

## Notes to the Cash Flow Statement

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

|   | 2003<br>£m   | 2002<br>£m   |
|---|--------------|--------------|
| Operating profit                                      | 174.0        | 177.3        |
| Depreciation charge                                   | 71.3         | 74.7         |
| Amortisation and impairment of intangible assets      | 63.5         | 55.5         |
| (Increase)/decrease in stocks and work in progress    | (1.8)        | 3.0          |
| Increase in debtors                                   | (23.7)       | (32.4)       |
| Increase/(decrease) in creditors and other provisions | 29.1         | (13.5)       |
| <b>Net cash inflow from operating activities</b>      | <b>312.4</b> | <b>264.6</b> |

The cash inflow noted above includes a cash outflow of £Nil (2002 £2.6 million) in respect of operating exceptional items.

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

|   | Note | 2003<br>£m    | 2002<br>£m |
|---|------|---------------|------------|
| <b>Returns on investments and servicing of finance</b>    |      |               |            |
| Interest received   |      | 7.5           | 2.5        |
| Interest paid   |      | (62.4)        | (64.3)     |
| Interest element of finance lease rental payments         |      | (2.6)         | (2.2)      |
| Bond issue costs  |      | (0.2)         | –          |
| Premium on repurchase of exchangeable bonds               |      | –             | (1.3)      |
| Dividends received from other investments                 |      | 5.0           | 5.2        |
| Dividends paid to minority shareholders                   |      | (4.8)         | (4.6)      |
|   |      | (57.5)        | (64.7)     |
| <b>Taxation</b>   |      |               |            |
| Tax paid  |      | (33.8)        | (36.6)     |
| Tax repaid  |      | 8.1           | 11.7       |
|   |      | (25.7)        | (24.9)     |
| <b>Capital expenditure and financial investment (net)</b> |      |               |            |
| Purchase of tangible fixed assets                         |      | (93.7)        | (89.8)     |
| Purchase of investments                                   |      | (4.8)         | (13.2)     |
| Disposal of tangible fixed assets                         |      | 4.8           | 17.7       |
| Disposal of investments                                   |      | 0.3           | 0.9        |
|   |      | (93.4)        | (84.4)     |
| <b>Acquisitions and disposals</b>                         |      |               |            |
| Purchase of businesses                                    | 18   | (44.4)        | (84.9)     |
| Purchase of radio licences                                | 18   | (3.3)         | (5.0)      |
| Cash acquired with subsidiaries                           |      | 2.2           | –          |
| Investments in joint ventures and associates              |      | (12.5)        | (13.2)     |
| Disposal of businesses                                    | 18   | 6.5           | 1.9        |
| Disposal of associates                                    |      | –             | 0.2        |
|   |      | (51.5)        | (101.0)    |
| <b>Financing</b>  |      |               |            |
| Issue of bonds  |      | 173.9         | –          |
| Issue of share capital                                    |      | 0.6           | 0.3        |
| Loans taken out   |      | –             | 28.0       |
| Repurchase of exchangeable bonds                          |      | (61.2)        | (12.3)     |
| Repayment of other borrowings                             |      | (204.4)       | –          |
| Repayment of loan by associates                           |      | 1.5           | 0.4        |
| Treasury hedging activities                               |      | (3.2)         | (6.5)      |
| Cash received on sale and lease back                      |      | 13.1          | –          |
| Capital element of finance lease rental payments          |      | (5.6)         | (6.8)      |
| <b>Net cash inflow from financing</b>                     |      | <b>(85.3)</b> | <b>3.1</b> |

## Notes to the Cash Flow Statement

Continued

## 17 Analysis of Net Debt

|                           | Note    | At beginning of year<br>£m | Cash flow<br>£m | Acquisition (excluding cash and overdrafts)<br>£m | Foreign exchange movements<br>£m | Other non-cash changes<br>£m | At end of year<br>£m |
|---------------------------|---------|----------------------------|-----------------|---|----------------------------------|------------------------------|----------------------|
| Cash                      |         | 69.7                       | (24.3)          | –   | (0.6)                            | –                            | 44.8                 |
| Bank overdrafts           |         | (0.5)                      | 0.2             | –   | –                                | –                            | (0.3)                |
|                           |         | 69.2                       | (24.1)          | –   | (0.6)                            | –                            | 44.5                 |
| Debt due within one year  | i       | (56.8)                     | 24.1            | (2.7)   | (0.3)                            | –                            | (35.7)               |
| Debt due after one year   |         |                            |                 |   |                                  |                              |                      |
| Bonds                     | ii, iii | (633.6)                    | (112.7)         | –   | –                                | 0.5                          | (745.8)              |
| Loans                     | ii      | (279.7)                    | 180.3           | –   | 2.5                              | (4.2)                        | (101.1)              |
|                           |         | (970.1)                    | 91.7            | (2.7)   | 2.2                              | (3.7)                        | (882.6)              |
| Finance lease obligations |         | (31.2)                     | (7.5)           | –   | –                                | –                            | (38.7)               |
|                           |         | (1,001.3)                  | 84.2            | (2.7)   | 2.2                              | (3.7)                        | (921.3)              |
| Short-term investments    | 29      | 10.3                       | (7.1)           | –   | 0.4                              | –                            | 3.6                  |
| Net debt                  |         | (921.8)                    | 53.0            | (2.7)   | 2.0                              | (3.7)                        | (873.2)              |

(i) Other non-cash movements in respect of bonds include the unwinding of the premium on the 2021 10% bonds in the year of £0.5 million and on the 2013 7.5% bonds of £0.3 million, offset by the amortisation of issue costs of £0.3 million.

(ii) Other non-cash movements in respect of debt due after one year comprises 'rolled up' interest of £4.2 million.

(iii) Cash flows in respect of bonds comprise a redemption of the entire outstanding amount of the 2004 2.5% exchangeable bond together with the issue of a new 2018 bond in June 2003 with a par value of £175 million and a coupon of 5.75%.

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

|  | Note | 2003<br>£m | 2002<br>£m |
|--|------|------------|------------|
| <b>Acquisitions</b>  |      |            |            |
| Cash consideration including acquisition expenses                  | 35   | 37.4       | 72.8       |
| Cash paid in respect of consideration deferred from prior years    |      | 7.0        | 12.1       |
| Cash consideration including acquisition expenses – radio licences |      | 3.3        | –          |
|  |      | 47.7       | 84.9       |

Cash paid in respect of consideration deferred from prior years was mainly in respect of the business to business information and careers division.

|   | Note | 2003<br>£m | 2002<br>£m |
|---|------|------------|------------|
| <b>Disposals</b>                            |      |            |            |
| Cash consideration including disposal costs | 36   | 6.5        | 1.9        |

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