

## Notes to the Cash Flow Statement

### 16 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2002 £m	2001 £m
Operating profit	177.3	164.7
Depreciation charge	74.7	69.8
Amortisation of intangible assets	55.5	64.0
Decrease/(increase) in stocks and work in progress	3.0	(1.4)
Increase in debtors	(32.4)	(6.8)
(Decrease)/increase in creditors and other provisions	(13.5)	21.8
<b>Net cash inflow from operating activities</b>	<b>264.6</b>	<b>312.1</b>

The cash inflow noted above includes a cash outflow of £2.6 million (2001 £3.4 million) in respect of operating exceptional items.

### 17 Analysis of Cash Flows given in the Cash Flow Statement

	Note	2002 £m	2001 £m
<b>Returns on investments and servicing of finance</b>			
Interest received		2.5	5.3
Interest paid		(64.3)	(65.4)
Interest element of finance lease rental payments		(2.2)	(3.0)
Issue costs of Eurobond		-	(1.0)
Premium on repurchase of Exchangeable Bonds		(1.3)	-
Dividends received from other investments		5.2	6.7
Dividends paid to minority shareholders		(4.6)	(5.3)
		(64.7)	(62.7)
<b>Taxation</b>			
Tax paid		(36.6)	(49.1)
Tax repaid		11.7	5.4
		(24.9)	(43.7)
<b>Capital expenditure and financial investment (net)</b>			
Purchase of tangible fixed assets		(89.8)	(93.8)
Purchase of investments		(13.2)	(15.2)
Disposal of tangible fixed assets		17.7	7.4
Disposal of investments		0.9	3.5
		(84.4)	(98.1)
<b>Acquisitions and disposals</b>			
Purchase of businesses	19	(84.9)	(91.7)
Purchase of Radio licences		(5.0)	(25.4)
Cash acquired with subsidiaries		-	0.5
Investments in joint ventures and associates		(13.2)	(81.2)
Disposal of businesses	19	1.9	13.0
Disposal of associates		0.2	-
		(101.0)	(184.8)
<b>Financing</b>			
Issue of Eurobonds		-	167.7
Issue of share capital		0.3	0.5
Issue of shares by group company to minority shareholders		-	11.1
Loans taken out		28.0	-
Repayment of loans by associates		0.4	-
Repurchase of Exchangeable Bonds		(12.3)	-
Repayment of other borrowings		-	(42.3)
Treasury hedging activities		(6.5)	(1.0)
Capital element of finance lease rental payments		(6.8)	(5.9)
<b>Net cash inflow from financing</b>		<b>3.1</b>	<b>130.1</b>

## Notes to the Cash Flow Statement

### Continued

#### 18 Analysis of Net Debt

	Note	At beginning of year £m	Cash flow £m	Issued on acquisition of subsidiaries £m	Cancelled on sale of subsidiaries £m	Foreign exchange movements £m	Other non-cash changes £m	At end of year £m
Cash		104.9	(33.4)	–	–	(1.8)	–	69.7
Bank overdrafts		(2.1)	1.6	–	–	–	–	(0.5)
		102.8	(31.8)	–	–	(1.8)	–	69.2
Debt due within one year	i	(30.7)	(19.4)	(1.2)	3.0	(1.0)	(7.5)	(56.8)
Debt due after one year								
Eurobonds		(644.1)	12.3	–	–	–	(1.8)	(633.6)
Loans	ii	(279.3)	(8.6)	–	–	10.9	(2.7)	(279.7)
		(954.1)	(15.7)	(1.2)	3.0	9.9	(12.0)	(970.1)
Finance lease obligations		(38.0)	6.8	–	–	–	–	(31.2)
		(992.1)	(8.9)	(1.2)	3.0	9.9	(12.0)	(1,001.3)
Short-term investments	29	13.9	(3.6)	–	–	–	–	10.3
Net debt		(875.4)	(44.3)	(1.2)	3.0	8.1	(12.0)	(921.8)

(i) Other non-cash movements in respect of debt due within one year comprise a settlement of deferred consideration by way of loan notes issued.

(ii) Other non-cash movements in respect of Eurobonds and loans include the unwinding of the premium on the issue of further 2021 10% bonds in the year of £0.5 million and on the issue of further 2013 7.5% bonds of £0.2 million offset by the accretion to the principal of the 2.5% deep discount Eurobond of £1.9 million and the amortisation of issue costs of Eurobonds of £0.6 million.

(iii) Other non-cash movements in respect of debt due after one year comprises 'rolled up' interest of £2.7 million.

(iv) Cash flows in respect of Eurobonds comprise redemptions totalling £12.3 million of the 9.75% 2005 Eurobond.

#### 19 Analysis of Movements in Cash in respect of Acquisitions and Disposals

	Note	2002 £m	2001 £m
<b>Acquisitions</b>			
Cash consideration including acquisition expenses	35	72.8	77.1
Cash paid in respect of consideration deferred from prior years		12.1	14.6
		84.9	91.7

Cash paid in respect of consideration deferred from prior years was mainly in respect of the education and information publishing division.

	Note	2002 £m	2001 £m
<b>Disposals</b>			
Cash consideration including disposal costs	36	1.9	5.3
Cash received in respect of consideration deferred from prior years		–	7.7
		1.9	13.0

The impact of operating cash flows from acquisitions and disposals made in the year was not material.