

# Time Inc. (UK) Ltd

Report and financial statements for the year ended

31 December 2014



## Strategic report

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The company is a leading UK consumer multi-platform publisher. The company participates in the print magazine industry, where revenues are in slow decline. To offset this, the company has a strategy in place to develop digital and adjacent revenue streams and transform the cost base and operating structure of the business. Total turnover declined 4% year on year reflecting print industry trends; however operating profit before reorganisation costs increased 27% to £26.3m given the benefits of the transformation strategy on the cost base of the business.

The spin-off of the ultimate parent company Time Inc. from Time Warner Inc. on 6 June 2014 was a catalyst for change. The spin-off has enabled the company to better execute strategic plans and provided increased flexibility to pursue growth opportunities.

Prior to the spin-off, the company purchased IPC Magazines Group Limited, which owns the freehold of the property known as the Blue Fin Building (110 Southwark Street, London). The office space at the property is let to both group companies and external tenants. The consideration for the purchase was its book value of £325.2m. This was funded from the company's existing cash resources together with the issue of £92.0m of share capital.

On 7 May 2015, Time Inc. announced its intention to sell the freehold of the Blue Fin Building. Under the deed of covenant dated 5 June 2014 entered into by the company, IPC Magazines Group Limited and the Trustee of the IMPS defined benefit pension plan, an element of the proceeds of the sale must be retained within the company or IPC Magazines Group Limited until suitable mitigation for the pension plan has been agreed.

On 30 June 2015 the company settled an intercompany balance of £47.1m which it owed to IPC Magazines Group Limited and received a dividend from IPC Magazines Group Limited of £47.1m.

On 22 July 2015 the lease under which the company occupied space in the Blue Fin Building was surrendered and re-granted at market rent for a term ending 31 Dec 2025. The surrender premium paid by IPC Magazines Group Limited to the company was £3.7m. The ongoing rent payable by the company under the re-granted lease is £9.4m.

Since the year end three other significant transactions have been completed:

1. On 4 February 2015 100% of the share capital of UK Cycling Events Limited, a cycling events business, was acquired for an initial cash consideration of £6.0m. The acquisition complements the company's existing assets in the cycling sector, providing a platform for future growth in this segment;
2. On 16 April 2015 the company acquired the remaining 50% of the share capital of its joint venture Evarn Limited (the publisher of "Look" magazine). At the same time a subsidiary of the company disposed of its 50% economic interest in Avantages SAS (the publisher of Avantages and Famili magazines in France). Previously both publishing operations were joint ventures with Groupe Marie Claire. The net cash impact of these transactions was £0.3m. The acquisition of Look provides the opportunity to accelerate the digital transformation of this brand; and
3. On 27 July 2015 the company acquired 21% of Snap Fashion Ltd a business which has developed visual search engine software. The consideration for the acquisition was £0.75m in cash and £1.25m of future marketing spend.

The business risks facing the company are the same as those facing its ultimate parent company Time Inc. A detailed description of these risks is set out in Time Inc.'s 10-K Annual Report filing which is available online at the Time Inc. investor relations site: <https://invest.timeinc.com/invest/invest-overview/default.aspx>

Approved by the Board of Directors  
and signed by order of the Board



S J May  
Director  
Blue Fin Building  
110 Southwark Street  
London  
SE1 0SU

3 August 2015

## **Directors' report**

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The directors present their report and the audited financial statements for the year ended 31 December 2014.

### **Dividends**

No equity dividends were proposed or paid during the year (2013 - £nil).

### **Directors**

The directors during the year and subsequently were:

J J Bairstow  
A C Davies (appointed 20 June 2014)  
F A Dent  
R J Evans (resigned 11 July 2014)  
S K Evans (resigned 15 July 2014)  
S Hirst  
D M Mair (resigned 18 July 2014)  
S J May (appointed 13 October 2014)  
C L Meredith  
J A Newcombe  
M A Rich (appointed 18 March 2014)  
N S Robinson  
L Swarbrick (appointed 13 October 2014)  
P R Williams

### **Company Secretary**

L E Klein

### **Directors' indemnity**

The company has granted indemnities to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This qualifying third party indemnity provision was in force throughout the period and remains in force as at the date of approving the directors' report.

### **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.

**Directors' report (continued)**

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**Disclosure of information to the 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.

**Going concern**

Time Inc., the company's ultimate parent company, has confirmed that, if required, it will provide financial support to the company during the year following the approval of the accounts. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future thus they consider that it is appropriate to prepare the financial statements on a going concern basis.

Approved by the Board of Directors  
and signed by order of the Board

A handwritten signature in black ink, appearing to read 'S J May', followed by a long horizontal line extending to the right.

S J May  
Director  
Blue Fin Building  
110 Southwark Street  
London  
SE1 0SU

3 August 2015

## Statement of Directors' Responsibilities

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 those financial statements, the directors are required to:

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

## **Independent auditor's report to the members of Time Inc. (UK) Ltd**

We have audited the financial statements of Time Inc. (UK) Ltd for the year ended 31 December 2014 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

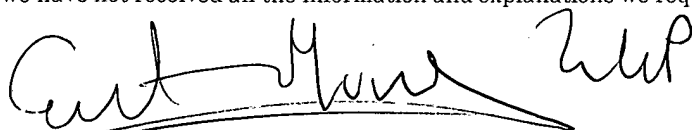
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

### **Matters on which we are required to report by exception**

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.



Karl Havers (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

4 August 2015

**Profit and loss account**  
**for the year ended 31 December 2014**

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Turnover</b>	2	279,578	292,701
Cost of sales		<u>(131,789)</u>	<u>(145,586)</u>
<b>Gross profit</b>		147,789	147,115
Sales and distribution costs		<u>(82,601)</u>	<u>(84,990)</u>
Administrative expenses excluding exceptional items		<u>(38,843)</u>	<u>(41,338)</u>
<b>Operating profit before exceptional items</b>		26,345	20,787
<b>Exceptional items</b>			
Reorganisation costs	3	<u>(12,897)</u>	<u>(7,853)</u>
<b>Operating profit</b>	3	13,448	12,934
Interest (payable)/receivable	6	<u>(256)</u>	<u>780</u>
Other finance income	7	<u>9,600</u>	<u>7,800</u>
<b>Profit on ordinary activities before taxation</b>		22,792	21,514
Tax charge on profit on ordinary activities	9	<u>(3,204)</u>	<u>(1,411)</u>
<b>Profit for the year</b>	17	<u><u>19,588</u></u>	<u><u>20,103</u></u>

Turnover and operating income arose from continuing operations.

**Statement of total recognised gains and losses**  
**for the year ended 31 December 2014**

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	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit for the financial year		19,588	20,103
Actuarial losses on post employment plans	8	(14,754)	(2,303)
Deferred tax credit/(charge)	9	830	(2,460)
Current tax credit	9	<u>2,215</u>	<u>-</u>
<b>Total gains and losses recognised for the year</b>		<b><u>7,879</u></b>	<b><u>15,340</u></b>



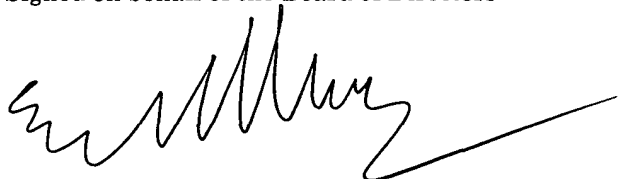
## Balance sheet

as at 31 December 2014

	Note	31 December 2014 £'000	31 December 2013 £'000
<b>Fixed assets</b>			
Intangible assets	10	3,583	4,642
Tangible assets	11	18,350	22,884
Investments	12	<u>389,679</u>	<u>63,637</u>
		<b>411,612</b>	<b>91,163</b>
<b>Current assets</b>			
Stocks	13	3,916	4,147
Debtors: amounts falling due after more than one year	14	3,423	2,679
Debtors: amounts falling due within one year	14	29,623	263,359
Cash at bank and in hand		<u>25,756</u>	<u>12,811</u>
		<b>62,718</b>	<b>282,996</b>
<b>Creditors: amounts falling due within one year</b>	15	<u>(155,570)</u>	<u>(140,262)</u>
<b>Net current (liabilities)/assets</b>		<u>(92,852)</u>	<u>142,734</u>
<b>Total assets less current liabilities</b>		<b>318,760</b>	<b>233,897</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(7,672)</u>	<u>(9,156)</u>
<b>Total net assets excluding pension liability</b>		<b>311,088</b>	<b>224,741</b>
Post employment assets	8	6,480	2,080
Post employment liabilities	8	<u>(3,520)</u>	<u>(3,480)</u>
<b>Pension asset/(liability)</b>		<u>2,960</u>	<u>(1,400)</u>
<b>Total net assets including pension liability</b>		<u><b>314,048</b></u>	<u><b>223,341</b></u>
<b>Capital and reserves</b>			
Called up share capital	16	2,580	2,580
Share premium account	17	204,934	112,887
Share redemption account	17	2,318	2,318
Equity share-based payments	17	(9,968)	(749)
Profit and loss account	17	<u>114,184</u>	<u>106,305</u>
<b>Equity shareholders' funds</b>	17	<u><b>314,048</b></u>	<u><b>223,341</b></u>

These financial statements were approved by the Board of Directors on 3 August 2015.

Signed on behalf of the Board of Directors



S J May  
Director

## **Notes to the financial statements**

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### **for the year ended 31 December 2014**

#### **1 Accounting policies**

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##### **Basis of preparation**

The financial statements are presented for the company as an individual undertaking. The company is not required to prepare group financial statements under Section 400 of the Companies Act 2006 because its parent undertaking is established under the law of a member State of the European Union.

Under the provisions of Financial Reporting Standard 1 - 'Cash Flow Statements', the company has not prepared a cash flow statement because it is a wholly owned subsidiary of Time Inc., which is incorporated in the United States of America and which has prepared consolidated financial statements which are publicly available.

Time Inc., has confirmed that, if required, it will provide financial support to the company during the year following the approval of the accounts. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future thus they consider that it is appropriate to prepare the financial statements on a going concern basis.

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

##### **Share-based payments**

For the purposes of determining the equity settled cost under FRS 20 the fair value of share based payments are estimated using the Black Scholes option pricing model, and recognised as an expense over the vesting period. Adjustments are made to the fair values to reflect the likelihood that share based payments will not vest due to employees leaving the company.

##### **Investments**

Investments are stated at cost less provision, if appropriate, for any impairment in value.

##### **Intangible assets**

Intangible assets are initially capitalised at fair value on acquisition and are subsequently amortised on a straight line basis over their useful economic life up to a maximum of 20 years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods when events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on a basis that will write off the book value of fixed assets on a straight line basis over their expected lives. Depreciation rates range from 10% to 33 1/3% for equipment and the remaining lease term for leasehold improvements.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Turnover**

Turnover is derived from the company's principal activity, magazine and digital publishing, and is stated net of trade discounts and VAT. Print magazine revenues are recognised in line with the cover date of the magazine. Digital advertising and other revenues are recognised when the service has been provided.

##### **Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Notes to the financial statements**  
**for the year ended 31 December 2014**

**1 Accounting policies (continued)**

**Stocks**

Stocks are stated at the lower of cost and estimated net realisable value.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax balances are not discounted.

**Pensions**

The company operates defined benefit and defined contribution pension schemes.

The defined benefit pension scheme is closed to future service accrual hence there is no charge to operating profit relating to the cost of accruing pension benefits promised to employees over the year.

Other finance income in the profit and loss account includes a credit equivalent to the expected return on defined benefit scheme assets over the year offset by a charge equal to the expected increase in the present value of liabilities over the year. The difference between the market value of defined benefit scheme assets and the present value of the plans liabilities is disclosed as an asset or liability on the company's balance sheet net of deferred taxation. Any difference between the expected return on assets and that actually achieved and any changes in the liabilities over the year due to changes in assumptions or experience are recognised in the statement of total recognised gains and losses.

Contributions payable by the company in respect of defined contribution schemes are charged to operating profit as incurred.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling on that date. The translation differences are dealt with in the profit and loss account.

**2 Segmental information**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>The analysis of the company's turnover by destination of geographical market is as follows:</b>		
United Kingdom	250,696	261,304
Rest of the world	28,882	31,397
Total	<u>279,578</u>	<u>292,701</u>

The company's operations are based in the UK.

**Notes to the financial statements**  
**for the year ended 31 December 2014**

**3 Operating profit**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Operating profit is stated after charging/(crediting):</b>		
Depreciation of owned tangible assets	7,531	7,252
Amortisation of intangible assets	1,059	1,202
Auditor's remuneration		
Fees payable to the company's auditor for the company and fellow subsidiaries	126	206
Operating lease rentals - land and buildings	11,241	11,533
Profit on disposal of fixed assets and titles	(113)	(209)

Exceptional reorganisation costs of £12,897,000 (2013: £7,853,000), the major element being costs to exit activities, relate to the transformation strategy executed by the company during 2013 and 2014.

**4 Information regarding directors and employees**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Staff costs (including directors)</b>		
Wages and salaries	72,092	74,250
Social security costs	7,853	8,013
Pensions (note 8)	4,487	4,975
	<u>84,432</u>	<u>87,238</u>
	<b>Number</b>	<b>Number</b>
<b>The monthly average number of persons employed</b>		
Editorial	644	703
Sales and distribution	609	641
Administration	305	332
	<u>1,558</u>	<u>1,676</u>

**5 Directors' emoluments**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Total emoluments	<u>2,819</u>	<u>2,563</u>
Company pension contributions paid to money purchase schemes	<u>149</u>	<u>159</u>
Compensation for loss of office	<u>1,145</u>	<u>413</u>

**Notes to the financial statements**  
for the year ended 31 December 2014

**5 Directors' emoluments (continued)**

The number of directors accruing benefits at the year end in respect of defined benefit pension schemes was nil (2013 - nil). There were 9 (2013 - 6) directors accruing benefits at the year end in respect of defined contribution pension schemes.

11 directors exercised share options during the year (2013: 11).

Analysis of emoluments of the highest paid director:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Aggregate emoluments	466	331
Company pension contributions paid to money purchase schemes	14	-
	<u>480</u>	<u>331</u>

**6 Net interest (payable)/receivable**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest (payable to)/receivable from group undertakings	(294)	724
Other interest receivable	38	56
Interest (payable)/receivable	<u>(256)</u>	<u>780</u>

**7 Other finance income**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest on post employment plan liabilities (note 8)	(17,800)	(16,600)
Expected return on post employment plan assets (note 8)	27,400	24,400
	<u>9,600</u>	<u>7,800</u>

**Notes to the financial statements**  
for the year ended 31 December 2014

**8 Pension commitments**

The amount charged to the profit and loss account in respect of pension costs is analysed as follows:

	Defined benefit year ended 31 December 2014 £'000	Defined contribution year ended 31 December 2014 £'000	Total year ended 31 December 2014 £'000	Defined benefit year ended 31 December 2013 £'000	Defined contribution year ended 31 December 2013 £'000	Total year ended 31 December 2013 £'000
Current service cost	-	4,487	4,487	-	4,975	4,975
Total charge to operating profit	-	4,487	4,487	-	4,975	4,975
Expected return on assets	(27,400)	-	(27,400)	(24,400)	-	(24,400)
Interest on liabilities	17,800	-	17,800	16,600	-	16,600
Total finance income	(9,600)	-	(9,600)	(7,800)	-	(7,800)
Total profit and loss account (credit)/charge	(9,600)	4,487	(5,113)	(7,800)	4,975	(2,825)

**Defined benefit pension scheme**

The company's defined benefit pension scheme is closed to future service accrual. The valuation of defined benefit liabilities has been based on a formal actuarial valuation updated by an independent qualified actuary to take account of the requirements of FRS 17.

Principal actuarial assumptions	31 December 2014 %	31 December 2013 %
Rate of price inflation	3.00	3.36
Rate of increase in salaries	3.00	3.86
Rate of increase in pensions	2.80	3.06
Rate of increase of deferred benefits	2.80	3.06
Discount rate	3.70	4.48
Mortality (post retirement tables used)	SAPs light normal *	SAPs light normal *

\* Allowing for medium cohort future mortality improvements, subject to a minimum level of improvement of 1% pa for males and 0.75% for females.

Fair value of assets and expected rate of return	Expected rate of return 31 December 2014 %	Fair value** 31 December 2014 £m	Expected rate of return 31 December 2013 %	Fair value** 31 December 2013 £m
Equities	8.50	281.9	8.50	262.7
Property	5.10	1.0	6.60	1.0
Corporate bonds	3.41	58.8	4.42	52.1
Gilts	2.44	97.5	3.58	84.0
Cash	2.20	12.0	2.80	5.0
Total fair value of assets		451.2		404.8

\*\* Scheme assets are stated at their 'bid' market values as at the balance sheet date.

Net post employment assets/(liabilities)	31 December 2014 £'000	31 December 2013 £'000
Fair value of scheme assets	451,200	404,800
Present value of scheme liabilities	(447,500)	(406,550)
Surplus/(deficit) in scheme	3,700	(1,750)
Related deferred tax (liability)/asset (see note 9c)	(740)	350
Net pension asset/(liability)	2,960	(1,400)

At 31 December 2014 the net pension asset of £2,960,000 (2013: £1,400,000 liability) represented individual plan surpluses of £6,480,000 (2013: £2,080,000) and deficits of £3,520,000 (2013: £3,480,000). Of the individual plan deficits £3,520,000 (2013: £3,480,000) related to unfunded schemes.

**Notes to the financial statements**  
for the year ended 31 December 2014

**8 Pension commitments (continued)**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Analysis of movement in scheme assets		
At 1 January	404,800	356,800
Expected return on assets	27,400	24,400
Experience gain on assets	17,700	26,900
Employer contributions	10,300	6,000
Benefits paid	(9,000)	(9,300)
At 31 December	<u>451,200</u>	<u>404,800</u>

Scheme assets do not include any of Time Inc. (UK) Ltd's own financial instruments or any property occupied by Time Inc. (UK) Ltd.

The expected return on scheme assets is determined by considering the expected returns available on the underlying assets. Expected yields on gilts and corporate bonds are based on long term gilt indices and corporate bond yields as at 31 December 2014. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Under the current schedule of contributions the total contributions payable by Time Inc. (UK) Ltd for the year to 31 December 2015 amounts to £11.0m.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Analysis of movement in scheme liabilities		
At 1 January	(406,550)	(370,050)
Interest cost	(17,800)	(16,600)
Actuarial losses	(32,454)	(29,200)
Other	304	-
Benefits paid from scheme assets	9,000	9,300
At 31 December	<u>(447,500)</u>	<u>(406,550)</u>

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000
Summary of scheme assets and liabilities					
Scheme assets	451,200	404,800	356,800	328,200	336,700
Scheme liabilities	<u>(447,500)</u>	<u>(406,550)</u>	<u>(370,050)</u>	<u>(333,150)</u>	<u>(318,150)</u>
Surplus/(deficit)	<u>3,700</u>	<u>(1,750)</u>	<u>(13,250)</u>	<u>(4,950)</u>	<u>18,550</u>

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
History of experience adjustments					
Experience gain/(loss) on scheme assets	<u>17,700</u>	<u>26,900</u>	<u>14,900</u>	<u>(25,300)</u>	<u>15,500</u>
As a % of scheme assets	<u>3.9%</u>	<u>6.6%</u>	<u>4.2%</u>	<u>(7.7%)</u>	<u>4.6%</u>
Experience gain/(loss) on scheme liabilities	<u>100</u>	<u>1,000</u>	<u>(12,300)</u>	<u>(100)</u>	<u>5,500</u>
As a % of scheme liabilities	<u>0.0%</u>	<u>0.2%</u>	<u>(3.3%)</u>	<u>0.0%</u>	<u>1.7%</u>
Experience (loss)/gain on change of assumptions	<u>(32,554)</u>	<u>(30,203)</u>	<u>(17,900)</u>	<u>15,207</u>	<u>(21,607)</u>
Total actuarial experience loss	<u>(14,754)</u>	<u>(2,303)</u>	<u>(15,300)</u>	<u>(10,193)</u>	<u>(607)</u>
Total as % of scheme liabilities	<u>(3.3%)</u>	<u>(0.6%)</u>	<u>(4.1%)</u>	<u>(3.1%)</u>	<u>(0.2%)</u>

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £114.4m (2013: £99.7m).

**Notes to the financial statements**  
for the year ended 31 December 2014

**9 Taxation on profit on ordinary activities**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>a) The charge based on the profit for the year is as follows:</b>		
<b>Taxation based on the profit for the year</b>		
Group relief receipts	(1,550)	(1,292)
Tax under provided in previous years	-	41
Current taxation in respect of pension scheme	2,215	-
Overseas tax suffered	12	14
Total current tax charge/(credit) (see 9 (b) below)	677	(1,237)
<b>Deferred tax</b>		
Timing differences, origination and reversal	2,594	5,134
Credit due to change in tax rates	-	(2,450)
Over provision for prior years	(67)	(36)
Total deferred tax (see 9 (c) below)	2,527	2,648
Total tax charge on profit on ordinary activities	3,204	1,411

**b) Circumstances affecting the current tax charge**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 21.5% (2013: 23.25%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit on ordinary activities before tax	22,792	21,514
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	4,900	5,002
<b>Factors affecting the tax charge:</b>		
Disallowable expenses	228	471
Movement on provision against fixed asset investments	(299)	-
Depreciation in excess of capital allowances	450	449
Share based payments deduction	(1,284)	-
Tax under provided in previous years	-	41
Overseas tax suffered	12	14
Other timing differences	(3,330)	(7,214)
Total current tax charge/(credit) (see 9 (a) above)	677	(1,237)



**Notes to the financial statements**  
for the year ended 31 December 2014

**9 Taxation on profit on ordinary activities (continued)**

c) Deferred tax	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Deferred tax is provided at 20% (2013 - 20%) in the financial statements as follows:		
Included in debtors (see note 14)	2,646	3,253
Included in post employment (liabilities)/assets (see note 8)	(740)	350
	<u>1,906</u>	<u>3,603</u>
Capital allowance pool in excess of book value of qualifying assets	2,254	1,812
Short term timing differences	(348)	1,791
	<u>1,906</u>	<u>3,603</u>
Analysis of movement in deferred tax asset/(liability):	£'000	
At 1 January 2014	3,603	
Charged to the profit and loss account (see note 9 (a) above)	(2,527)	
Amounts credited to STRGL in respect of post employment liabilities	830	
At 31 December 2014	<u>1,906</u>	

**Factors affecting future tax charges**

The Finance Act 2013, enacted in July 2013, included legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

Summer Finance Bill 2015 includes proposed changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. As these changes have not yet been substantively enacted, they are not reflected in the figures in these accounts.

It is not yet possible to quantify the impact of these rate changes upon current tax.

**10 Intangible fixed assets**

	Publishing rights £'000	Goodwill £'000	Total £'000
Cost			
At 1 January and 31 December 2014	<u>33,536</u>	<u>25,768</u>	<u>59,304</u>
Amortisation			
At 1 January 2014	33,249	21,413	54,662
Charge for the year	<u>287</u>	<u>772</u>	<u>1,059</u>
At 31 December 2014	<u>33,536</u>	<u>22,185</u>	<u>55,721</u>
Net book value			
At 31 December 2014	<u>-</u>	<u>3,583</u>	<u>3,583</u>
At 31 December 2013	<u>287</u>	<u>4,355</u>	<u>4,642</u>

**Notes to the financial statements**  
for the year ended 31 December 2014

**11 Tangible fixed assets**

	Leasehold improvements £'000	Equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	18,246	67,091	85,337
Additions	489	3,407	3,896
Disposals/retirements	(2,469)	(11,453)	(13,922)
<b>At 31 December 2014</b>	<b>16,266</b>	<b>59,045</b>	<b>75,311</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	8,567	53,886	62,453
Charge for the year	1,777	5,754	7,531
Disposals/retirements	(1,909)	(11,114)	(13,023)
<b>At 31 December 2014</b>	<b>8,435</b>	<b>48,526</b>	<b>56,961</b>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<b>7,831</b>	<b>10,519</b>	<b>18,350</b>
At 31 December 2013	9,679	13,205	22,884

**12 Fixed asset investments**

	Shares in subsidiary undertakings £'000	Interest in Joint ventures £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	133,733	2,401	136,134
Additions	325,153	-	325,153
Loan repayments	-	(500)	(500)
<b>At 31 December 2014</b>	<b>458,886</b>	<b>1,901</b>	<b>460,787</b>
<b>Provisions</b>			
At 1 January 2014	(70,422)	(2,075)	(72,497)
Provision (recognised)/not required	(686)	2,075	1,389
<b>At 31 December 2014</b>	<b>(71,108)</b>	<b>-</b>	<b>(71,108)</b>
<b>Net Book Value</b>			
<b>At 31 December 2014</b>	<b>387,778</b>	<b>1,901</b>	<b>389,679</b>
At 31 December 2013	63,311	326	63,637

The company's fixed asset investments in subsidiaries relate to its 100% interests in the ordinary share capital of IPC Magazines Group Limited, IPC Magazines (Overseas) Limited, Mousebreaker Limited and dormant companies which are incorporated in Great Britain and registered in England and Wales.

IPC Magazines Group Limited is an intermediate holding company of an undertaking whose main activity is the management of the property known as the Blue Fin Building (110 Southwark Street, London). IPC Magazines Group Limited owns the freehold of the Blue Fin Building. The office space at the property is let out to both group companies and external tenants. IPC Magazines (Overseas) Limited is an intermediate holding company of an undertaking whose main activity is magazine and digital publishing. Mousebreaker Limited owns the intellectual property rights of an online casual gaming business which it has licenced to Time Inc. (UK) Ltd. The dormant companies hold certain publishing rights to magazines published by the company.

The investment addition during the year of £325.2m in IPC Magazines Group Limited was made at net book value.

**Notes to the financial statements**  
**for the year ended 31 December 2014**

**12 Fixed asset investments (continued)**

Time Inc. (UK) Ltd has a 50% joint venture interest in European Magazines Limited. European Magazines Limited's principal activity is the publication of the UK edition of Marie Claire magazine. European Magazines Limited made a profit before tax of £139,000 for the year ended 31 December 2014 (year ended 31 December 2013 - profit before tax £211,000) and had total shareholders' funds of £2,091,000 (31 December 2013 - £1,992,000). The year end for European Magazines Limited is 31 December. European Magazines Limited is incorporated in England and Wales.

Time Inc. (UK) Ltd also has a joint venture interest of 50% in Evarn Limited. The total investment in Evarn Limited of £1,901,000 consists of share capital of £576,000 and shareholder loan of £1,325,000 (31 December 2013: total investment £2,401,000 consisting of share capital £576,000 and shareholder loan £1,825,000). Evarn Limited's principal activity is the publication of LOOK magazine. Evarn Limited made a profit before tax of £696,000 for the year ended 31 December 2014 (year ended 31 December 2013 - profit before tax £783,000) and had a total shareholders' deficit of £599,000 (31 December 2013 - £1,168,000). The year end for Evarn Limited is 31 December. Evarn Limited is incorporated in England and Wales.

**13 Stocks**

	<b>31 December 2014 £'000</b>	<b>31 December 2013 £'000</b>
Raw materials and consumables	<b>3,916</b>	<b>4,147</b>

**14 Debtors**

	<b>31 December 2014 £'000</b>	<b>31 December 2013 £'000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	<b>14,343</b>	<b>11,996</b>
Amounts owed by group undertakings	<b>1,549</b>	<b>239,694</b>
Amounts owed by joint ventures	<b>179</b>	<b>467</b>
Other debtors	<b>2,046</b>	<b>1,198</b>
Prepayments and accrued income	<b>6,020</b>	<b>5,500</b>
Deferred tax asset (see note 9 (c) above)	<b>2,646</b>	<b>3,253</b>
Group relief	<b>2,840</b>	<b>1,251</b>
	<b>29,623</b>	<b>263,359</b>

	<b>31 December 2014 £'000</b>	<b>31 December 2013 £'000</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	<b>3,423</b>	<b>2,679</b>
	<b>3,423</b>	<b>2,679</b>

**Notes to the financial statements**  
for the year ended 31 December 2014

**15 Creditors**

	31 December 2014 £'000	31 December 2013 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors	47,580	46,646
Amounts owed to group undertakings	79,174	63,636
Amounts owed to joint ventures	73	319
Accruals and deferred income	18,250	18,628
Other creditors	7,204	6,329
Taxation and social security	3,289	4,704
	<u>155,570</u>	<u>140,262</u>
<b>Amounts falling due after more than one year:</b>		
Other creditors	<u>7,672</u>	<u>9,156</u>

Other creditors due after more than one year consists of the unamortised balance of the rent free period relating to office premises leased to the company by IPC Magazines Group Limited.

**16 Called up share capital**

	31 December 2014 £'000	31 December 2013 £'000
Called up, allotted and fully paid 2,580,500 ordinary shares of £1 each	<u>2,580</u>	<u>2,580</u>

**17 Reconciliations of movements in equity shareholders' funds and movement in reserves**

	Share capital £'000	Share premium account £'000	Share redemption account £'000	Equity share-based payments £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	2,580	112,887	2,318	9,024	90,965	217,774
Profit for the year	-	-	-	-	20,103	20,103
Net actuarial losses on post employment plans	-	-	-	-	(4,763)	(4,763)
Recharge from parent undertaking for share-based payments	-	-	-	(11,784)	-	(11,784)
Charge for share-based payments	-	-	-	2,011	-	2,011
At 31 December 2013	2,580	112,887	2,318	(749)	106,305	223,341
Profit for the year	-	-	-	-	19,588	19,588
Share issue	-	92,047	-	-	-	92,047
Net actuarial losses on post employment plans	-	-	-	-	(11,709)	(11,709)
Recharge from parent undertaking for share-based payments	-	-	-	(11,909)	-	(11,909)
Charge for share-based payments	-	-	-	2,690	-	2,690
At 31 December 2014	<u>2,580</u>	<u>204,934</u>	<u>2,318</u>	<u>(9,968)</u>	<u>114,184</u>	<u>314,048</u>

No equity dividends were proposed or paid during the year (2013 - £nil).

**Notes to the financial statements**  
for the year ended 31 December 2014

**18 Share-based payments**

The total charge to the profit and loss account in respect of share-based payments is £2,690,000 (2013: £2,011,000).

**a) Restricted Stock Units - Time Inc.**

Certain employees of the company have been awarded restricted stock units in Time Inc. denominated in US\$ which vest over a four year period.

	2014	2014	2013	2013
	Number of	Weighted	Number of	Weighted
	units	average	units	average
	'000	grant date	'000	grant date
		fair value		fair value
		US\$		US\$
Unvested as at 1 January	-	-	-	-
Granted	281	22.11	-	-
Vested	-	-	-	-
Forfeited	(13)	21.83	-	-
<b>Unvested as at 31 December</b>	<b>268</b>	<b>22.12</b>	<b>-</b>	<b>-</b>

The range of grant date fair values for Time Inc. restricted stock units unvested at 31 December 2014 is \$20.74 to \$23.30 (there were no Time Inc. restricted stock units outstanding at 31 December 2013).

**b) Stock Options and Restricted Stock Units - Time Warner Inc.**

Prior to 6 June 2014, certain employees of the company had been granted options to purchase shares in Time Warner Inc. Such options had been granted with exercise prices equal to the fair market value at the date of grant. The options were denominated in US\$, vested over a 4 year period and expired 10 years from the date of grant.

In addition certain employees had been awarded restricted stock units in Time Warner Inc. denominated in US\$ which vested over a four year period. Holders of awards were generally entitled to receive cash dividends or dividend equivalents during the period of time that the awards were unvested.

**Stock Options:**

	Year ended 31 December 2014	Year ended 31 December 2013
<b>Assumptions used in Black Scholes option pricing model:</b>		
Expected volatility	-	29.60%
Expected term to exercise from grant date	-	6.27 years
Risk-free rate	-	1.30%
Expected dividend yield	-	2.10%

Expected volatility is determined using implied volatilities data from traded options.

	2014	2014	2013	2013
	Number of	Weighted	Number of	Weighted
	options	average	options	average
	'000	exercise	'000	exercise
		price US \$		price US \$
Outstanding as at 1 January	259	32.34	650	32.13
Exercised	(158)	32.16	(366)	32.27
Forfeited or expired	(24)	35.87	(25)	27.91
<b>Outstanding as at 31 December</b>	<b>77</b>	<b>30.69</b>	<b>259</b>	<b>32.34</b>
<b>Exercisable at 31 December</b>	<b>77</b>	<b>30.69</b>	<b>168</b>	<b>32.10</b>

For the share options outstanding at 31 December 2014, the weighted average remaining contractual life is 2.2 years (2013: 4.4 years).

The range of exercise prices for options outstanding at 31 December 2014 was \$14.64 to \$39.77 (2013: \$15.27 to \$41.48).

**Notes to the financial statements**  
for the year ended 31 December 2014

**18 Share-based payments (continued)**

**Restricted Stock Units:**

	2014	2014	2013	2013
	Number of	Weighted	Number of	Weighted
	units	average	units	average
	'000	grant date	'000	grant date
		fair value		fair value
		US\$		US\$
Unvested as at 1 January	238	34.99	427	30.92
Vested	(193)	34.50	(177)	25.21
Forfeited	(45)	37.10	(12)	34.22
<b>Unvested as at 31 December</b>	<b>-</b>	<b>-</b>	<b>238</b>	<b>34.99</b>

There are no Time Warner Inc. restricted stock units outstanding at 31 December 2014. The range of grant date fair values for restricted stock units unvested at 31 December 2013 was \$26.92 to \$37.48.

**19 Operating lease commitments**

Annual commitments under non-cancellable land and buildings operating leases are as follows:

	31 December	31 December
	2014	2013
	£'000	£'000
Leases which expire:		
Within one year	-	74
Between two to five years	1,573	1,483
After five years	9,644	9,644
	<b>11,217</b>	<b>11,201</b>

**20 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard 8 - 'Related Party Disclosures' from disclosing transactions with fellow members of the group where 90% or more of the voting rights are controlled within the group.

There were no material related party transactions during the year other than those set out below or disclosed elsewhere in the financial statements.

**Joint ventures**

During the year the company sold goods and provided management and other services to European Magazines Limited. The total value of these transactions was £9.7m (2013 - £10.6m). As at 31 December 2014 the company was owed £179k (2013 - £467k) by European Magazines Limited.

During the year the company also sold goods and provided management and other services to Evarn Limited. The total value of these transactions was £10.1m (2013 - £12.2m). As at 31 December 2014 the company owed £73k (2013 - £319k) to Evarn Limited.

The directors are satisfied that all related party transactions were carried out on an arm's length basis.

## Notes to the financial statements

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### for the year ended 31 December 2014

#### 21 Post balance sheet events

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On 7 May 2015, the group announced its intention to complete a sale and leaseback of the Blue Fin Building. Under the deed of covenant entered into by the company, IPC Magazines Group Limited and the Trustee of the IMPS defined benefit pension plan, an element of the proceeds of the sale must be retained within the company or Time Inc. (UK) Ltd until suitable mitigation for the pension plan has been agreed.

On 30 June 2015 the company settled an intercompany balance of £47.1m which it owed to IPC Magazines Group Limited and received a dividend from IPC Magazines Group Limited of £47.1m.

On 22 July 2015 the lease under which the company occupied space in the Blue Fin Building was surrendered and re-granted for at market rent for a term ending 31 Dec 2025. The surrender premium paid by IPC Magazines Group Limited to the company was £3.7m. The ongoing rent payable by the company under the re-granted lease is £9.4m.

Since the year end three other significant transactions have been completed:

On 4 February 2015 100% of the share capital of UK Cycling Events Limited, a cycling events business, was acquired for an initial cash consideration of £6.0m. The acquisition complements the company's existing assets in the cycling sector providing a platform for future growth in this segment;

On 16 April 2015 the company acquired the remaining 50% of the share capital of its joint venture Evarn Limited (the publisher of "Look" magazine). At the same time a subsidiary of the company disposed of its 50% economic interest in Avantages SAS (the publisher of Avantages and Famili magazines in France). Previously both publishing operations were joint ventures with Groupe Marie Claire. The net cash impact of these transactions was £0.3m. The acquisition of Look provides the opportunity to accelerate the digital transformation of this brand; and

On 27 July 2015 the company acquired 21% of Snap Fashion Ltd a business which has developed visual search engine software. The consideration for the acquisition was £0.75m in cash and £1.25m of future marketing spend.

#### 22 Parent undertakings

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The company's immediate parent undertaking is IPC Magazines Holdings Limited.

Until 30 April 2014 Time Warner Holdings Limited was the parent undertaking of the smallest group of undertakings of which the company was a member and for which group financial statements were drawn up. Time Warner Holdings Limited is registered in England and Wales and copies of its financial statements may be obtained from the Registrar of Companies in Cardiff.

From 30 April 2014 Time Inc., a company incorporated in the United States of America, was the parent undertaking of the smallest group of undertakings of which the company was a member and for which group financial statements were drawn up. Copies of Time Inc.'s financial statements can be obtained from Time Inc., 1271 Avenue of the Americas, New York, NY 10020, USA.

Until 6 June 2014 Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking of the largest group of undertakings of which the company was a member and for which group financial statements were drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Center, New York, NY 10019, USA.

From 6 June 2014 Time Inc. became the ultimate parent undertaking of the largest group of undertakings of which the company was a member and for which group financial statements are drawn up. Copies of Time Inc.'s financial statements can be obtained from Time Inc., 1271 Avenue of the Americas, New York, NY 10020, USA.