


THE CONDÉ NAST PUBLICATIONS LIMITED

Report and Financial Statements

31 December 2001

 **ERNST & YOUNG**



L07 *LKUH8FH5* 0091
COMPANIES HOUSE 30/10/02

The Condé Nast Publications Limited

Registered No. 226900

DIRECTORS

J Newhouse
N Coleridge
S Boler
P Stuart
S Quinn
A Holcroft
S Amooore
V Matthews
A Willett
P Raynor
S Kippin (appointed 24 May 2002)
J Bill (appointed 24 May 2002)
C German (appointed 24 May 2002)
J Faulkner (appointed 24 May 2002)
S Crofts (appointed 24 May 2002)

SECRETARY

P Raynor (appointed 31 December 2001)

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

HSBC Bank PLC
1 Hanover Square
London W1R 0ES

SOLICITORS

Manches
Aldwych House
81 Aldwych
London WC2B 4RP

REGISTERED OFFICE

Vogue House
Hanover Square
London W1S 1JU

The Condé Nast Publications Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the group for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The consolidated profit, after taxation, was £18,020,000 (2000 – profit of £24,366,000). The directors proposed and paid dividends of £85,458,696 (2000 – £12,002,000). The retained loss has been transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity during the year was magazine publishing. The profit and loss account for the year is set out on page 6.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 31 December 2001 are listed on page 1.

In addition. H Fifield resigned as a director on 19 November 2001. M Garvin resigned as company director and the company secretary on 31 December 2001. P Raynor was appointed company secretary on 31 December 2001.

S Kippin, J Bill, C German, J Faulkner and S Crofts were appointed as directors on 24 May 2002. A Shulman resigned as a director on 24 May 2002.

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

FUTURE DEVELOPMENTS

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

CHARITABLE CONTRIBUTIONS

Donations made by the group for charitable purposes were £30,472 (2000 – £6,267).

EMPLOYMENT OF DISABLED PERSONS

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

EMPLOYEE CONSULTATION

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

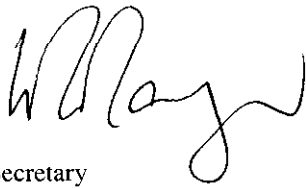
The Condé Nast Publications Limited

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2001. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Secretary

The Condé Nast Publications Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CONDÉ NAST PUBLICATIONS LIMITED

We have audited the group's financial statements for the year ended 31 December 2001 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds, Group Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

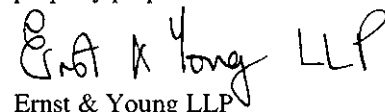
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

30th October 2002

The Condé Nast Publications Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
TURNOVER			
Continuing operations		102,135	84,388
	2	102,135	84,388
Change in stocks of finished goods and work in progress		254	77
Other operating income		3,091	2,975
		105,480	87,440
Raw materials and consumables		(10,646)	(8,553)
Other external charges		(44,331)	(27,067)
Staff costs	5	(27,714)	(23,519)
Depreciation	3	(2,019)	(1,761)
Other operating charges		(4,533)	(3,650)
		(89,243)	(64,550)
OPERATING PROFIT			
Continuing operations		16,237	22,890
Income from interests in associated undertakings		1,455	1,096
Loss on termination of investment	11	—	(4,473)
		17,692	19,513
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			
Other interest receivable and similar income		9,545	12,141
Interest payable and similar charges	6	(190)	(118)
		27,047	31,536
PROFIT ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	7	(9,027)	(7,170)
		18,020	24,366
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividend		(85,459)	(12,000)
		(67,439)	12,366
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	18		

The Condé Nast Publications Limited

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2001

	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Profit for the financial year	18,020	24,366
Currency translation gains on foreign investments	(147)	17
Total recognised (losses)/gains and losses relating to the year	<u>17,873</u>	<u>24,383</u>

The Condé Nast Publications Limited

GROUP BALANCE SHEET

at 31 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	10	21,300	21,765
Investments	11	432	300
		<u>21,732</u>	<u>22,065</u>
CURRENT ASSETS			
Stock	12	3,114	2,855
Debtors	13	78,547	28,483
Investments	11	—	163,607
Cash at bank and in hand		33,678	43,514
		<u>115,339</u>	<u>238,459</u>
CREDITORS: amounts falling due within one year	14	(40,571)	(40,212)
NET CURRENT ASSETS		<u>74,768</u>	<u>198,247</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>96,500</u>	<u>220,312</u>
CREDITORS: amounts falling due after one year	15	(4,667)	(2,095)
PROVISION FOR LIABILITIES AND CHARGES	16	(133)	(282)
TOTAL NET ASSETS		<u>91,700</u>	<u>217,935</u>
CAPITAL AND RESERVES			
Called up share capital	17	39,340	84,659
Share premium account	18	—	13,330
Reserves	18	52,360	119,946
EQUITY SHAREHOLDERS' FUNDS		<u>91,700</u>	<u>217,935</u>

Director

N. Wilson

The Condé Nast Publications Limited

COMPANY BALANCE SHEET

at 31 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	10	20,643	21,161
Investments	11	40	40
		<u>20,683</u>	<u>21,201</u>
CURRENT ASSETS			
Stock	12	2,666	2,300
Debtors	13	68,910	20,907
Investments		—	163,607
Cash at bank and in hand		20,994	33,939
		<u>92,570</u>	<u>220,753</u>
CREDITORS: amounts falling due within one year	14	<u>(31,669)</u>	<u>(33,149)</u>
NET CURRENT ASSETS		<u>60,901</u>	<u>187,604</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>81,584</u>	<u>208,805</u>
TOTAL NET ASSETS		<u>81,584</u>	<u>208,805</u>
CAPITAL AND RESERVES			
Called up share capital	17	39,340	84,659
Share premium account	18	—	13,330
Capital contributions	18	—	31,500
Reserves	18	42,244	79,316
		<u>81,584</u>	<u>208,805</u>
EQUITY SHAREHOLDERS' FUNDS		<u>81,584</u>	<u>208,805</u>

Director

Niall O'Connell

The Condé Nast Publications Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19(a)	16,838	19,371
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,395	12,141
Interest paid		(177)	(118)
Interest element of finance lease		(13)	—
Dividends received from associated undertaking		—	700
NET CASH INFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		1,205	12,723
TAXATION			
Taxation paid		(10,627)	(6,909)
Taxation repaid		14	3,467
NET CASH OUTFLOW FROM TAXATION		(10,613)	(3,442)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,679)	(3,021)
Proceeds from sale of fixed assets		29	38
Loan to parent company		(15,500)	—
Other		(36)	—
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(17,186)	(2,983)
ACQUISITIONS AND DISPOSALS			
Proceeds from disposal of associated undertaking		—	—
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS		—	—
DIVIDENDS			
Equity dividends paid		—	(12,000)
MANAGEMENT OF LIQUID FUNDS			
Purchase of current asset investments		—	—
FINANCE			
Repayment of capital element of finance lease		(80)	—
(DECREASE)/INCREASE IN CASH	19(b)	(9,836)	13,669

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

1. ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

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

Turnover

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

Tangible fixed assets

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

Leasehold improvements, plant, equipment and motor vehicles are stated at cost less accumulated depreciation.

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

Leasehold improvements	-	10%
Long leasehold	-	Term of lease
Plant and office equipment	-	10% to 33%
Computer equipment	-	10% to 33%
Motor vehicles	-	25%

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

Operating leases

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

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Stocks and work in progress

Stocks comprise raw materials, consumables and work in progress.

All stocks are stated at the lower of cost and net realisable value with cost being determined by the first-in, first-out (FIFO) method. Work in progress represents editorial production and associated expenses incurred at the balance sheet date on publishing projects or articles. They are charged to the profit and loss account in full in the month of publication of the magazine containing the relevant projects or articles. This is usually the month proceeding that appearing on the magazine cover.

Deferred taxation

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

Translation of foreign currencies

Amounts receivable and payable in foreign currencies are translated at the rates of exchange in effect at the balance sheet date. Exchange gains and losses arising from translation of foreign currency transactions are included in the profit and loss account for the year.

The financial statements of overseas subsidiary undertakings are translated into sterling at the exchange rates ruling at the relevant balance sheet date. Differences arising from the retranslation of opening net assets are dealt with through reserves.

Royalties

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

Pensions

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

The group has applied the transitional provisions of Financial Reporting Standard 17. The supplementary disclosures required are included in note 21.

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

2. SEGMENTAL ANALYSIS

The following provides a segmental analysis of turnover:

	2001	2000
	£000	£000
By geographical destination:		
United Kingdom	68,065	63,933
Rest of the world	34,070	20,455
	<u>102,135</u>	<u>84,388</u>
By geographical origin:		
United Kingdom	85,132	68,983
Rest of the world	17,003	15,405
	<u>102,135</u>	<u>84,388</u>

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

3. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating profit on ordinary activities before taxation is stated after charging/(crediting):

	2001	2000
	£000	£000
Operating lease rentals:		
Plant and machinery	288	—
Other operating leases	285	263
Depreciation — owned assets	2,008	1,761
— finance lease	54	—
Auditors' remuneration — audit	67	59
— non-audit services	110	71
Loss on sale of tangible fixed assets	54	33
Foreign exchange (gain)	(6,293)	(11,917)
Rents receivable — operating leases	(408)	(269)
	<u></u>	<u></u>

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

4. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Remuneration as directors	2,156	2,109
Pension contribution	97	100
	<u>2,253</u>	<u>2,209</u>

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

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

	2001 £000	2000 £000
Aggregate emoluments	<u>527</u>	<u>305</u>

The accrued pension benefits for the highest paid director as at 31 December 2001 amounted to £79,000 (2000 – £76,000).

5. STAFF COSTS

	2001 £000	2000 £000
Wages and salaries	23,527	19,959
Social security costs	3,242	2,787
Other pension costs	945	773
	<u>27,714</u>	<u>23,519</u>

The average number of persons employed by the group were 612 (2000 – 519).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £000	2000 £000
Interest payable on bank loans and overdrafts repayable within five years	(177)	(118)
Finance charges payable under finance leases	(13)	–
	<u>(190)</u>	<u>(118)</u>

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Corporation tax at 30% (2000 – 30%)		
Current	8,241	10,532
Deferred	–	–
Overseas taxation	(215)	7
Over provision in respect of prior years	554	(400)
Write (back)/off of ACT	–	(3,321)
Associated undertakings	447	352
	<u>9,027</u>	<u>7,170</u>

8. DIVIDENDS

	2001 £000	2000 £000
Equity dividends on ordinary shares:		
Interim paid	40,000	–
Final paid	45,459	12,002
	<u>85,459</u>	<u>12,002</u>

On 2 April 2001 an interim dividend of £40,000,000 was declared and paid.

9. PROFIT AND LOSS ACCOUNT

The Condé Nast Publications Limited has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The profit on ordinary activities after taxation for the financial year for the company is £12,236,000 (2000 – £23,322,000).

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

10. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Long leasehold property £000</i>	<i>Short leasehold property £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
Cost or valuation:				
At 31 December 2000	14,747	7,467	8,849	31,063
Exchange adjustment	—	—	(24)	(24)
Additions	—	456	1,222	1,678
Disposals	—	—	(383)	(383)
Transfers from group companies	—	—	23	23
At 31 December 2001	14,747	7,923	9,687	32,357
Depreciation:				
At 31 December 2000	1,424	2,994	4,880	9,298
Exchange adjustment	—	—	(13)	(13)
Charge for the year	134	662	1,266	2,062
Transfers from group companies	—	—	7	7
Disposals	—	—	(297)	(297)
At 31 December 2001	1,558	3,656	5,843	11,057
Net book value:				
At 31 December 2001	13,189	4,267	3,844	21,300
At 31 December 2000	13,323	4,473	3,969	21,765

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

10. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Long leasehold property £000</i>	<i>Short leasehold property £000</i>	<i>Plant and equipment £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2000	14,747	7,467	7,504	29,718
Additions	—	456	936	1,392
Disposals	—	—	(263)	(263)
Transfers from group companies	—	—	23	23
Reclassifications	—	—	—	—
At 31 December 2001	14,747	7,923	8,200	30,870
Depreciation:				
At 31 December 2000	1,424	2,994	4,139	8,557
Disposals	—	—	(226)	(226)
Charge for the year	134	662	1,093	1,889
Transfers from group companies	—	—	7	7
Reclassifications	—	—	—	—
At 31 December 2001	1,558	3,656	5,013	10,227
Net book value:				
At 31 December 2001	13,189	4,267	3,187	20,643
At 31 December 2000	13,323	4,473	3,365	21,161

11. INVESTMENTS

<i>Group</i>	<i>Shares in the net assets of associated undertakings £000</i>	<i>Other investments £000</i>	<i>Total £000</i>
Cost or amount under equity method of accounting:			
At 31 December 2000	298	2	300
Change in net asset values	132	—	132
At 31 December 2001	430	2	432

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

11. INVESTMENTS (continued)

Company

	Shares in group undertakings £000	Total £000
Cost:		
At 31 December 2000 and 31 December 2001	40	40

<i>Subsidiary undertakings</i>	<i>Principal activity</i>	<i>Percentage of ordinary share capital directly or indirectly held by the company</i>
Magazine Holdings Ltd	Magazine Publishing	100%
Pharos Publications Ltd	Magazine Publishing	100%
Tatler Publishing Company Ltd	Magazine Publishing	100%
Vesey Publications Ltd	Magazine Publishing	100%
Les Publications Condé Nast SA	Magazine Publishing	100%
Media Edition International SNC	Magazine Publishing	100%
Publications VHIM SNC	Magazine Publishing	100%
Condé Nast International Limited	Management Company	100%

Vesey Publications Ltd is registered and operates in the Republic of Ireland. Les Publications Condé Nast SA, Media Edition International SNC and Publications VHIM SNC are registered and operate in France.

All other subsidiary, associated and other undertakings are registered in England and Wales and operate primarily within the United Kingdom.

Media Edition International SNC and Publications VHIM SNC are subsidiary undertakings of Les Publications Condé Nast SA. All other companies are direct subsidiaries of The Condé Nast Publications Limited.

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

11. INVESTMENTS (continued)

<i>Associated undertakings</i>	<i>Percentage of ordinary share capital held directly by the company</i>
Business People Publications Ltd	50%
Condé Nast and National Magazine Distributors Ltd	35%

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

The loss on disposal of investment in 2000 relates to an adjustment made with respect to the sale of Random house (UK) Limited in 1998.

Current asset investments

The current asset investment of £163,607,000 in 2000 represents a holding in a managed US dollar fund of Chase Vista Funds plc. The investment was realised in 2001.

12. STOCK

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	732	1,760	589	1,437
Work in progress	2,268	981	1,987	771
Finished goods and goods for resale	114	114	89	92
	<u>3,114</u>	<u>2,855</u>	<u>2,666</u>	<u>2,300</u>

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

13. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	23,382	17,805	17,304	12,384
Amounts owed by group undertakings	51,150	7,660	49,461	6,581
Other debtors	1,789	1,395	503	704
Prepayments and accrued income	2,226	1,623	1,642	1,238
	<u>78,547</u>	<u>28,483</u>	<u>68,910</u>	<u>20,907</u>

Included within other debtors is £57,424 which is due after more than one year.

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

14. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£000	£000	£000	£000
Trade creditors	4,911	4,617	2,502	2,344
Amounts owed to parent and fellow group undertakings	12,146	9,796	9,767	12,982
Corporation tax payable	5,188	6,978	4,981	6,886
Other creditors	8,899	9,047	5,052	4,033
Other taxation and social security	2,211	1,872	2,237	1,871
Accruals and deferred income	7,194	7,902	7,130	5,033
Obligations under finance leases	21	—	—	—
	<u>40,571</u>	<u>40,212</u>	<u>31,669</u>	<u>33,149</u>

Corporation tax payable is stated net of ACT recoverable of £890,000.

15. CREDITORS: amounts falling due after one year

	<i>Group</i>		<i>Company</i>	
	2001	2000	2001	2000
	£000	£000	£000	£000
Amounts owed to parent and fellow group undertakings	<u>4,667</u>	<u>2,095</u>	<u>—</u>	<u>—</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

<i>Group</i>	<i>Deferred taxation</i>	<i>Other</i>	<i>Total</i>
	£000	£000	£000
Balance at 31 December 2000	—	282	282
Utilised during the year	—	(149)	(149)
Transfer to accruals	—	—	—
Balance at 31 December 2001	<u>—</u>	<u>133</u>	<u>133</u>

Other provisions relate to restructuring costs.

17. SHARE CAPITAL

	2001	2000
	£000	£000
Authorised, allotted, called up and fully paid: 393,398 ordinary shares of £100 each	<u>39,340</u>	<u>84,659</u>

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

18. MOVEMENT ON RESERVES AND RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>Profit and loss account</i>	<i>Special reserve</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital contribution</i>	<i>Total share- holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Group</i>						
At 31 December 2000	119,946	—	84,659	13,330	—	217,935
Share premium reclassification	—	—	13,330	(13,330)	—	—
Repurchase of shares	—	—	(58,649)	—	—	(58,649)
Profit	18,020	—	—	—	—	18,020
Exchange difference	(147)	—	—	—	—	(147)
Dividend	(85,459)	—	—	—	—	(85,459)
At 31 December 2001	52,360	—	39,340	—	—	91,700
<i>Company</i>						
	<i>Profit and loss account</i>	<i>Special reserve</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital contribution</i>	<i>Total share- holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 December 2000	42,646	36,670	84,659	13,330	31,500	208,805
Share premium reclassification	—	—	13,330	(13,330)	—	—
Repurchase of shares	—	—	(58,649)	—	—	(58,649)
Release of capital contribution	31,500	—	—	—	(31,500)	—
Transfer of special reserve	36,670	(36,670)	—	—	—	—
Profit in year	16,887	—	—	—	—	16,887
Dividend paid	(85,459)	—	—	—	—	(85,459)
At 31 December 2001	42,244	—	39,340	—	—	81,584

Within the group's retained profit as at 31 December 2001, £132,300 (2000 – £44,400) of profits retained by associates are included.

A capital reconstruction exercise was completed during the year resulting in changes to the group and the company's reserves as shown above. The objective of this exercise was to return funds to the parent company, through a repurchase of shares and a dividend payment.

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

19. NOTES TO THE statement of CASH FLOWs

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 £000	2000 £000
Operating profit	16,237	22,890
Depreciation	2,062	1,761
Loss on sale of tangible fixed assets	42	33
Increase in stocks	(258)	(314)
Increase in debtors	(4,947)	(2,743)
Increase in creditors	10,020	8,473
Increase/(decrease) in provisions	226	(53)
Exchange differences	(6,544)	(10,676)
Properties held for resale	—	—
Net cash inflow from operating activities	16,838	19,371

(b) Reconciliation of cash flow to movement in net funds

	2001 £000	2000 £000
(Decrease)/increase in cash in the year	(9,836)	13,669
Net funds at 1 January 2001	43,514	29,845
Net funds at 31 December 2001	33,678	43,514

(c) Analysis of net funds

	At 1 January 2001 £000	Cash flows £000	Non-cash movements £000	At 31 December 2001 £000
Cash at bank and in hand	43,514	(9,836)	—	33,678
Current asset investments	43,514	(9,836)	—	33,678
	163,607	—	(163,607)	—
	207,121	(9,836)	(163,607)	33,678

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

20. COMMITMENTS

- (1) The capital commitments outstanding at the year end which were contracted for but not provided for were £nil (2000 – £nil). This includes the group's share of Condé Nast and National Magazine Distributors Limited (COMAG), an associated undertaking.
- (2) At 31 December 2001 there was no capital expenditure authorised by the Board but not contracted for (2000 – £nil).
- (3) There are no commitments to authors for payment of royalty advances at 31 December 2001 (2000 – £nil). Together with the advances already paid, these are charged against sales for future accounting periods as the books are published.

Commitments under operating leases to pay rentals during the forthcoming year are as follows:

	2001 Other £000	2000 Other £000
Expiring within one year	–	88,451
Expiring between two and five years	35,980	48,032
Expiring after more than five years	–	–
	<u>35,980</u>	<u>136,483</u>

Obligations under finance leases fall due as follows:

	2001 £000	2000 £000
Expiring within one year	61,980	–
Expiring within two and five years	–	115,873
Expiring after more than five years	–	–
	<u>61,980</u>	<u>115,873</u>

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

21. PENSION FUND

The group has a funded defined benefit pension scheme for its UK employees, The Condé Nast Publications Limited Retirement Benefits Scheme. The assets of this scheme are held in a separate trustee-administered fund.

The total pension cost for the group was £1,130,563 (2000 – £994,156). The pension cost relating to the UK scheme was £858,334 (2000 – £700,396).

These costs are assessed in accordance with the advice of qualified actuaries using the projected unit credit method in one of the funds and the aggregate method in the other. The UK scheme was last actuarially assessed as at 6 April 1999. The major financial assumptions used by the actuary for the actuarial valuation of the UK scheme as at 6 April 1999 were:

	%
Price of inflation assumption	2.0
Rate of increase in salaries	2.0
Rate of increase for pensions in payment and deferment (according to increases under the scheme rules)	0 - 2.0 - 4.0 - 4.25
Rate used to discount scheme liabilities (net of investment expenses):	
before retirement	6.5
after retirement (non-pensioners)	5.5
after retirement (pensioners)	4.1

The most recent actuarial valuation of the UK scheme showed that the market value of the scheme's assets was £14.3 million, which represented more than 100% of the value of the scheme's liabilities that had accrued to members at that date, allowing for expected future salary increases.

The assets in the UK scheme and the expected rates of return were:

	Long-term rate return expected at 31 December 2001	Value at 31 December 2001 £m
Equities	8.0%	11.36
Bonds	4.9%	4.39
Cash	5.0%	0.38
Total market value of assets		16.13
Present value of scheme liabilities		19.70
(Liabilities)/surplus in the scheme		(3.57)
Net pension (liability)/surplus		(2.50)

The Condé Nast Publications Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

22. OTHER STATUTORY INFORMATION

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

	<i>Liability outstanding at 1 January 2001</i>	<i>Movement in the year</i>	<i>Liability outstanding 31 December 2001</i>	<i>Maximum liability outstanding</i>
A Holcroft	295,000	—	295,000	295,000
S Quinn	78,018	11,963	66,055	78,018
A Shulman	22,314	8,065	14,249	22,314

The loans are repayable on demand.

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

23. RELATED PARTY TRANSACTIONS

During the year, the group had the following transactions with related parties:

Agreements under which the group received distribution services from Condé Nast and National Magazine Distributors Limited (COMAG) amounted to £16,538,000 (2000 – £12,926,000). At the year end the group owed COMAG £381,000 (2000 – £250,000) in respect of these transactions.

24. ULTIMATE PARENT UNDERTAKING

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

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