Condé Nast International Limited

Report and Financial Statements

31 December 2005

Registered No 5516970

Directors
J Newhouse
J Woolhouse
N Coleridge
G Grandi
B Runge

Secretary
P Raynor

Auditors
Ernst & Young LLP
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Directors' report

The directors present their report and the group financial statements for the period ended 31 December 2005.

The Company was incorporated on 25 July 2005

The Company acquired the trade of Conde Nast (CNI) Limited on 1 October 2005

During the period the group acquired the entire share capital of Condé Nast Publications Limited, Edizioni Conde Nast S p A , CNI Ediciones Holdings Inc, and Conde Nast Verlag GmbH

Results and dividends

The group profit for the period, after taxation, amounted to £7,213,000 The directors did not propose a dividend during the period The profit retained has been transferred to reserves

Principal activity and review of the business

The group's principal activity during the period was that of magazine publishing

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

Financial Review

Turnover for the group was £100,314,000 for the period, and operating profit was £13,569,000 It is not possible to provide analysis against prior periods as this is the first period for which Conde Nast International Limited group accounts have been prepared under the current group structure

Analysis of key performance indicators

Key performance indicators have been identified as circulation results for individual magazines and gross margin Circulation performance across all titles has been strong during the period Operating margin is discussed in the financial review paragraph above

Key risks and uncertainties

The Company faces a number of risks and uncertainties Whilst we make every effort to mitigate such risks and uncertainties, the principal challenges are competition from other media impacting circulation and advertising revenues, adverse movement in the UK or worldwide advertising markets, maintaining the supply of paper of the quality required, maintaining the printing of our magazines to the standard and deadlines expected, and retaining the staff and contributors to produce the content of our magazines

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

Directors' report

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

Directors and their interests

The directors of the company during the year were as listed on page 1

The directors had no interests in shares of the company

Auditors

A resolution to appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Completeness of Information to Auditors

In the case of the company directors at the time when the report is approved under Companies Act 1985 s234A

a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

P Raynor 21 MAY 2007

Secretary

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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 Condé Nast International Limited

Independent Auditor's Report to the members of Condé Nast International Limited

We have audited the group and parent company financial statements (the "financial statements") of Conde Nast International Limited for the period ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 24 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

Independent auditors' report

to the members of Condé Nast International Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

Date

2 1 MAY 2007

Group profit and loss account

for the 3 months ended 31 December 2005

	Notes	2005 £000
Turnover		
Continuing operations	2	100,314
Change in stocks of finished goods and work in progress		(267)
Other operating income		4,648
		104,695
Raw materials and consumables		16,035
Other external charges		36,537
Staff costs	5	24,041
Depreciation	3	2,733
Amortisation of goodwill	3	3,371
Other operating charges		8,409
		91,126
Operating profit		
Continuing operations		13,569
Loss on termination of operations		(142)
Income from interests in associated undertakings		756
Profit on ordinary activities before interest		14,183
Other interest receivable and similar income		681
Interest payable and similar charges	6	(1,424)
Profit on ordinary activities before taxation		13,440
Tax on profit on ordinary activities	7	(6,227)
Profit on ordinary activities after taxation		7,213
Retained profit for the period	18	7,213

Group statement of total recognised gains and losses

for the 3 months ended 31 December 2005

	Notes	2005 £000
Retained profit for the period	18	7,213
Foreign currency translation difference	18	75
Pension fund actuarial loss	21	(1,733)
Pension fund deferred tax credit	7	415
Total recognised gains relating to the period		5,970
Total recognised gains		5,970

Group balance sheet
at 31 December 2005

	Notes	2005 £000
Fixed assets		
Intangible fixed assets	9	265,885
Tangible fixed assets	10	53,672
Investments	11	2,109
		321,666
Current assets		
Stock	12	14,434
Debtors	13	123,505
Cash at bank and in hand		86,711
Investments		1,521
		226,171
Creditors: amounts falling due within one year	14	(90,804)
Net current assets		135,367
Total assets less current liabilities		457,033
Creditors: amounts falling due after one year	15	(108,475)
Provision for liabilities and charges	16	1,383
Net assets excluding pension liability		349,941
Pension fund liability	21	(25,970)
Total net assets		323,971
Capital and reserves		
Called up share capital	17	318
Profit and loss account	18	5,970
Share premium account	18	317,683
Total shareholders' funds	18	323,971

Director Nicholas Coleridge

21 MAY 2007

Company balance sheet
at 31 December 2005

	Notes	*31 December 2005 £000*
Fixed assets		
Investments	11	418,000
		418,000
Current assets		
Debtors	13	127
Cash at bank and in hand		1,301
		1,428
Creditors: amounts falling due within one year	14	(1,330)
Net current assets		98
Total assets less current liabilities		418,098
Creditors: amounts falling due after one year	15	(100,000)
Total net assets		318,098
Capital and reserves		
Called up share capital	17	318
Profit and loss account	18	97
Share premium account	18	317,683
Total shareholders' funds	18	318,098

Director Nicholas Coleridge

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Group statement of cash flows

for the 3 months ended 31 December 2005

	Notes	2005 £000
Net cash inflow from operating activities	19(a)	20,134
Returns on investments and servicing of finance		
Interest received		679
Interest paid		(1,424)
Net cash inflow from return on investments and servicing of finance		(745)
Taxation		
Taxation paid		(5,802)
Net cash outflow from taxation		(5,802)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(1,347)
Purchase of other fixed asset investments		(772)
Cash acquired with acquisition of subsidiary undertakings		74,542
Net cash inflow from investing activities		72,423
Financing		
Subscription in new share capital		1
Dividend from associate company		700
Net cash inflow from financing		701
Increase in cash	19(b)	86,711

Notes to the financial statements

1. Accounting policies

Basis of preparation

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

Pensions

Group pension funds are accounted for using the requirements of FRS17 retirement benefits

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 exchange 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, newsstand sales, subscription revenues, commission sales of published magazines, 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 Income is recognised during the month appearing on the magazine's cover Income from books is recognised when the books are despatched to the customer

Goodwill

Goodwill arising on the acquisition of group companies has been capitalised, and will be amortised on a straight line basis over twenty years

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	–	14%
Long-leasehold	–	term of lease
Plant and office equipment	–	10% to 33%
Computer equipment	–	25% to 33%
Motor vehicles	–	25%

Maintenance and repair costs are charged in 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

Notes to the financial statements

1. Accounting policies (continued)

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

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 in the profit and loss account in full in the month of publication of the magazine containing the relevant projects or articles

Deferred taxation

Deferred tax is recognised on a full provision basis

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

1. Accounting policies (continued)

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 year of publication

2. Segmental analysis

The following provides a segmental analysis of turnover

	2005
	£000
By geographical destination	
United Kingdom	30,741
Italy	30,064
Germany	18,744
Spain	8,803
France	6,787
Rest of the world	5,175
	100,314
By geographical origin:	
United Kingdom	36,404
Italy	31,105
Germany	18,744
Spain	8,803
France	5,258
	100,314

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 of profit before tax and net assets by geographic location has not been presented as the directors believe that the disclosure would be seriously prejudicial

Notes to the financial statements

3. Operating profit on ordinary activities before taxation

This is stated after charging / (crediting)

	2005
	£000
Operating leases – plant and machinery	18
Operating leases – other	259
Amortisation of goodwill	3,371
Depreciation – owned assets	2,733
Auditors' remuneration – audit	102
– non-audit services	14
Gain on sale of tangible fixed assets	14
Foreign exchange loss	24
Rents receivable – operating leases	(113)

4. Directors' emoluments

	2005
	£
Remuneration as directors	116,328
Pension contribution	9,141
	125,469

Pension benefits accrue for all the directors under the company's defined benefits scheme

The total number of directors who performed qualifying services during the year was 4

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

	2005
	£
Aggregate emoluments	61,102

The accrued pension benefits for the highest paid director as at 31 December 2005 amounted to £9,141

In addition to providing benefits through The Condé Nast Publications Limited Retirement Benefits Scheme, the company contributes to an approved Executive Pension Plan ("EPP") on behalf of the highest paid director The EPP is a defined contribution arrangement and therefore the level of benefits provided from it are not guaranteed During the 3 months ended 31 December 2005, contributions of £2,991 were paid to the EPP

Notes to the financial statements

5. Staff costs

	2005
	£000
Wages and salaries	18,864
Social security costs	3,445
Other pension costs	1,732
	24,041

The average number of persons employed by the group was 1,792

6. Interest payable and similar charges

	2005
	£000
Interest payable on bank loans and overdrafts repayable within five years	150
Interest payable on loan from parent company	1,274
	1,424

7. Tax

(a) Tax on profit on ordinary activities

Current tax	2005
	£000
UK corporation tax	
UK corporation tax on profit for the year	2,347
Adjustments in respect of previous years	-
	2,347
Foreign tax	
Current tax	4,179
Adjustment in respect of previous years	3
Total current tax (note 7(b))	6,529
Deferred tax	
Origination and reversal of timing differences	(302)
Adjustments in respect of previous periods	-
Group deferred tax	(302)
Tax on profit on ordinary activities	6,227

Notes to the financial statements

7. **Tax** (continued)

(b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK The differences are explained below

	2005
	£000
Profit on ordinary activities before tax	13,440
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	4,032
Effects of	
Disallowed expenses and non-taxable income	2,252
Depreciation in excess of capital allowances	-
Other timing differences	(147)
Adjustments in respect of previous years	-
Pension provision	-
Difference in tax rates on overseas earnings	700
Tax losses	(308)
Current tax charge for the year	6,529

Notes to the financial statements

7. Tax (continued)

(c) Deferred tax

Group

The deferred tax in the balance sheet is as follows

	2005
	£000
Included in provision for liabilities and charges (note 16)	11,632

	£000
At 1 October 2005	-
Acquisition of group companies	10,915
Deferred tax charge in group profit and loss account (note 7(a))	302
Deferred tax charge in group statement of total recognised gains and losses	415
At 31 December 2005	11,632

The group has deferred tax assets of £531,018, in respect of tax losses and other timing differences that are available indefinitely for offset against future taxable profits Deferred tax assets have not been recognised as they may not be utilised until suitable taxable profits arise

Company

The deferred tax included in the balance sheet is as follows

	2005
	£000
Included in provision for liabilities and charges (note 16)	-

8. Profit and loss account

Condé Nast International 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 3 months ended 31 December 2005 for the company is £97,167

Notes to the financial statements

9. Intangible fixed Assets

Group	*Goodwill* *£000*	*Other* *£000*	*Total* *£000*
Cost			
At 25 July 2005	-	-	-
Additions	269,635	1,188	270,823
Exchange adjustment	(823)	-	(823)
At 31 December 2005	268,812	1,188	270,000
Amortisation			
At 25 July 2005	-	-	-
Provided during the period	3,371	774	4,145
At 31 December 2005	3,371	774	4,145
Net book value			
At 31 December 2005	265,441	414	265,855
At 25 July 2005	-	-	-

10. Tangible fixed assets

Group	*Long-leasehold property* *£000*	*Short-leasehold property* *£000*	*Plant and equipment* *£000*	*Total* *£000*
Cost or valuation				
Acquisition of group entities	36,284	22,662	26,529	85,475
Exchange adjustment	-	133	148	281
Additions	-	173	1,838	2,011
Disposals	-	-	(1,004)	(1,004)
At 31 December 2005	36,284	22,968	27,511	86,763
Depreciation				
Acquisition of group entities	2,054	9,342	20,539	31,935
Exchange adjustment	-	40	92	132
Provided during the year	33	914	1,013	1,960
Disposals	-	-	(936)	(936)
At 31 December 2005	2,087	10,296	20,708	33,091
Net book value				
At 31 December 2005	34,197	12,672	6,803	53,672

Notes to the financial statements

10. Tangible fixed assets (continued)

Currently Conde Nast International Limited does not directly own any tangible fixed assets

11. Investments

Group	*Shares in the net assets of associated undertakings*	*Other investments*	*Total*
	£000	*£000*	*£000*
Cost or amount under equity method of accounting			
On 25 July 2005	-	-	-
On acquisition of group companies	656	975	1,631
Change in net asset values	(25)	503	478
At 31 December 2005	631	1,478	2,109

Notes to the financial statements

11. Investments (continued)

Company

	Shares in group undertakings £000
Cost	
At 25 July 2005	-
Additions	418,000
At 31 December 2005	418,000

Subsidiary undertakings	*Principal activity*	*Registered*	*Percentage of ordinary share capital held directly or indirectly by the company*
Condé Nast (CNI) Limited	Management Company	England and Wales	100%
Les Publications Condé Nast S A	Magazine Publishing	France	100%
Edizioni Condé Nast S p A	Magazine Publishing	Italy	100%
Condé Nast Publications Limited	Magazine Publishing	England and Wales	100%
CNI Ediciones Holdings Inc	Magazine Publishing	United States	100%
Condé Nast Verlag GmbH	Magazine Publishing	Germany	100%

Condé Nast (CNI) Limited changed its name to Condé Nast International Limited on 30 September 2005

Shares in Les Publications Condé Nast SA were transferred by dividend in specie from the Condé Nast Publications Limited to Condé Nast International Limited on 31 October 2005

Notes to the financial statements

11. Investments (continued)

	Registered	*Percentage of ordinary share capital held directly by the company*
Business People Publications Ltd	England and Wales	50%
Condé Nast and National Magazine Distributors Ltd	England and Wales	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

Acquisition - Edizioni Condé Nast S.p.A

On 1 October 2005 the Group acquired Edizioni Condé Nast S p A from Condé Nast International Inc for consideration of £128,000,000 in cash

The investment in Edizioni Condé Nast S p A is held by Condé Nast International Limited and has been included in the Group balance sheet using the acquisition method of accounting at its fair value at 1 October 2005 Goodwill arising on the acquisition of Edizioni Condé Nast S p A has been capitalised and is being amortised over twenty years

	Book value	Accounting policy alignments	Fair value
	£000	£000	£000
Tangible fixed assets	2,756	6,242	8,998
Stock	5,640		5,640
Debtors	48,151		48,151
Cash	20,698		20,698
Creditors	(39,405)	6,881	(32,524)
Long term creditors	1,410		1,410
Net assets acquired	**39,250**	**13,123**	**52,373**
Goodwill			**75,627**
Cost of acquisition			128,000
Satisfied by Cash			128,000

The summarised profit and loss account for the period from 1 January 2005 to the date of acquisition is as follows

	Period ended 30 September 2005
	£000
Turnover	74,394
Operating profit	10,039
Profit before tax	10,273
Taxation	(4,918)
Profit after tax	5,355

Notes to the financial statements

11. Investments (continued)

There were no recognised gains and losses in the period ended 30 September 2005 other than the profit of £5,355,000 The costs incurred in the period ended 31 December 2005 in integrating Edizioni Condé Nast S p A into the Group were not significant

For the period 1 October 2005 to 31 December 2005, Edizioni Condé Nast S p A contributed a cash outflow of £1,357,473 to the Group's operating cashflows

Acquisition - CNI Ediciones Holdings Inc

On 1 October 2005 the Group acquired CNI Ediciones Holdings Inc from Condé Nast International Inc for consideration of £33,000,000 in cash

The investment in CNI Ediciones Holdings Inc is held by Condé Nast International Limited and has been included in the Group balance sheet using the acquisition method of accounting at its fair value at 1 October 2005 Goodwill arising on the acquisition of CNI Ediciones Holdings Inc has been capitalised and is being amortised over twenty years

	Book value	Accounting policy alignments	Fair value
	£000	£000	£000
Tangible fixed assets	2,432		2,432
Stock	1,419		1,419
Debtors	10,046		10,046
Cash	9,751		9,751
Investments	109		109
Creditors	(6,178)		(6,178)
Long term creditors	(2,036)		(2,036)
Net assets acquired	**15,543**		**15,543**
Goodwill			**17,457**
Cost of acquisition			33,000
Satisfied by Cash			33,000

The summarised profit and loss account for the period from 1 January 2005 to the date of acquisition is as follows

	Period ended 30 September 2005
	£000
Turnover	22,309
Operating profit	5,418
Profit before tax	4,946
Taxation	(1,515)
Profit after tax	3,431

Notes to the financial statements

11. Investments (continued)

There were no recognised gains and losses in the period ended 30 September 2005 other than the profit of £3,431,000 The costs incurred in the period ended 31 December 2005 in integrating CNI Ediciones Holdings Inc into the Group were not significant

For the period 1 October 2005 to 31 December 2005, CNI Ediciones Holdings Inc contributed a cash outflow of £264,053 to the Group's operating cashflows

Acquisition - Condé Nast Verlag GmbH

On 1 October 2005 the Group acquired Condé Nast Verlag GmbH from Condé Nast International Inc for consideration of £65,000,000 in cash

The investment in Condé Nast Verlag GmbH is held by Condé Nast International Limited and has been included in the Group balance sheet using the acquisition method of accounting at its fair value at 1 October 2005 Goodwill arising on the acquisition of Condé Nast Verlag GmbH has been capitalised and is being amortised over twenty years

	Book value	Accounting policy alignments	Fair value
	£000	£000	£000
Tangible fixed assets	4,275		4,275
Stock	2,462		2,462
Debtors	5,748	(766)	4,982
Cash	15,347		15,347
Investments	10,383		10,383
Creditors	(626)		(626)
Long term creditors	(15,252)	(6,180)	(21,432)
Net assets acquired	**22,337**	**(6,946)**	**15,391**
Goodwill			**49,609**
Cost of acquisition			65,000
Satisfied by Cash			65,000

The summarised profit and loss account for the period from 1 January 2005 to the date of acquisition is as follows

	Period ended 30 September 2005
	£000
Turnover	51,616
Operating profit	3,115
Profit before tax	3,981
Taxation	(949)
Profit after tax	3,032

Notes to the financial statements

11. Investments (continued)

There were no recognised gains and losses in the period ended 30 September 2005 other than the profit of £3,032,000 The costs incurred in the period ended 31 December 2005 in integrating Condé Nast Verlag GmbH into the Group were not significant

For the period 1 October 2005 to 31 December 2005, Condé Nast Verlag GmbH contributed a cash inflow of £4,669,514 to the Group's operating cashflows

Acquisition - The Condé Nast Publications Limited

On 1 October 2005 the Group acquired The Condé Nast Publications Limited from Condé Nast International Inc for consideration of £192,000,000 in cash

The investment in The Condé Nast Publications Ltd is held by Condé Nast International Limited and has been included in the Group balance sheet using the acquisition method of accounting at its fair value at 1 October 2005 Goodwill arising on the acquisition of The Condé Nast Publications Ltd has been capitalised and is being amortised over twenty years

	Book value	Accounting policy alignments	Fair value
	£000	£000	£000
Tangible fixed assets	17,982	21,537	39,519
Stock	4,244		4,244
Debtors	60,262	(7,539)	52,723
Cash	28,622		28,622
Investments	657		657
Creditors	(43,134)		(43,134)
Long term creditors	(17,598)		(17,598)
Net assets acquired	**51,035**	**13,998**	**65,033**
Goodwill			**126,967**
Cost of acquisition			192,000
Satisfied by cash			192,000

The summarised profit and loss account for the period from 1 January 2005 to the date of acquisition is as follows

	Period ended 30 September 2005
	£000
Turnover	95,717
Operating profit	7,358
Profit before tax	7,935
Taxation	(2,295)
Profit after tax	5,640

Notes to the financial statements

11. Investments (continued)

There were no recognised gains and losses in the period ended 30 September 2005 other than the profit of £5,640,000 The costs incurred in the period ended 31 December 2005 in integrating Condé Nast Publications Ltd into the Group were not significant

For the period 1 October 2005 to 31 December 2005, Condé Nast Publications Ltd contributed a cash inflow of £4,551,971 to the Group's operating cashflows

12. Stock

	Group 31 Dec 2005 £000	*Company 31 Dec 2005 £000*
Raw materials and consumables	6,866	-
Work in progress	5,446	-
Finished goods and goods for resale	2,122	-
	14,434	-

13. Debtors

	Group 31 Dec 2005 £000	*Company 31 Dec 2005 £000*
Trade debtors	89,448	-
Amounts owed by group undertakings	15,093	127
Amounts owed by related parties	700	-
Other debtors	15,550	-
Prepayments and accrued income	2,714	-
	123,505	127

Notes to the financial statements

14. Creditors: amounts falling due within one year

	Group 31 Dec 2005 £000	*Company 31 Dec 2005 £000*
Trade creditors	30,306	-
Amounts owed to group undertakings	16,027	1,330
Corporation tax payable	7,903	-
Other creditors	9,649	-
Other taxation and social security	4,565	-
Accruals and deferred income	22,354	-
	90,804	1,330

15. Creditors: amounts falling due after one year

	Group 31 Dec 2005 £000	*Company 31 Dec 2005 £000*
Amounts owed to parent and fellow group undertakings	100,000	100,000
Other creditors	8,475	-
	108,475	100,000

16. Provision for liabilities and charges

Group	*Deferred taxation £000*	*Other £000*	*Total £000*
Balance at 25 July 2005	-	-	-
Acquisition of group companies	10,915	(10,754)	161
Adjustment in respect of prior years	415	-	415
Profit and loss account	302	505	807
Balance at 31 December 2005	11,632	(10,249)	1,383

Notes to the financial statements

16. Provision for liabilities and charges (continued)

The deferred tax consists of

	31 Dec 2005 £000
Decelerated capital allowances	168
Other timing differences	2,753
Pension liability	7,796
Other	915
Total deferred tax asset	11,632
Undiscounted net deferred tax asset	11,632

Company	*Deferred taxation £000*
Balance at 31 December 2005	Nil

17. Share capital

Authorised, allotted, called up and fully paid	*2005 No*	*2005 £000*
On incorporation		
Ordinary shares of £1000 each	1	1
As at 31 December 2005		
Ordinary shares of £1000 each	318,002	318,000

Notes to the financial statements

18. Reconciliation of shareholders' funds and movement on reserves

Group

	Profit and loss account £000	*Share premium £000*	*Share capital £000*	*Total share-holders' funds £000*
Balance on incorporation	-	1	-	1
Profit for the year	7,213	-	-	7,213
Exchange difference	75	-	-	75
Pension actuarial loss	(1,733)	-	-	(1,733)
Pension deferred tax credit	415	-	-	415
Share subscription	-	317,682	318	318,000
At 31 December 2005	5,970	317,683	318	323,971

Company

	£000	*£000*	*£000*	*£000*
Balance on incorporation	-	1	-	1
Profit for the year	97	-	-	97
Share subscription	-	317,682	318	318,000
At 31 December 2005	97	317,683	318	318,098

The group's retained profit as at 31 December 2005 includes a loss of £98,050 retained by associated undertakings

Notes to the financial statements

19. Notes to the statement of cash flows

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

	2005
	£000
Operating profit	13,569
Depreciation and amortisation	6,104
Loss on sale of tangible fixed assets	26
Decrease in stock	(576)
Decrease in debtors	(2,168)
Increase in creditors	2,443
Exchange differences	736
Net cash inflow from operating activities	20,134

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

	2005
	£000
Increase/(decrease) in cash in the year	86,711
Net funds at 1 October 2005	-
Net funds at 31 December 2005	86,711

(c) Analysis of net funds

	At 1 October 2005	*Cash flows*	*At 31 December 2005*
	£000	*£000*	*£000*
Cash at bank and in hand	-	86,711	86,711

Notes to the financial statements

20. Commitments

Commitments under operating leases are as follows

	Land and Buildings £000	Other Operating Leases £000	Group 31 Dec 2005 £000	Company 31 Dec 2005 £000
Expiring within one year	2,224	36	2,260	-
Expiring between two and five years	8,216	32	8,248	-
Expiring after more than five years	7,037	-	7,037	-
	17,477	68	17,545	-

21. Pension fund

Within the group Condé Nast Publications Limited and Condé Nast Verlag GmbH operate defined benefit pension schemes

Conde Nast Publications Limited

The Company operates a defined benefit pension scheme, The Condé Nast Publications Limited Retirement Benefits Scheme The scheme funds are administered by trustees and are independent of the Company's finances Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser

The full actuarial valuation as at 5th April 2005 was updated to the accounting date by an independent qualified actuary in accordance with FRS17 As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method

The key FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the Gross pension liability)

Assumptions	*31 December 2005*
Price inflation	2 8% pa
Discount rate	4 8% pa
Pension increases (according to increases under the scheme rules)	0/2 8/4/4 2%
Salary growth	4 8%

Notes to the financial statements

21. Pension fund (continued)

On the basis of the assumptions used for life expectancy, a female pensioner currently aged 65 would be expected to live for a further 23 7 years Allowance is made for future improvements in life expectancy

Asset distribution and expected return

	31st December 2005	
	Expected return	*Fair value £m*
Equities	7 3% pa	15 20
Bonds	4 1% pa	10 97
Cash	4 2% pa	0 84
Total		27 01

Balance sheet	*2005 £m*
Total fair value of assets	27 01
FRS17 value of liabilities	(43 53)
Gross pension liability	(16 52)
Related deferred tax asset	4 96
Net pension liability	(11 56)

The scheme is represented on the balance sheet at 31st December 2005 as a liability of £16 52m under FRS17, which amounts to £11 56m net of deferred tax

Over the period to 31st December 2005, the Company made contributions of £0 39m to the pension arrangements It has been agreed that future employer contributions will be at a rate of 14 5% of pensionable salaries, with the increase backdated to the effective date of the formal valuation, 5th April 2005

The post retirement deficit under FRS17 moved over the period as follows

	2005 £m
Post retirement deficit at start of period	(14 93)
Current service cost (employee and employer)	(0 68)
Contributions (employee and employer)	0 55
Other net finance income	(0 08)
Actuarial loss	(1 38)
Post retirement deficit at end of period	(16 52)

Notes to the financial statements

21. Pension fund (continued)

The following amounts have been included within operating profit under FRS17

	2005 £m
Current service cost (employer's part only)	0 19
Total operating charge	0 19

The following amounts have been included as net finance income under FRS17

	2005 £m
Expected return on scheme assets	0 35
Interest on post retirement liabilities	(0 43)
Net charge to finance income	(0 08)

The following amounts have been recognised within the statement of total recognised gains and losses ("STRGL") under FRS17

	2005 £m
Actual return less expected return on scheme assets	0 60
Experience gains arising on scheme's liabilities	0 10
Loss due to changes in assumptions underlying the FRS17 value of scheme liabilities	(2 08)
Actuarial loss recognised in the STRGL	(1 38)

The history of experience gains and losses is

	2005	2004	2003	2002
Actual return less expected return on scheme assets (£m)	2 38	0 53	1 43	(3 21)
Percentage of scheme's assets	9%	2%	8%	(21%)
Experience gains and (losses) arising on scheme's liabilities (£m)	0 41	0 00	0 05	(0 04)
Percentage of the FRS17 value of the scheme's liabilities	1%	0%	0%	(0%)
Total amount recognised in the STRGL (£m)	(5 53)	(1 25)	(1 02)	(3 64)
Percentage of the FRS17 value of the scheme's liabilities	(13%)	(4%)	(4%)	(16%)

Notes to the financial statements

21. Pension fund (continued)

Conde Nast Verlag GmbH

The Company operates two defined benefit pension scheme, The Conde Nast Verlag GmbH New Plan, and Old Plan The scheme funds are administered by trustees and are independent of the Company's finances Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser

The full actuarial valuation as at 5th April 2005 was updated to the accounting date by an independent qualified actuary in accordance with FRS17 As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method

The key FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the Gross pension liability)

Assumptions	*31 December 2005*
Price inflation	2 8% pa
Discount rate	4 8% pa
Pension increases (according to increases under the scheme rules)	1 5%
Salary growth	2 0%

Asset distribution and expected return

	31st December 2005	
	Expected return	*Fair value £m*
Cash	4 2% pa	1 2
Total		1 2

Balance sheet	*2005 £m*
Total fair value of assets	1 20
FRS17 value of liabilities	(10 65)
Gross pension liability	(9 45)
Related deferred tax asset	2 84
Net pension liability	(6 61)

Notes to the financial statements

21. Pension fund (continued)

The scheme is represented on the balance sheet at 31st December 2005 as a liability of £9 45m under FRS17, which amounts to £6 61m net of deferred tax

Over the period to 31st December 2005, the Company made contributions of £0 39m to the pension arrangements It has been agreed that future employer contributions will be at a rate of 14 5% of pensionable salaries, with the increase backdated to the effective date of the formal valuation, 5th April 2005

The post retirement surplus/deficit under FRS17 moved over the period as follows

	2005
	£m
Post retirement deficit at start of period	(8 91)
Current service cost (employee and employer)	(0 22)
Contributions (employee and employer)	0 03
Actuarial loss	(0 35)
Post retirement deficit at end of period	(9 45)

The following amounts have been included within operating profit under FRS17

	2005
	£m
Current service cost (employer's part only)	0 03
Total operating charge	0 03

The following amounts have been recognised within the statement of total recognised gains and losses ("STRGL") under FRS17

	2005
	£m
Loss due to changes in assumptions underlying the FRS17 value of scheme liabilities	(0 35)
Actuarial loss recognised in the STRGL	(0 35)

Notes to the financial statements

22. Other statutory information

Other debtors include the following loans to directors of the group company Condé Nast Publications Limited to allow them to perform their duties

	Liability outstanding on acquisition	*Movement in the period*	*Liability outstanding 31 December 2005*	*Maximum liability outstanding*
	£	£	£	£
A Holcroft	295,000	-	295,000	295,000
S Quinn	41,432	(3,046)	38,386	65,000

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 for the company

23. Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with other group undertakings

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

Agreements under which the group received distribution services from Condé Nast and National Magazine Distributors Ltd (COMAG) amounted to £7,315,161 At the year end COMAG owed the group £3,075,634 in respect of these transactions

There were no transactions with other related parties

24. Parent undertaking

The immediate parent undertaking of the company is Condé Nast International Incorporated, which is incorporated in the United States of America

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