TI Media Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered number: 53626

TI Media Limited

Annual report and financial statements for the year ended 31 December 2018

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TI Media Limited

Officers and professional advisors

Directors

M A Rich
S P Finlay
A J Hughes
R Addison
T Weller

Registered office

161 Marsh Wall
London
E14 9AP

Independent auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Strategic report
for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activities

The principal activity of the company is that of a specialist media business including the provision of printed, on-line and digital content.

Results and financial position

Revenues were 5% lower year on year (2017: 10.5%) driven by lower print circulation and print advertising revenues. The revenue decline was offset by continuing cost savings and hence operating profit before exceptional items was £24.4m (2017: £20.4m).

Following its acquisition by Sapphire Bidco Limited on 15 March 2018 (see below) the company reviewed its investments and business streams and recognised a non-cash impairment provision on its fixed asset investment in subsidiaries and associates of £15.4m (2017: £437.8m offset by £422.2m of dividends received). The company incurred exceptional costs relating principally to its cost base transformation (including severance and onerous contract provisions) amounting to £14.6m (2017: £23.3m) and has also recognised an exceptional credit of £1.2m (2017: £6.1m) in respect of pension plan amendments and settlements and a gain on divestiture of the pension schemes of £5.8m.

The company generated earnings before exceptional items and non-recurring costs including share based payments, interest, taxation, depreciation and amortisation (adjusted EBITDA) of £31.9m for the year ended 31 December 2018 and an operating loss of £3.3m after exceptional costs, depreciation and amortisation. The company's loss before taxation for the year was £3.2m (2017: £13.7m). The resulting financial position at 31 December 2018 is set out on page 9.

Business review

On 31 January 2018 Time Inc., the company's former ultimate parent company, was acquired by Meredith Corporation, a publicly held media and marketing services company based in Des Moines, Iowa, USA.

On 15 March 2018 the company was acquired by Sapphire Bidco Limited ('Sapphire') which is controlled by Epiris Fund II an institutional private equity fund controlled by Epiris GP Limited, a company registered in Jersey. Prior to its acquisition the company was reorganised as follows:

- On 22 February 2018, following clearance from the Pensions Regulator, all of the company's obligations under the company's legacy defined benefit pension scheme, were transferred to International Publishing Corporation Limited (a company retained by Meredith Corporation) for £nil consideration and the company ceased to be a sponsoring employer of the scheme.
- As part of the acquisition of the company, Meredith Corporation through one of its retained UK subsidiaries agreed that the company will no longer be liable for any rental or other losses associated with the company's former head office at Blue Fin Building.

Future developments

The directors aim to maintain the development of the company's business through print, online, mobile, TV and event platforms. They consider that the next year will show progress across these markets.

On 31 May 2019, the company transferred its NME and Uncut business to a new subsidiary, New Music Limited for £8.5m which was subsequently sold to Bandlab UK Limited for £8.5m less disposal costs.

Strategic report
for the year ended 31 December 2018 (continued)

Key performance indicators ('KPIs')

The company relies on various KPIs, which are regularly reviewed by the management team and board. The main KPIs are turnover and margins as disclosed in the financial statements together with earnings before exceptional and non-recurring costs, interest, taxation, depreciation and amortisation (adjusted EBITDA). This is the main financial performance measure for the company and is covered earlier in this report.

Principal risks and uncertainties

The directors consider the principal risks to relate to the UK macro-economic environment and to changes in the printed magazine market.

Financial risk management

In financial terms, the directors consider and manage the risks in the following ways:

Credit risk

To mitigate credit risk the company utilises credit assessments produced by a third party credit rating agency and closely monitors customer accounts. The policy in respect of credit risk is to require appropriate credits checks on all potential customers prior to sales being made and a rigorous credit control policy is followed.

Liquidity and cash flow risk

The board regularly reviews the cash position, banking covenant compliance and cash flow forecasts for the wider Sapphire group. The group has cash resources and committed bank facilities available to finance capital expenditure and working capital.

Interest rate risk

The Sapphire group has purchased an interest rate cap to mitigate the risk of increases in interest rates.

Information technology risks

Information technology is an integral part of the group's operations. Active management processes are in place to minimise downtime and data security compliance is continuously monitored.

Approved by the board of directors and signed on behalf of the board on 28 June 2019.

R Addison
Director

Directors' report
for the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018.

Directors

The directors who served in the year, and subsequently except where stated, are as follows:

M A Rich	
S P Finlay	
A J Hughes	
N S Robinson	(resigned 26 February 2019)
R Addison	(appointed 2 October 2018)
P A Cheal	(resigned 29 June 2018)
S D'Emic	(resigned 31 January 2018)
L Swarbrick	(resigned 8 June 2018)
S J May	(resigned 31 August 2018)
T Weller	(appointed 7 May 2019)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

The directors have considered the trading performance of the company and of the group subject to common financing facilities, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the group's forecasts and likely future cash flows, taking into account current net borrowings, interest payments and uncommitted cash facilities.

Based on the available information on the future, the directors consider that the company with its strong range of magazine and event titles has the plans and resources to manage its business risks successfully and remain financially robust.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Employee participation

Employees are informed of the performance and prospects of the company and encouraged to become aware of the financial and economic factors which affect the company and its ability to compete in the marketplace. The individual contributions of staff are recognised as being essential to the future success of the business.

The company has an established staff council which met regularly during the year.

Disabled persons

It is the company's policy to consider the skills and aptitudes of disabled persons fully and fairly at all times in recruitment, career development, training and promotion. In pursuing this policy and having special concern for employees who become disabled, all practical measures are taken to ensure that disabled persons are placed in jobs suited to their individual circumstances.

Strategic report

The following items have been included within the strategic report on pages 2 to 3:

- Principal activities
- Results
- Business review
- Future developments
- Key performance indicators
- Principal risks and uncertainties
- Financial risk management

Directors' report
for the year ended 31 December 2018 (continued)

Directors' indemnities

The company maintained liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006, and was in place during the financial period up to the date of signing these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102), and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards comprising FRS102 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

As far as each person who was a director at the date of approving this report is aware there is no relevant information of which the company's auditors are unaware. Directors have taken all the steps they ought to take as directors to make themselves aware of relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board of directors and signed on behalf of the board on 26 June 2019.

R Addison
Director

Independent auditor's report to the members of TI Media Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TI Media Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of TI Media Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Philip Young (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
28 June 2019

TI Media Limited

Statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	**209,431**	221,055
Cost of sales		**(83,735)**	(109,337)
Gross profit		**125,696**	111,718
Sales and distribution costs		**(67,637)**	(64,439)
Administrative expenses excluding exceptional items		**(33,647)**	(26,900)
Operating profit before exceptional items	5	**24,412**	20,379
Exceptional items:			
Impairment of fixed asset investments		**(15,410)**	(437,842)
Impairment of intangible assets		**(3,604)**	-
Profit on disposal of intangible assets		**2,461**	83
Rental debtor written off on divestiture		**(3,546)**	-
Pension plan amendments and settlements		**1,200**	6,100
Pension plan divestiture		**5,800**	-
Reorganisation costs		**(14,590)**	(23,257)
Operating loss	5	**(3,277)**	(434,537)
Income from interest in group undertaking		**-**	422,239
Net interest income/(expense)	7	**97**	(1,383)
Loss before taxation		**(3,180)**	(13,681)
Tax on loss	8	**(2,729)**	(2,052)
Loss for the financial year		**(5,909)**	(15,733)
Other comprehensive (expense)/income:			
Actuarial gains in pension plans		**12,200**	28,900
Asset ceiling provision on assets		**(15,134)**	(18,308)
Movement on deferred tax relating to pension scheme		**(2,190)**	(6,048)
Movement on current tax relating to pension scheme		**2,711**	4,511
Other comprehensive (expense)/income for the year, net of tax		**(2,413)**	9,055
Total comprehensive expense for the financial year		**(8,322)**	(6,678)

All activity relates to continuing operations.

The notes on pages 11 to 25 form part of these financial statements

Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	9	**4,670**	9,767
Tangible assets	10	**4,953**	6,898
Investments	11	**35,695**	51,105
		45,318	67,770
Current assets			
Inventories	12	**1,546**	2,215
Debtors: amounts falling due within one year	13	**40,268**	45,279
Debtors: amounts falling due in more than one year	13	**18,277**	21,499
Cash at bank and in hand		**28,403**	7,668
		88,494	76,661
Creditors: amounts falling due within one year	14	**(86,419)**	(100,414)
Net current assets/(liabilities)		**2,075**	(23,753)
Total assets less current liabilities		**47,393**	44,017
Creditors: amounts falling due after more than one year	15	**(7,334)**	(832)
Total net assets excluding pension liability		**40,059**	43,185
Defined benefit pension liability	17	**-**	(5,900)
Net assets including pension liability		**40,059**	37,285
Capital and reserves			
Called up share capital	18	**2,581**	2,581
Share premium account	18	**8,609**	-
Profit and loss account	19	**28,869**	34,704
Total equity		**40,059**	37,285

These financial statements on pages 8 to 25 were approved by the Board of Directors and authorised for issue on 28 June 2019.

Signed on behalf of the Board of Directors

R Addison
Director

TI Media Limited **Company Registration Number: 53626**

The notes on pages 11 to 25 form part of these financial statements

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017 (as restated*)	2,581	204,934	2,318	147,141	356,974
Loss for the financial year	-	-	-	(15,733)	(15,733)
Actuarial gain on pension plans net of tax	-	-	-	27,363	27,363
Pension asset ceiling provision	-	-	-	(18,308)	(18,308)
Capital reduction	-	(204,934)	(2,318)	207,252	-
Dividend paid	-	-	-	(314,369)	(314,369)
Share based payments	-	-	-	1,358	1,358
At 31 December 2017 (as restated*)	**2,581**	-	-	**34,704**	**37,285**
Share issued in the year	-	8,609	-	-	8,609
Loss for the financial year	-	-	-	(5,909)	(5,909)
Actuarial gain on pension plans net of tax	-	-	-	12,721	12,721
Pension asset ceiling provision	-	-	-	(15,134)	(15,134)
Share based payments	-	-	-	2,487	2,487
At 31 December 2018	**2,581**	**8,609**	-	**28,869**	**40,059**

*The profit and loss account has been restated to reflect a policy of crediting equity settled share based payment charges to the profit and loss account rather than a separate equity settled share based payment reserve. Accordingly the profit and loss reserve credit balance previously disclosed of £156,133,000 at 1 January 2017 and £42,338,000 at 31 December 2017 is now shown above net of the previously reported debit to the share based payment reserve of £8,992,000 at 1 January 2017 and £7,634,000 at 31 December 2017.

The notes on pages 11 to 25 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2018

1 General information

The company is a specialist media business in the provision of printed, on-line and digital content. The company is a private company, limited by shares, incorporated and domiciled in England. The address of the registered office is 161 Marsh Wall, London, E14 9AP.

2 Statement of compliance

The financial statements of TI Media Limited have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are prepared on a going concern basis, under the historical cost convention and as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The company is a wholly-owned subsidiary of Sapphire Topco Limited and is included in its consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The company has taken advantage of the exemption from preparing a cash flow statement, from disclosing key management personnel remuneration and from financial instruments disclosures as it is a qualifying subsidiary included in the publicly available consolidated financial statements of a parent company. The company has also taken advantage of the exemption under FRS 102 not to disclose transactions between wholly owned entities in the group. The company discloses transactions with related parties which are not wholly owned group entities.

Going concern

The directors have considered the trading performance of the company, together with the factors likely to affect its future development as well as its current liquidity position. The directors have reviewed the group's forecasts and likely future cash flows, taking into account current net borrowings and uncommitted cash deposits.

Based on the available information on the future, the directors consider that the company with its strong range of magazine and event titles has the plans and resources to manage its business risks successfully and remains financially robust.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

Revenue recognition

Turnover represents amounts derived from the principal activities of the company in magazine and digital publishing and is stated after deduction of trade discounts, retail display allowances and VAT. All material activity relates to UK revenue.

Turnover for print magazines is recognised when the magazine becomes available for sale. Digital revenue and other revenue including event management is recognised when the services are delivered.

3 Summary of significant accounting policies (continued)

Employee benefits

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the year in which they become payable in accordance with the rules of the scheme.

The company was previously a participating employer in a defined benefit pension which was closed to new entrants and future accrual. The schemes were accounted for in accordance with FRS102 and pension scheme assets are measured using market values.

The net interest cost was calculated by applying the discount rate to the present values of the schemes' liabilities offset by a credit equal to the expected return on assets and included in the profit and loss account as a finance expense.

The present value of the defined benefit obligation is determined, using the projected unit credit method, by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations. Any difference between between the expected and actual returns achieved together with actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income.

Pension scheme surpluses, to the extent that they are recoverable from future contributions, or deficits are recognised and presented on the face of the balance sheet.

Short term employee benefits including holiday pay are recognized as an expense in the period in which the service is rendered.

Share based payments

Certain employees were awarded restricted stock units in the former parent company which vested over a 4 year period. The equity settled cost of the fair value of the payments was estimated using a Black Scholes model and recognized as an expense over the vesting period with adjustments made to the charge to reflect the fact that awards might not vest due to employees leaving the company.

Taxation

The taxation expense or credit comprises current and deferred tax recognised in the profit for the financial period or in other comprehensive income or equity if it arises from amounts recognised in other comprehensive income or directly in equity. Current tax is provided at amounts expected to be paid (or recovered) in respect of the taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling on the date of the transaction. Monetary assets or liabilities denominated in foreign currencies at the balance sheet date are translated at the rare ruling on that date and all translation differences are charged or credited in the profit and loss account.

3 Summary of significant accounting policies (continued)

Investments

Investments are stated at cost less provisions for any impairment.

Intangible assets

Intangible assets, including software, are initially capitalised at fair value on acquisition of a business or at the purchase cost. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.
Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives of three to fifteen years.
Intangible assets are tested for impairment when an event that might affect asset values has occurred. Any such impairment in carrying value is written off to the profit and loss account immediately.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Cash and cash equivalents comprise cash held at bank which is available on demand.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank borrowings and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Issue costs are amortised to the profit and loss account over the estimated life of the relevant borrowings.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Leasing

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Rentals receivable are similarly credited to the profit and loss account on a straight line basis over the lease term. Where there is an arrangement in place with the likelihood of any default considered remote, whereby a third party has taken on the risk in respect of rental income from sublet properties and meets any shortfall or takes any surplus compared to the head lease rental, neither income or expense is recognised in accordance with the substance of the transactions.

3 Summary of significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Asset class	Depreciation method rate
Leasehold improvements	Straight line basis over the remaining term of the lease
Equipment	Straight line basis from 7 to 33%

Inventories

Inventories are valued at the lower of purchase cost and net realisable value, after due regard for any slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Provisions

Provisions are recognised where the company has a legal or constructive obligation as a result of past events, measured at the present value of the expenditure which can be reliably estimated to be required to settle the obligations.

Share capital

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments.

4 Critical accounting judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments

The carrying values of investments are reviewed and tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would include management judgements and assumptions which may not always accurately predict future events.

Useful economic lives of tangible and intangible assets

The annual depreciation or amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and changes in the market.

See notes 9 and 10 for the carrying amounts of fixed assets and note 3 for the useful economic lives for each class of assets. The company uses an estimate for the useful life of goodwill and other intangible assets and the amortisation charges in line with the nature of the businesses and assets acquired.

Pensions

Amounts included in the financial statements in respect of the defined benefit pension scheme are calculated by a qualified actuary but involve assumptions in respect of discount rates, mortality rates and changes in future pension payments. These were based on consistent external sources of information including corporate bond rates and publicly available mortality tables together with a degree of judgement which can impact the valuations.

5 Operating loss

Operating loss is stated after charging/(crediting):

	2018	2017
	£'000	£'000
Operating lease rentals payable – property	3,821	12,306
Operating lease rentals receivable - property	(1,469)	(8,585)
Auditors' remuneration:		
Audit of the company's annual statutory financial statements	164	171
Inventory recognised as an expense	19,551	22,700
Impairment of trade debtors	239	-
Depreciation of tangible fixed assets	1,984	2,738
Profit on disposal of intangible fixed assets	(2,461)	-
Amortisation of intangible assets	2,978	3,930
Impairment provision in respect of fixed asset investments	15,410	437,842
Impairment provision in respect of intangible assets	3,604	-
Foreign exchange differences	(369)	(2,572)

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Information regarding directors and employees

	2018 £'000	2017 £'000
Directors' remuneration – aggregate emoluments	**2,599**	2,059
Company pension contributions in respect of 3 (2017: 8) directors	**19**	58
Compensation for loss of office	**877**	180
Remuneration of the highest paid director	**805**	419
Company pension contributions	**7**	7

No directors (2017: 11) were granted restricted stock during the year. Restricted stock vested in respect of 8 (2017: 11) directors in the year. No directors were accruing benefit in respect of the defined benefit pension scheme.

Average monthly number of persons employed	2018 Number	2017 Number
Editorial	**455**	549
Sales and distribution	**420**	435
Administration	**182**	220
	1,057	1,204

Staff costs	2018 £'000	2017 £'000
Wages and salaries	**55,770**	62,239
Social security costs	**7,049**	8,144
Other pension costs (note 17)	**2,172**	2,967
	64,991	73,350

7 Net interest income/(expense)

	2018 £'000	2017 £'000
Other interest income	**644**	724
Interest on bank borrowings	-	(13)
Other interest payable	**(524)**	
Interest payable to group undertakings	**(23)**	(894)
Net interest on pension asset/obligations	-	(1,200)
	(547)	(2,107)
Net interest income/(expense)	**97**	(1,383)

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tax on loss

	2018 £'000	2017 £'000
Current taxation		
In respect of the pension scheme	**2,711**	4,511
Overseas tax	**13**	26
	2,724	4,537
Deferred taxation		
Origination and reversal of timing differences	**(136)**	(2,696)
Change in tax rates	**181**	320
Overprovision in prior years	**(40)**	(109)
	5	(2,485)
Tax charge on loss	**2,729**	2,052
Total current and deferred tax relating to other comprehensive income	**(521)**	1,537
	2,208	3,589

Factors affecting the tax charge for the year

Tax charge on the loss for the year differs from applying the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The applicable tax rate has changed as the Finance (no2) Act 2015 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017. The differences are reconciled below:

	2018 £'000	2017 £'000
Loss before taxation	**(3,180)**	(13,681)
Corporation tax at standard rate of 19% (2017: 19.25%)	**(604)**	(2,634)
Factors affecting charge for the year:		
Disallowable expenses	**618**	626
Impairment of fixed asset investment not deductible	**2,928**	84,285
Investment income not taxable	-	(81,281)
Gain on disposal of intangible assets not taxable	**(396)**	-
Other differences	**49**	(44)
Group relief surrendered for nil consideration	**21**	788
Change in tax rates	**181**	320
Prior year adjustments	**(40)**	(109)
Effect of difference between deferred tax and corporation tax rates	**(28)**	101
Tax on loss	**2,729**	2,052

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. The effect of this change on the deferred tax balances has been included in the figures within these accounts. It is not yet possible to quantify the impact of these rate changes upon current tax.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

9 Intangible assets

	Software	Trademarks	Publishing rights	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2018	23,191	3,103	33,536	27,887	87,717
Additions	1,882	-	-	-	1,882
Disposals	(397)	-	-	-	(397)
At 31 December 2018	**24,676**	**3,103**	**33,536**	**27,887**	**89,202**
Accumulated amortisation					
At 1 January 2018	18,471	842	33,536	25,101	77,950
Charge for the year	2,168	65	-	745	2,978
Impairment charge	-	2,196	-	1,408	3,604
At 31 December 2018	**20,639**	**3,103**	**33,536**	**27,254**	**84,532**
Net book amount					
At 31 December 2018	**4,037**	-	-	**633**	**4,670**
At 31 December 2017	4,720	2,261	-	2,786	9,767

10 Tangible assets

	Leasehold improvements £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2018	3,830	22,404	26,234
Additions	-	39	39
Disposals	-	(33)	(33)
At 31 December 2018	**3,830**	**22,410**	**26,240**
Accumulated depreciation			
At 1 January 2018	820	18,516	19,336
Charge for the year	396	1,588	1,984
Disposals	-	(33)	(33)
At 31 December 2018	**1,216**	**20,071**	**21,287**
Net book amount			
At 31 December 2018	**2,614**	**2,339**	**4,953**
At 31 December 2017	3,010	3,888	6,898

Notes to the financial statements
for the year ended 31 December 2018 (continued)

11 Investments

	Investments in subsidiary undertakings	Investment in associate	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018 and **at 31 December 2018**	575,326	1,894	577,220
Provisions for impairment			
At 1 January 2018	526,115	-	526,115
Impairment in the year	13,516	1,894	15,410
At 31 December 2018	539,631	1,894	541,525
Net book value			
At 31 December 2018	**35,695**	-	**35,695**
At 31 December 2017	49,211	1,894	51,105

The company owns all of the issued ordinary share capital of UK Cycling Events Limited, International Craft & Hobby Fair Limited, Collective Europe Ltd Trustedreviews Limited, IPC Holdings Limited and Portrait Magazine Limited. These trading subsidiaries are providers of media and advertising services, principally printed, on-line and digital content together with event management.

The company's investments in subsidiaries also includes dormant companies. These are all companies registered in England and Wales at 161 Marsh Wall, London, E14 9AP.

The dormant companies are Evarn Limited, Mareve Limited, Time Inc. (UK) Property Investments Limited, C. Arthur Pearson Limited, Chat Publications Limited, Collection and Litigation Services International Ltd, Country Life Limited, George Newnes Limited, Independent Television Books Ltd, Independent Television Publications Limited, IPC Magazines (Overseas) Limited, Marketforce (UK) Limited, Mousebreaker Limited, New Musical Express Limited, Odhams Press Limited, Options Magazine Limited, Persuasion Limited, The Essentials Publishing Company Limited, The Magazine Publishing Company Ltd, The Magazine Publishing Holdings Ltd, W H & L Collingridge Limited and the Yachting Monthly Limited.

The company holds 50% of European Magazines Limited as a joint venture, the publisher of the UK edition of Marie Claire magazine, which is registered at 161 Marsh Wall, London, E14 9AP. The company also holds 20% of the share capital of SNAP Tech Limited as an associate, a developer of visual search engine software, which is registered at Greenworks, 4th Floor, Dog and Duck Yard, Princeton Street, London, WC1R 4BH.

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Inventories

	2018	2017
	£'000	£'000
Raw materials and consumables	**1,546**	2,215

There is no significant difference between the replacement cost of goods for resale and their carrying value.

13 Debtors

	2018	2017
Amounts falling due within one year:	**£'000**	£'000
Trade debtors	**24,874**	27,507
Amounts owed by group undertakings	**2,908**	3,406
Other debtors	**3,755**	6,327
Prepayments and accrued income	**5,368**	4,751
Notes receivable	**1,048**	1,054
Deferred tax asset (note 16)	**2,315**	2,234
	40,268	45,279
Amounts falling due in more than one year:		
Deferred tax asset (note 16)	**10,892**	13,168
Other debtors	**885**	831
Notes receivable	**6,500**	7,500
	18,277	21,499

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and repayable on demand.

Notes receivable are repayable in quarterly instalments of £250,000 and bear interest at a rate of 8%. Included in other creditors is a liability with matched payments, interest and maturity owed to a Meredith Corporation company. The liability is only payable to the extent the loan receivable is collected.

14 Creditors: amounts falling due within one year

	2018	2017 restated
	£'000	£'000
Trade creditors	**40,607**	39,698
Amounts owed to group undertakings	**25,027**	40,820
Taxation and social security	**2,208**	3,136
Other creditors	**1,868**	468
Accruals and deferred income	**16,709**	16,292
	86,419	100,414

The classification of the 2017 comparatives for creditors have been amended to show accruals of £1,891,000 and £1,969,000 previously included in trade creditors and other creditors respectively within accruals and deferred income.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

15 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Other creditors	7,334	832

16 Deferred taxation

Deferred tax is recognised at the expected rate of reversal which is 17.32% on average (2017 - 17.75%) in the financial statements as follows:

	2018	2017
	£'000	£'000
At 1 January	15,402	18,965
(Charged)/credited to the profit and loss account	(5)	2,485
Amounts charged to other comprehensive income	(2,190)	(6,048)
As at 31 December 2018	13,207	15,402

Deferred taxation assets are as follows:

	2018	2017
	£'000	£'000
Capital allowances in excess of book values	6,355	5,616
Pension costs	-	3,380
Tax losses carried forward	6,852	6,334
Other short term timing differences	-	72
	13,207	15,402

Approximately £2,315,000 of the deferred tax asset is expected to reverse in the next year from the utilisation of tax losses and capital allowances.

17 Pension schemes

Defined contributions pension scheme

The company now operates a defined contribution pension scheme. Contributions totalling £nil were due to the defined contribution scheme at the end of the year.

Defined benefit schemes

Effective 15 March 2018, following clearance from the Pensions Regulator, all of the company's obligations under the company's legacy defined benefit pension scheme, were transferred to International Publishing Corporation Limited (a company retained by Meredith Corporation) for £nil consideration and the company ceased to be make payments or be a sponsoring employer of the scheme.

The most recent comprehensive actuarial valuation was performed as at 5 April 2015 with the FRS 102 valuations to 31 December 2017 and for the period to 15 March 2018 based on an update of this information using supplementary membership and payment data.

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Pension schemes (continued)

The amounts charged to the income statement and other comprehensive income are analysed as follows:

	2018 £'000	2017 £'000
Charged to the income statement		
Defined contribution scheme contributions	2,172	2,967
In respect of the closed defined benefit schemes		
Gain on divestiture of unfunded pension scheme	(5,800)	-
Plan amendments and settlements	(1,200)	(6,100)
Interest expense	-	1,200
Total credit to the income statement	(4,828)	(1,933)
In other comprehensive income in respect of defined benefit scheme		
Return on plan assets less/(greater) than expected return	8,800	(43,400)
Actuarial (gain)/loss during the year	(21,000)	14,500
Asset ceiling provisions	15,134	18,308
Total charge/(credit) recognised in other comprehensive income	2,934	(10,592)

Principal actuarial assumptions in respect of defined benefit schemes	Period ended 15 March 2018	Year ended 31 December 2017
Rate of price inflation	3.40%	3.50%
Rate of increase in salaries	3.40%	3.50%
Rate of increases for in-payment benefits	3.10%	3.20%
Rate of increase of deferred benefits	3.10%	3.20%
Discount rate	2.54%	2.47%
Mortality (post retirement tables used) – with medium cohort future mortality improvements, subject to a minimum of 1.25%pa for both females and males	SAPS light normal	SAPS light normal

Fair value of assets	31 December 2018 £'000	31 December 2017 £'000
Equities	-	186,600
Corporate Bonds	-	103,008
Other (including a dedicated Liability Driven Investment Vehicle)	-	324,500
Total fair value of assets	-	614,108

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 . Pension schemes (continued)

Net post employment assets/(liabilities)	**31 December 2018 £'000**	31 December 2017 £'000
Fair value of scheme assets	-	614,108
Present value of scheme liabilities	-	(601,700)
Asset ceiling provision	-	(18,308)
Net pension liability	-	(5,900)

At 31 December 2017 the net pension liability of £5.9m represented individual plan surpluses of £18.3m which were offset in full by an £18.3m asset ceiling provision and deficits of £5.9m. Of the individual plan deficits £5.9m related to unfunded schemes. A further surplus arose in the period to 15 March 2018 which could not be recognised and was offset by an increase of £15.1m in the asset ceiling provision. On divestiture the unfunded liability of £5.8m was assumed by International Publishing Corporation Limited (a company retained by Meredith Corporation) resulting in a £5.8m gain.

Analysis of movement in scheme assets	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
At 1 January	**614,108**	583,204
Expected return on assets	**2,700**	13,400
Actuarial (loss)/gain on assets	**(8,800)**	43,400
Employer contributions	**1,834**	11,004
Plan amendments and settlements	**(12,500)**	(19,900)
Benefits paid	**(2,800)**	(17,000)
Transfer of scheme to IPC on 15 March 2018	**(594,542)**	-
At 31 December	-	614,108

Analysis of movement in scheme liabilities	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
At 1 January	**(601,700)**	(615,600)
Interest cost	**(2,700)**	(14,600)
Actuarial gain/(loss)	**21,000**	(14,500)
Benefits paid from scheme assets	**2,800**	17,000
Plan amendments and settlements	**13,700**	26,000
Transfer of scheme to IPC on 15 March 2018	**566,900**	-
At 31 December	-	(601,700)

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Called up share capital

	2018	2017
	Allotted, called up and fully paid £'000	Allotted, called up and fully paid £'000
2,580,502 ordinary shares of £1 each (2017: 2,850,501)	**2,581**	2,581

In February 2018 as part of the restructuring prior to the sale of the company to Sapphire Bidco Limited, one £1 share was issued at a premium of £8,608,549 for consideration of £8,608,550, satisfied by the novation of an existing intercompany loan.

19 Reserves

The profit and loss account reserve represents cumulative net losses from the statement of comprehensive income. Movements on the reserve are set out in the statement of changes in equity.

20 Contingent liabilities

The company has provided a guarantee, secured by fixed and floating charges over its assets, in respect of the secured loan borrowings of its parent company Sapphire Bidco Limited, which at 31 December 2018 amounted to £60,000,000.

21 Financial commitments and receivables

At 31 December the company had commitments under non-cancellable operating leases for land and buildings as set out below:

Payments falling due in:	2018	2017
	£'000	£'000
Within one year	**11,226**	10,557
In two to five years	**42,933**	44,157
More than 5 years	**20,346**	30,377
	74,505	85,091

This includes £63,505,000 as at 31 December 2018 (2017: £71,132,000) in respect of the Blue Fin Building. This had subleases in place and there is a contractual agreement with Meredith Corporation such that any shortfall in rent receivable compared to that payable is met by Meredith or excess paid over to Meredith. The future minimum lease receipts under the non-cancellable agreements are:

Receipts falling due in:	2018	2017
	£'000	£'000
Within one year	**8,415**	7,981
In two to five years	**28,140**	28,329
More than 5 years	**14,512**	22,711
	51,067	59,021

Notes to the financial statements for the year ended 31 December 2018 (continued)

22 Related party transactions

During the year, the company was involved in the following related party transactions.

Under an agreement between the parent company shareholders, holders of the shares are entitled to appoint directors of the company and to charge management fees. Under these contractual arrangements the company paid investor director fees of £171,000 to Epiris LLP which manages the interests of the controlling party, Epiris GP Limited.

23 Events after the balance sheet date

After the balance sheet date, the company transferred its NME and Uncut business to a new subsidiary, New Music Limited for £8.5m which was subsequently sold to Bandlab UK Limited for £8.5m less disposal costs.

24 Controlling party

Sapphire Bidco Limited is the immediate parent company and Sapphire Topco Limited the ultimate parent company in the group. Sapphire Holdco Limited, an intermediate holding company and Sapphire Topco Limited both prepare publicly available consolidated financial statements which include the company. Copies of the Sapphire Topco Limited consolidated financial statements can be obtained from 161 Marsh Wall, London, E14 9AP.

Epiris GP Limited, registered in Jersey controls the Epiris Fund II which holds the majority of the shares in Sapphire Topco Limited. No party has a controlling beneficial interest in the company.