2,881	23,243	(9,981)	12,410
Unrealised reserve	28	-	-	9,403	9,403
Shareholders' funds	29	3,164	23,526	(295)	22,096
Equity minority interests	30	341	691	-	-
Total capital employed		3,505	24,217	(295)	22,096

The financial statements of The National Magazine Company Limited registered number 00112955 were approved by the Board of Directors and authorised for issue on 28 July 2015.

They were signed on its behalf by:

A K Jones
Director

The National Magazine Company Limited

Group cash flow statement
Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	31	2,225	11,094
Dividends received from joint ventures		1,375	1,359
Returns on investment and servicing of finance			
Interest received		270	138
Interest paid		(92)	(5,118)
		178	(4,980)
Taxation			
UK corporation tax paid		(4,257)	(1,931)
		(4,257)	(1,931)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(3,536)	(1,544)
Acquisition of tangible fixed assets		(182)	-
Payments to acquire intangible fixed assets		(216)	-
Purchase of investments		(2,428)	(1,260)
		(6,362)	(2,804)
Cash inflow/(outflow) before financing		(6,841)	2,738
Financing			
Capital contribution from parent		4,000	-
Acquisitions and disposals			
Net cash balances disposed of with subsidiary undertaking		(1,429)	-
(Decrease)/increase in cash in the year		(4,270)	2,738

Notes to the financial statements
Year ended 31 December 2014

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 and current asset position. 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.

Notes to the financial statements
Year ended 31 December 2014

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 2014

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 2014

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:

	2014 £'000	2013 £'000
United Kingdom	257,782	267,199
Rest of Europe	22,946	23,680
USA/Canada	8,120	9,345
Australia	4,822	7,697
Rest of the world	2,620	4,195
	296,290	312,116

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:

	2014			2013		
	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	151,570	-	151,570	160,683	-	160,683
Distribution	144,720	53,475	198,195	151,433	60,537	211,970
	296,290	53,475	349,765	312,116	60,537	372,653

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.

	2014 £'000	2013 £'000
(ii) Profit on ordinary activities before taxation		
Operating profit/(loss) by class of business:		
Publishing	11,578	15,403
Distribution	(864)	(562)
Operating profit	10,714	14,841
Net interest receivable/(payable)	(1,113)	(870)
Foreign exchange (loss)/gain	(904)	(1,273)
	8,697	12,698

Notes to the financial statements
Year ended 31 December 2014

4. Segmental analysis by class of business (continued)

	2014 £'000	2013 £'000
(iii) Net assets (all held within the UK)		
Publishing	2,530	22,244
Distribution	975	1,973
	3,505	24,217

5. Share of joint venture turnover and operating profit

	2014 £'000	2013 £'000
Attributable share of turnover (50.10%)	9,415	8,504
Attributable share of profit on ordinary activities before taxation	1,809	1,820
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

	2014 £'000	2013 £'000
Emoluments	603	1,095
Amounts receivable (other than shares and share options) under long-term incentive schemes	76	85
Company contributions to money purchase pension schemes	13	64
	692	1,244

	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	-
Are members of a money purchase pension scheme	1	2
Exercised options over shares in the Company	-	-
Had awards receivable in the form of shares under a long-term incentive scheme	-	-

Notes to the financial statements
Year ended 31 December 2014

6. Directors' emoluments (continued)

	2014 £'000	2013 £'000
Remuneration of the highest paid director:		
Emoluments	456	968
Company contributions to money purchase scheme	13	51
Aggregate emoluments	469	1,019

The highest paid director did not exercise any share options in the year (2013: Nil).

7. Employee information

Group

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

	2014 No.	2013 No.
Publishing	833	865
Distribution	266	269
	1,099	1,134

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

	2014 £'000	2013 £'000
Wages and salaries	47,198	50,725
Social security costs	5,249	5,317
Other pension costs	1,875	2,325
	54,322	58,367

8. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from bank	33	32
Loan interest receivable from group	146	106
Other interest receivable	91	409
Net return on pension scheme (Note 25)	2,145	1,942
	2,415	2,489

Notes to the financial statements
Year ended 31 December 2014

9. Interest payable and similar charges

	2014	2013
	£'000	£'000
Loan interest payable to group	(3,528)	(3,359)
Foreign exchange loss	(904)	(1,273)
	(4,432)	(4,632)

The National Magazine Company Limited

Notes to the financial statements
Year ended 31 December 2014

10. Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Depreciation on tangible fixed assets	1,124	1,157
Amortisation of intangible assets	5,072	5,222
Operating lease rentals – Land and buildings	4,453	5,203
Operating leases – Other	1,997	1,395
Impairment of intangible assets	-	141
Vacant space provision	-	861

The analysis of auditor's remuneration is as follows:

	2014 £'000	2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	105	151
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	67	107
Total audit fees	172	258

11. Tax on profit on ordinary activities

The tax charge comprises:

	2014 £'000	2013 £'000
Analysis of tax charge on ordinary activities		
United Kingdom corporation tax at 21.50 % (2013: 23.25%)		
Current year	1,440	2,508
Share of joint ventures	402	431
Adjustment in respect of prior years	(1,397)	(1,587)
	445	1,352
Deferred tax at 20.0% (2013: 20.0%)		
Current year movement	251	523
Derecognition of deferred tax asset on losses	160	-
Adjustment in respect of prior year	194	(128)
Deferred tax relating to pensions	335	1,069
Total tax on profit on ordinary activities	1,385	2,816

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 21.50%. The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	8,697	12,698
Tax at 21.50% (2013: 23.25%)	1,870	2,952
Effects of:		
Expenses not deductible for tax purposes	1,296	1,335
Non-taxable income	(804)	-
Capital allowances in excess of depreciation	(80)	(23)
Movement in short-term timing differences	(209)	(129)
Tax losses not recognised	130	-
Prior period adjustments	(1,398)	(1,589)
Short-term timing differences relating to pensions	(360)	(1,194)
Current tax charge for the year	445	1,352

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 £5,632,590 (2013: £8,806,854).

During the year, the Company distributed its subsidiary Hearst Dutch Trading Holding B.V. (HDTBV) to the Group's immediate parent company, Hearst Communications Inc. via a dividend in specie of £18,840,000. F.E.P. (UK) Limited, one of the Company's subsidiaries that held the HDTBV, received a capital contribution from the Company and subsequently undertook a capital reduction to create the distributable reserves required for the dividend distribution. This distribution resulted in a gain on disposal to the Group of £3,737,270 (2013: £nil).

13. Dividends on Equity Shares

Amounts recognised as distributions to equity holders in the period:

	2014 £'000	2013 £'000
Final dividend for the year ended 31 December 2014 paid in specie for HDT-BV (2013: £nil)	18,840	-

The National Magazine Company Limited

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14. Intangible fixed assets

Group	Goodwill	Customer Database	Domain names and trademarks	Customer Relationships	Other intangibles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2014	94,717	2,400	18,751	14,624	13,631	144,123
Additions	261	-	-	-	-	261
Disposal	-	-	(1,593)	-	-	(1,593)
At 31 December 2014	94,978	2,400	17,158	14,624	13,631	142,791
Amortisation						
At 1 January 2014	(56,758)	(2,400)	(2,625)	(6,593)	(6,067)	(74,443)
Charge for the year	(2,236)	-	(956)	(1,238)	(642)	(5,072)
Disposal	-	-	253	-	-	253
At 31 December 2014	(58,994)	(2,400)	(3,327)	(7,831)	(6,709)	(79,262)
Net book value						
At 31 December 2014	35,984	-	13,831	6,793	6,922	63,529
At 31 December 2013	37,959	-	16,126	8,031	7,564	69,680

Company

	Goodwill	Customer database	Domain names and trademarks	Other intangibles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2014	46,852	10,400	40,787	6,985	105,024
At 31 December 2014	46,852	10,400	40,787	6,985	105,024
Amortisation					
At 1 January 2014	(16,905)	(4,333)	(24,118)	(1,529)	(46,885)
Charge for year	(1,658)	(800)	(1,118)	(494)	(4,070)
At 31 December 2014	(18,563)	(5,133)	(25,236)	(2,023)	(50,955)
Net book value					
At 31 December 2014	28,289	5,267	15,551	4,962	54,069
At 31 December 2013	29,947	6,067	16,669	5,456	58,139

Notes to the financial statements
Year ended 31 December 2014

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 2014	3,636	1,891	28	12,712	673	18,940
Additions	292	-	-	2,282	1,143	3,717
Transfer of asset	-	-	-	51	(51)	-
Disposals	-	(1)	(13)	(5,635)	-	(5,649)
At 31 December 2014	3,928	1,890	15	9,410	1,765	17,008
Depreciation						
At 1 January 2014	(3,057)	(1,188)	(15)	(11,304)	-	(15,564)
Charge for year	(182)	(30)	(3)	(909)	-	(1,124)
Disposals	-	1	13	5,635	-	5,649
At 31 December 2014	(3,239)	(1,217)	(5)	(6,578)	-	(11,039)
Net book value						
At 31 December 2014	689	673	10	2,832	1,765	5,969
At 31 December 2013	579	703	13	1,408	673	3,376

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 2014	2,316	-	28	10,143	51	12,538
Additions	292	-	-	2,207	-	2,499
Transfer of asset	-	-	-	51	(51)	-
Disposals	-	-	(13)	(5,540)	-	(5,553)
At 31 December 2014	2,608	-	15	6,861	-	9,484
Depreciation						
At 1 January 2014	(2,118)	-	(15)	(8,775)	-	(10,908)
Charge for year	(106)	-	(3)	(884)	-	(993)
Disposals	-	-	13	5,540	-	5,553
At 31 December 2014	(2,224)	-	(5)	(4,119)	-	(6,348)
Net book value						
At 31 December 2014	384	-	10	2,742	-	3,136
At 31 December 2013	198	-	13	1,368	51	1,630

Included within freehold land and buildings is land with a cost of £335,000 (2013: £335,000), which is not depreciated.

Notes to the financial statements
Year ended 31 December 2014

16. Investments in subsidiaries

Company	Interest in subsidiary undertaking £'000
Cost	
At 1 January 2014	18,405
Capital Contribution	8,800
Distribution of HDTBV via dividend in specie	(18,840)
At 31 December 2014	8,365

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 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 subsidiary Hearst Magazines UK 2012-1 Limited.

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.

During the year, the subsidiary Hearst Dutch Trading Holding B.V. (HDTBV) was distributed to the group's immediate parent company via a dividend in specie.

Notes to the financial statements
Year ended 31 December 2014

17. Investment in joint ventures

Group	2014 £'000	2013 £'000
Investment in joint ventures		
Goodwill - Hearst-Rodale UK Limited	4,121	4,261
Share of net assets - Hearst-Rodale UK Limited	80	43
	4,201	4,304

Company	Interest in joint venture £'000
Cost	
At 1 January 2014 and at 31 December 2014	5,658

The balances above relate to Hearst-Rodale UK Limited (formerly Natmag-Rodale Limited) at 31 December 2014.
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 %	Proportion of holdings Company %
Hearst-Rodale UK Limited	United Kingdom	Ordinary Shares of £1 each	50.1	50.1

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

	2014 £'000	2013 £'000
Fixed assets	2	6
Current assets	2,787	1,926
Creditors: amounts falling due within one year	(2,700)	(1,874)
Creditors: amounts falling due after one year	(9)	(15)

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

Notes to the financial statements
Year ended 31 December 2014

18. Stocks

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Raw material and consumables	1,306	1,492	1,306	1,492
Work-in-progress	1,460	1,909	1,460	1,909
	2,766	3,401	2,766	3,401

19. Debtors: amounts falling due within one year

	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	64,656	68,119	31,455	32,630
Amounts owed by group undertakings	-	-	5,843	5,053
Amounts owed by fellow group companies	-	6,293	-	-
Prepayments and accrued income	4,744	5,250	3,481	3,883
Deferred tax (see note 24)	1,031	1,635	643	1,096
Corporation tax	3,298	-	3,460	-
	73,729	81,297	44,882	42,662

20. Investments

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Unlisted investments - Class 'A' shares	4,275	1,847	-	2
	4,275	1,847	-	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.

Notes to the financial statements
Year ended 31 December 2014

21. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade creditors	47,987	52,830	6,903	10,961
Amounts owed to group undertakings	-	-	8,150	8,501
Amounts owed to fellow group companies	670	939	-	-
Corporation tax payable	-	1,040	-	1,391
Other taxation and social security payable	2,101	1,393	1,847	1,089
Other creditors	2,838	2,130	2,727	1,733
Accruals and deferred income	33,144	31,711	23,419	21,355
	86,740	90,043	43,046	45,030

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

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Deferred lease incentive	347	696	347	696
Deferred income	218	268	218	268
Loan	74,076	70,547	74,076	70,547
	74,641	71,511	74,641	71,511

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 2014 was £67.2 million, repayable by 2022. 5% interest is payable on repayment of the capital.

Notes to the financial statements
Year ended 31 December 2014

23. Provisions for liabilities

	Fair value of lease £'000	Vacant space £'000	Other £'000	Total £'000
Group				
At 1 January 2014	1,947	1,735	109	3,791
Charged to the profit and loss account	-	-	-	-
Released unused	-	-	(40)	(40)
Utilisation of provision	(5)	(1,639)	-	(1,644)
At 31 December 2014	1,942	96	69	2,107

	Vacant space £'000	Other £'000	Total £'000
Company			
At 1 January 2014	1,735	108	1,843
Released unused	-	(40)	(40)
Utilisation of provision	(1,639)	-	(1,639)
At 31 December 2014	96	68	164

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 2014

24. Deferred tax

There is a deferred tax asset of £4,292,000 (2013: £2,681,000) 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	
	2014	2013
	£'000	£'000
Movement on deferred taxation balance in the year		
Opening balance: asset	2,681	2,349
Charge to profit and loss account	(953)	(1,406)
Prior Year Adjustments	14	127
Deferred tax on fair value adjustment	-	(187)
Increase due to change in pensions in STRGL	2,550	1,798
Closing balance	4,292	2,681
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	455	636
Deferred tax on fair value adjustment	388	389
Short term timing differences	188	610
	1,031	1,635
Deferred tax on pension liability	3,261	1,046
Total deferred tax asset	4,292	2,681

There are unrecognised deferred tax assets of £3,419,228 (2013: £1,757,648), which the management do not believe to be recoverable against future taxable profits.

	Company	
	2014	2013
	£'000	£'000
Movement on deferred taxation balance in the year		
Opening balance: asset	2,141	1,500
Change to profit and loss account	(787)	(1,313)
Prior Year Adjustments	-	156
Increase due to change in pensions in STRGL	2,550	1,798
Closing balance	3,904	2,141
Analysis of deferred tax balance		
Depreciation in excess of capital allowances	455	547
Short-term timing differences	188	548
	643	1,095
Deferred tax on pension liability	3,261	1,046
Total deferred tax asset	3,904	2,141

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 £475,000 (2013: increased by £423,000).

The employer's contribution to the Group's defined benefit pension scheme was £3,800,000 (2013: £4,324,000) of which £2,624,000 (2013: £2,938,000) related to National Magazine employees, £1,176,000 (2013: £1,386,000) 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 2014, which was formally agreed at the Trustee meeting in March 2015.

The scheme was reviewed on 31 December 2014. The assumptions that have the most significant effect on the results of the 31 December 2014 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 6.44% per annum, that the discount rate would be 3.73% per annum, that salary increases would average 3.10% 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 3.00% per annum.

At the date of the latest actuarial valuation as at 1 April 2014, the past service deficit was £17,400,000 (excluding the Unapproved Unfunded Retirement Benefits Scheme). The market value of the scheme's assets was £127,100,000. The total past service liability was £144,500,000 (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 88% at the valuation date. In order to reduce the shortfall a recovery plan has been agreed between the trustees and employer. The Company expects to contribute £3,920,000 in 2015, of which £ 3,527,000 is in respect of additional payments to address the shortfall determined at 1 April 2014.

	2014	**2013**
Inflation assumption	3.10%	3.45%
Rate of increase in salaries	3.10%	3.45%
Rate of 5% LPI pension increases	3.00%	3.35%
Discount rate	3.73%	4.69%

Notes to the financial statements
Year ended 31 December 2014

25. Pensions (continued)

The amounts recognised in the balance sheet are as follows:

Defined benefit pension plans

	2014 £'000	2013 £'000
Present value of funded obligations	149,066	128,894
Fair value of plan assets	(135,300)	(125,731)
Effect of asset limit	-	-
Present value of unfunded obligations	2,540	2,065
Deficit	16,306	5,228
Related deferred tax asset	(3,261)	(1,046)
Net liability	13,045	4,182

The amounts recognised in profit and loss are as follows:

Defined benefit pension plans

	2014 £'000	2013 £'000
Current service cost	468	1,129
Interest on obligation	6,076	5,482
Expected return on plan assets	(8,217)	(7,424)
Total	(1,673)	(813)
Actual return on plan assets	9,400	10,770

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

	2014 £'000	2013 £'000
Opening defined benefit obligation	130,959	108,506
Current service cost	468	1,129
Interest cost	6,076	5,482
Plan member contributions	2	300
Actuarial loss	17,734	18,676
Benefits paid	(3,167)	(2,766)
Expenses paid	(466)	(368)
Closing defined benefit obligation	151,606	130,959

The National Magazine Company Limited

Notes to the financial statements
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25. Pensions (continued)

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

	2014 £'000	2013 £'000
Opening fair value of defined benefit plan assets	125,731	113,471
Expected return	8,217	7,424
Actuarial gain	1,183	3,346
Contributions by employer	3,800	4,324
Contributions by members	2	300
Benefits paid from plan	(3,167)	(2,766)
Expenses paid	(466)	(368)
Closing fair value of defined benefit plan assets	135,300	125,731

Components of pension expense under FRS 17

	2014 £'000	2013 £'000
Current service cost	468	1,129
Expected return on pension scheme assets	(8,217)	(7,424)
Interest on pension scheme liabilities	6,076	5,482
Total pension (credit)/expense recognised in profit and loss	(1,673)	(813)
Less amounts recognised in First Data Bank Ltd's profit and loss account	(97)	(98)
Total pension (credit)/expense recognised in The National Magazine Company's Group profit and loss account	(1,770)	(911)

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

	2014 £'000	2013 £'000
Actuarial (loss)/gain relating to the pension scheme	(16,551)	(15,330)
Effect of asset limit		6,339
Actuarial loss immediately recognised in the STRGL	(16,551)	(8,991)
Cumulative amount of actuarial loss immediately recognised	(39,379)	(22,828)

Notes to the financial statements
Year ended 31 December 2014

25. Pensions (continued)

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

	2014 £'000	2013 £'000
The asset allocations at the year end were as follows:		
Equities	51.70%	51.50%
Bonds	24.90%	28.40%
Other	23.40%	20.10%
	100%	100.00%

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 6.44% assumption at 31 December 2014 (6.53% at 31 December 2013).

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

Weighted average assumptions used to determine benefit obligations:

	2014	2013
Discount rate	3.73%	4.69%
Rate of increase in salaries	3.10%	3.45%

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

	2014	2013
Discount rate	4.69%	5.11%
Expected long-term return on plan assets	6.53%	6.53%

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

	2014	2013
Male		
Member age 65 (current life expectancy)	23.3	23.3
Member age 45 (life expectancy at 65)	25	25
Female		
Member age 65 (current life expectancy)	25.1	24.9
Member age 45 (life expectancy at 65)	27.0	26.9

Notes to the financial statements
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25. Pensions (continued)

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

	2014	2013	2012	2011	2010
	£	£	£	£	£
Present value of defined benefit obligations	(151,606)	(130,959)	(108,506)	(103,602)	(109,303)
Fair value of scheme assets	135,300	125,731	113,471	101,672	99,551
(Deficit)/surplus in the scheme	(16,306)	(5,228)	4,965	(1,930)	(9,752)
Experience adjustments on scheme liabilities					
Amount (£)	(2,600)	74	1,196	(4,489)	(2,010)
Percentage of scheme liabilities (%)	(2%)	-	1%	(4%)	(2%)
Experience adjustments on scheme assets					
Amount (£)	(1,183)	(3,346)	(3,490)	5,398	(3,753)
Percentage of scheme assets (%)	(1%)	(3%)	(3%)	5%	(4%)

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.

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	
	2014	2013	2014	2013
	£	£	£	£
Forward foreign exchange contracts	2,336,254	1,134,461	535	18,087

27. Share capital

	2014	2013
	£'000	£'000
Authorised:		
300,000 ordinary shares of £1 each	300	300
Allotted, called up and fully paid:		
283,392 ordinary shares of £1 each (2013: 283,392)	283	283

Notes to the financial statements
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28. Reserves

Group	Profit and loss account £'000
At 1 January 2014	23,243
Profit for the year	7,662
Other recognised gains and losses relating to the year	(13,184)
Capital contribution from parent	4,000
Dividends paid	(18,840)
At 31 December 2014	2,881

Company	
At 1 January 2014	12,410
Profit for the year	5,633
Other recognised gains and losses relating to the year	(13,184)
Capital contribution from parent	4,000
Dividends paid	(18,840)
At 31 December 2014	(9,981)

	Unrealised reserve £'000
At 1 January 2014 and 31 December 2014	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

	2014 £'000	2013 £'000
Profit for the financial year	7,662	10,078
Dividend paid to parent company	(18,840)	-
Capital contribution from parent	4,000	-
Other recognised losses relating to the year	(13,184)	(7,193)
Net increase in shareholders' funds	(20,362)	2,885
Opening shareholders' funds	23,526	20,641
Closing shareholders' funds	3,164	23,526

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30. Equity minority interests

	2014 £'000	2013 £'000
At 1 January 2014	691	887
Profit and loss account	(350)	(196)
At 31 December 2014	341	691

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

	2014 £'000	2013 £'000
Operating profit	5,168	13,021
Amortisation on joint venture investment	140	140
Depreciation charge	1,124	1,157
Amortisation of intangible assets	5,072	5,222
Impairment of intangible assets	-	141
Other provisions	(1,638)	(844)
Decrease in stocks	635	787
(Increase) in debtors	(3,045)	(4,968)
Increase/(Decrease) in creditors	(1,506)	(339)
(Decrease) in long-term creditors	(399)	(11)
Impact of pension adjustments	(3,326)	(3,212)
Net cash inflow from operating activities	2,225	11,094

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

	2014 £'000	2013 £'000
Increase/(decrease) in cash in the year	(4,270)	2,738
Increase/(decrease) in current asset investments	2,428	1,260
Movement in net funds	(1,842)	3,998
Net funds at 1 January	31,686	27,688
Net funds at 31 December	29,844	31,686

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33. Analysis of net debt

	At January 2014 £'000	Cashflow £'000	Other non-cash charges £'000	At December 2014 £'000
Cash at bank and in hand	29,839	(4,270)	-	25,569
Current asset investments	1,847	2,428	-	4,275
Amount owed to parent	(70,547)	-	(3,527)	(74,074)
Net debt	(38,861)	(1,842)	(3,527)	(44,230)

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 2014 the Group had annual commitments under non-cancellable operating leases as follows:

Group	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Within one year	35	34	36	40
Between two and five years	7,243	705	6,184	704
After five years	526	-	759	-
	7,804	739	6,979	744

Company	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Within one year	-	-	-	-
Between two and five years	7,243	391	6,170	428
After five years	-	-	208	-
	7,243	391	6,378	428

There were no capital expenditure commitments contracted but not provided for at the year end (2013: £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.

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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:

	2014 £'000	2013 £'000
Hearst Corporation		
Royalties, management fees and other charges to Hearst Magazines	2,817	3,010
Royalties, management fees and other charges from Hearst Magazines	(4,715)	(5,130)
Amount due from Hearst Magazines at balance sheet date	475	939
Hearst Investments LP		
Interest payable on loan note to Hearst Investments LP	3,527	3,359
Amount due to Hearst Investments LP at balance sheet date	(74,076)	(70,547)
Hearst - Rodale UK Limited		
Management fees and other charges to Hearst - Rodale UK Limited	1,893	1,455
Amount due (to) / from Hearst – Rodale UK Limited at balance sheet date	(315)	(341)
International Publications Holdings BV		
Interest received on loan note from International Publications Holdings BV	11	11
Amount due from International Publications Holdings BV at balance sheet date	793	834
CDS Global Limited ("CDS")		
Subscription fulfilment charge for the year from CDS	3,173	2,730
Conde Nast & National Magazine Distributors Limited		
Services and other charges from Conde Nast & National Magazine Distributors Limited	61,382	65,725
Amount due at balance sheet date from Conde Nast & National Magazine Distributors Limited	3,164	3,489
Hearst Magazines Netherlands BV		
Royalties to Hearst Magazines Netherlands BV	907	892
Interest received on loan note from Hearst Magazines Netherlands BV	107	95
Amount from Hearst Magazines Netherlands B.V. at balance sheet date	-	5,418

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35. Related party transactions (continued)

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 & subsidiaries

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.

At the year end, the Company had one dormant subsidiary, Urban Selection Corporate Limited, which was 100% owned by Conde Nast & National Magazine Distributors Limited, and incorporated in England and Wales. Subsequent to the year end, this company was dissolved.