

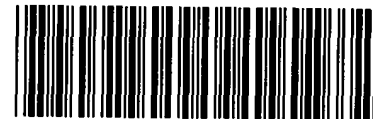
The Condé Nast Publications Limited

Annual Report and Financial Statements

Registered Number 226900

31 December 2017

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COMPANIES HOUSE

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Company information

Directors

J Newhouse
N Coleridge
A Read
S Vandembroucke (appointed 1 January 2018)
S Gresham Jones (appointed 1 January 2018)
D Jones (appointed 1 January 2018)
E Enniful (appointed 6 June 2018)
S Crofts

Secretary

S Vandembroucke (appointed 6 July 2018)

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Bankers

HSBC Bank PLC
1 Hanover Square
London W1R 0ES

Solicitors

Wiggin & Co.
95 The Promenade
Cheltenham
Gloucestershire GL50 1WG

Registered Office

Vogue House
Hanover Square
London W1S 1JU

Strategic Report

The directors present their Strategic Report of The Condé Nast Publications Limited ("The Company") for the year ended 31 December 2017.

Review of the business

Principal activity

The principal activity of the Company during the year continued to be that of magazine publishing and related activities.

Business strategy and objectives

Condé Nast is a global media company producing the highest quality magazines, websites and digital content. Reaching more than 340 million consumers in 29 markets, the company's portfolio includes many of the world's most respected and influential media properties. Our UK brands reach a combined gross audience (print, digital and online) of 58,386,446 across the portfolio.

Review of development and future prospects

2017 was a transformational year for Condé Nast Britain. Appointing new leadership across many of our brands, we reorganised team structures and relocated all staff into Vogue House.

Increased expenses related to these changes reflected £5,678,000 and the company's investment in its closed pension scheme decreased the operating profit by £4,718,000.

In 2017, the decision was made to wind down operations of our 35% investment in associate Condé Nast and National Magazine Distributors Ltd ("COMAG"), co-owned with The National Magazine Company Limited ("Hearst"). COMAG previously handled the newsstand distribution of all titles and a new agreement was put in place with the third-party distributor, Frontline. A provision of £4,987,500 was recognised against the loan granted to enable COMAG to wind down its activities and the investment has been impaired in full. In addition, a provision for estimated cash contributions of £2,194,000 needed to fund continuing obligations relating to Conde Nast and National Magazine Distributors Ltd pension scheme was recognised.

Condé Nast continues to make significant investments in its long-term digital growth, including the development of multiple global platforms to unlock the potential of our global network and better serve our audiences and clients. This strategy contributes to inter-company charges.

During the year ended 31 December 2017, the company made a total loss for the financial year of £13,613,000. Within this result, £12,860,000 of exceptional items were incurred as detailed in note 3 on page 17. Considering the exceptional items as well as the contributions to the defined benefit scheme, the underlying operational result was a profit of £3,965,000.

Key performance indicators

The Company utilises brand reach and circulation figures to analyse the performance of the business, in addition to the other financial KPIs discussed in the financial review.

Circulations remain healthy as engagement across a number of platforms grows. Vogue posts an ABC of 192,112 [January to June 2018] for combined print and digital circulation, with total print and digital circulation up 1.1% period on period. House & Garden posts an ABC of 112,053. Total print and digital circulation is consistent period on period. British GQ posts an ABC of 110,051, entering its 30th anniversary this year, British GQ remains the market leader in men's magazines with strong performance relative to its peer group. Tatler posts an ABC of 78,090. Total print and digital circulation is consistent period on period. The first issue under new Editor-in-Chief, Richard Dennen, was the July issue, included in this period. Condé Nast Traveller posts an increased ABC of 80,043. Total print and digital circulation is up 2.4% period on period. The World of Interiors posts an increased ABC of 55,098. Total print and digital circulation is consistent period on period. Vanity Fair posts an ABC of 72,044. Total print and digital circulation is consistent period on period. The first four issues under new Editor-in-Chief, Radhika Jones, are included in this period.

Strategic Report (continued)

Financial review

Turnover was £113,497k for the year, a decrease of 6.6% from 2016. Loss for the year was £13,613k, compared to a profit of £4,331k in 2016.

Net assets at 31 December 2017 were £41,965k, compared to £36,997k at 31 December 2016. This movement was mainly due to a substantial reduction in the pension scheme liability.

Principal risks and uncertainties

The Company faces a number of risks and uncertainties. Whilst we make every effort to mitigate such risks and uncertainties, the principal challenges are: competition from other media impacting circulation and advertising revenues; adverse movement in the UK or worldwide advertising markets; maintaining the production of our print and digital editions to the standard and deadlines expected; and retaining the staff and contributors to produce the content of our print and digital editions and websites.

Going concern

No material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern have been identified by the directors. On the basis of their assessment of the Company's financial position, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Board



A Read
Managing Director

Date: 19/12/18

Directors' Report

Proposed dividend

The directors paid a dividend of £30k in respect of the current financial year (2016: £nil).

Directors

The directors who held office during the year, and up to the date of this report, were as follows:

J Newhouse	P Stevenson (resigned 17 March 2017)
N Coleridge	J Faulkner (resigned 12 October 2018)
A Read	S Crofts
P Scott-Bayfield (appointed 1 July 2017, resigned 6 July 2018)	E Enniful (appointed 6 June 2018)
S Quinn (resigned 31 December 2017)	D Jones (appointed 1 January 2018)
P Raynor (resigned 31 December 2017)	S Vandenbroucke (appointed 1 January 2018)
A Holcroft (resigned 31 January 2017)	S Gresham Jones (appointed 1 January 2018)
J Bill (resigned 17 March 2017)	

Political contributions

The Company made no political donations and did not incur any political expenditure during the year (2016: £nil).

Employment of disabled persons

Applications for employment by disabled persons are always considered fully, having regard to the aptitudes and abilities of the applicant concerned and the requirements of the position for which the application is made. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and, where necessary, appropriate retraining is arranged.

Employee consultation

The Company places considerable importance on the contributions to be made by all employees to the progress of the Company, and aims to keep employees informed on matters affecting them and on developments generally within the Company. This is achieved by formal and informal meetings.

Directors and their interests

The directors of the Company during the year and up to the date of this report are listed above and on page 1. All directors served throughout the year unless otherwise stated.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A Read
Director

Date: 19/12/18

Vogue House
Hanover Square
London W1S 1JU

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of The Condé Nast Publications Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the members of the Condé Nast Publications Limited (continued)

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

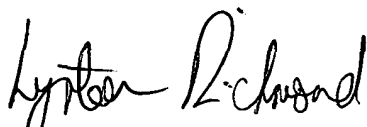
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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.



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

Date 21 December 2018

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2017

	<i>Note</i>	£000	Exceptional items £000	2017 Total £000
Turnover	2	113,497	-	113,497
Raw material and consumables		(7,022)	-	(7,022)
Other external expenses		(40,716)	-	(40,716)
Staff costs	5	(41,548)	(5,678)	(47,226)
Depreciation	9, 10	(2,356)	-	(2,356)
Other operating expenses		(22,517)	(7,182)	(29,699)
Operating loss		(662)	(12,860)	(13,522)
Other interest receivable and similar income	7	17	-	17
Profit on disposal of tangible fixed assets		-	-	-
Loss before taxation		(645)	(12,860)	(13,505)
Tax on loss	8	(2,161)	2,053	(108)
Loss for the financial year		(2,806)	(10,807)	(13,613)
Other comprehensive income				
Remeasurement of the net defined benefit liability		26,990	-	26,990
Tax charge on other comprehensive income	8	(8,379)	-	(8,379)
Other comprehensive income for the year, net of income tax		18,611	-	18,611
Total comprehensive income for the year		15,805	(10,807)	4,998

The results stated above are derived from continuing activities.

The notes on pages 12 to 29 form an integral part of these financial statements.

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2016

	Note	£000	Exceptional items £000	2016 Total £000
Turnover	2	121,457	-	121,457
Raw material and consumables		(7,485)	-	(7,485)
Other external expenses		(45,084)	-	(45,084)
Staff costs	5	(42,169)	(422)	(42,591)
Depreciation	9,10	(2,570)	-	(2,570)
Other operating expenses		(19,429)	-	(19,429)
Operating profit/(loss)		<u>4,720</u>	<u>(422)</u>	<u>4,298</u>
Other interest receivable and similar income	7	42	-	42
Profit on disposal of tangible fixed assets		-	2,345	2,345
Profit before taxation		<u>4,762</u>	<u>1,923</u>	<u>6,685</u>
Tax on profit	8	(2,047)	(307)	(2,354)
Profit for the financial year		<u><u>2,715</u></u>	<u><u>1,616</u></u>	<u><u>4,331</u></u>
Other comprehensive loss				
Remeasurement of the net defined benefit liability		(36,960)	-	(36,960)
Tax credit on other comprehensive loss	8	6,492	-	6,492
Other comprehensive loss for the year, net of income tax		<u><u>(30,468)</u></u>	<u><u>-</u></u>	<u><u>(30,468)</u></u>
Total comprehensive loss for the year		<u><u>(27,753)</u></u>	<u><u>1,616</u></u>	<u><u>(26,137)</u></u>

The results stated above are derived from continuing activities.

The notes on pages 12 to 29 form an integral part of these financial statements.

Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Fixed assets			
Intangible assets	9	1,274	597
Tangible assets	10	18,914	19,241
Investments	11	-	40
		<hr/>	<hr/>
		20,188	19,878
Current assets			
Stocks	12	2,295	2,096
Debtors including £34.5m (2016: £42.6m) due after more than one year	13	79,458	89,521
Cash at bank and in hand	14	3,853	16,745
		<hr/>	<hr/>
		85,606	108,362
Creditors: amounts falling due within one year	15	(38,779)	(40,013)
		<hr/>	<hr/>
Net current assets		46,827	68,349
Total assets less current liabilities		67,015	88,227
Creditors: Amounts falling due after more than one year	16	(1,577)	-
Provisions for liabilities			
Pensions and similar obligations	18	(21,480)	(51,230)
Other provisions	19	(1,993)	-
		<hr/>	<hr/>
Net assets		41,965	36,997
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	20	22,000	22,000
Profit and loss account		19,965	14,997
		<hr/>	<hr/>
Shareholders' funds		41,965	36,997
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 19/12/18 and were signed on its behalf by:



A Read
Director

Company registered number: 226900

The notes on pages 12 to 29 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	22,000	41,134	63,134
Total comprehensive loss for the year:			
Profit for the financial year	-	4,331	4,331
Other comprehensive loss (see note 20)	-	(30,468)	(30,468)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(26,137)	(26,137)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	22,000	14,997	36,997
	<hr/>	<hr/>	<hr/>

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	22,000	14,997	36,997
Total comprehensive loss for the year:			
Loss for the financial year	-	(13,613)	(13,613)
Other comprehensive income (see note 20)	-	18,611	18,611
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	4,998	4,998
	<hr/>	<hr/>	<hr/>
Dividends paid		(30)	(30)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	22,000	19,965	41,965
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 29 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The Condé Nast Publications Limited (the “Company”) is a private company incorporated, domiciled and registered in the UK. The registered number is 226900 and the registered address is Vogue House, Hanover Square, London W1S 1JU.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s parent undertaking, Condé Nast International Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Condé Nast International Limited are available to the public and may be obtained from Vogue House, Hanover Square, London W1S 1JU. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Condé Nast International Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Various note disclosures have been restated in order to accurately reflect prior year comparatives.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments in associates and joint ventures measured at fair value.

1.2 Going concern

The accounts are prepared on a going concern basis. No material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern have been identified by the directors. On the basis of their assessment of the Company’s financial position, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Exceptional items

Exceptional items are identified by virtue of size, nature, or incidence. In determining whether an event or transaction is exceptional, management considers the quantitative as well as qualitative factors such as the frequency and predictability of occurrence. The presentation of Exceptional items in the financial statements is consistent with the way financial performance is measured by management and provides a meaningful analysis of the trading results of the company.

1.4 Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.5 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries and associates

These are separate financial statements of the Company. Investments in subsidiaries and associates are carried at cost less impairment.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes (continued)

1 Accounting policies (continued)

1.8 Tangible fixed assets (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	–	14% or term of lease, if shorter
Long-leasehold	–	term of lease
Plant and office equipment	–	10% to 33%
Computer equipment	–	25% to 33%
Motor vehicles	–	25%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.9 Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 3 years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. They are charged in the profit and loss account in full in the month of publication of the magazine containing the relevant projects or articles. This is usually the month preceding that appearing on the magazine cover.

1.11 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

Notes (continued)

1 Accounting policies (continued)

1.11 Employee benefits (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined contribution plans

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.12 Turnover

Turnover represents billings to customers for advertising, newsstand sales, subscription revenues, commission sales of published magazines, events, books and book royalties. Newsstand and subscription revenue is recognised in the month the issue is on sale. Income associated with a particular issue of a magazine is recognised in the profit and loss account when the magazine is published, being usually the month preceding that appearing on the magazine's cover. Income from books is recognised when the books are despatched to the customer. College revenue is recognised over the length of the course.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Royalties

Royalty advances to authors which are not expected to be earned from future sales of books and rights are written off to the profit and loss account in year of publication.

Notes (continued)

2 Turnover

	2017 £000	2016 £000
Publishing activities	113,497	121,457
Total turnover	<u>113,497</u>	<u>121,457</u>

	2017 £000	2016 £000
By geographical market:		
United Kingdom	107,103	94,681
Rest of the world	6,394	26,776
	<u>113,497</u>	<u>121,457</u>

3 Exceptional items

	2017 £000	2016 £000
Business restructuring	5,678	422
Provision against balance from associates	4,988	-
Other provisions	2,194	-
Profit/(loss) on disposal of assets	-	(2,345)
	<u>12,860</u>	<u>(1,923)</u>

During the year, £5.7m (2016: £nil) of restructuring costs were incurred.

In 2017, a provision of £4.9m (2016: £nil) was recognised against a loan made to our associate Conde Nast and National Magazine Distributors Limited, which ceased trading in December 2017.

A provision of £2.2m (2016: £nil) was recognised in relation to pension commitments for our associate, Conde Nast and National Magazine Distributors Limited.

Notes (continued)

4 Expenses and auditor remuneration

Included in (loss)/profit are the following:

	2017 £000	2016 £000
Auditor's remuneration: Audit of these financial statements	106	64

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	2017 £000	2016 £000
Editorial	227	244
Commercial	210	217
Administration	173	205
	<u>610</u>	<u>666</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	39,838	35,801
Social security costs	3,860	3,871
Other pensions costs	3,528	2,919
Total staff costs	<u>47,226</u>	<u>42,591</u>

6 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	2,438	2,433
Pension contributions	46	48
Compensation for loss of office	1,396	-
	<u>3,880</u>	<u>2,481</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £632k (2016: £915k), and company pension contributions of £nil (2016: £nil).

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	6	9
Defined contribution schemes	4	4

Notes (continued)

7 Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	17	42

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

a) Tax on (loss)/profit

The tax charge is made up as follows:

	2017 £000	2016 £000
<i>Current tax</i>		
Current tax on income for the period	-	1,671
Adjustments in respect of prior periods	(220)	289
Foreign tax relief	-	(25)
	(220)	1,935
Foreign tax	-	25
	(220)	1,960
<i>Deferred tax</i>		
Origination and reversal of timing differences	452	66
Adjustment in respect of previous periods	(21)	95
Change in tax rate	(103)	233
	328	394
Total deferred tax	328	394
Total tax on (loss)/ profit	108	2,354

b) Tax included in the statement of other comprehensive income

The tax charge/(credit) is made up as follows:

	2017 £000	2016 £000
<i>Current tax</i>		
Pension contributions	-	(646)
<i>Deferred tax</i>		
Actuarial gain/(loss) on pension scheme	8,379	(7,392)
Pension scheme reserve	-	646
Change in tax rate	-	900
Total charge/(credit)	8,379	(6,492)

Notes (continued)

8 Taxation (continued)

c) Reconciliation of effective tax rate

	2017 £000	2016 £000
(Loss)/Profit for the year	(13,613)	4,331
Total tax expense	108	2,354
(Loss)/Profit excluding taxation	(13,505)	6,685
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(2,600)	1,337
Tax rate changes	(104)	233
Effects of group relief/other reliefs	445	-
Non-deductible expenses	277	(247)
Adjustment from previous period	(240)	384
Non-qualifying depreciation	197	243
Deferred tax not recognised	2,133	-
Gains/rollover relief	-	404
Total tax expense included in profit or loss	108	2,354

d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2017 £000	2016 £000
Included in debtors (<i>see note 13</i>)	-	8,707
Accelerated capital allowances	(276)	(509)
Pension costs	-	9,017
Reserves	276	199
Provision for deferred tax	-	8,707

	2017 £000	2016 £000
Movement on the deferred tax asset		
At 1 January 2017	8,707	3,256
Adjustment in respect of previous years		(96)
Deferred tax charge to income statement for the period	(328)	(299)
Deferred tax charge in OCI for the period	(8,379)	5,846
At 31 December 2017	-	8,707

e) Unrecognised deferred tax assets

There were deductible temporary differences relating to the defined benefit scheme deficit (£21,480k), losses carried forward (£8,136k) and other short term temporary differences (£3,744k) at the balance sheet date for which no deferred tax asset is recognised due to the uncertainty regarding future profits of the company.

Notes (continued)

8 Taxation (continued)

f) Factors that may affect future charges

The UK government has enacted legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020.

9 Intangible assets

	Software	Assets not ready to be used	Total
	£000	£000	£000
Cost			
Balance at 1 January 2017	2,868	78	2,946
Additions	374	16	390
Write offs	(1)	-	(1)
Transfer from tangibles	1,049	-	1,049
Balance at 31 December 2017	<u>4,290</u>	<u>94</u>	<u>4,384</u>
Amortisation and impairment			
Balance at 1 January 2017	2,349	-	2,349
Amortisation for the year	752	-	752
Write offs	9	-	9
Balance at 31 December 2017	<u>3,110</u>	<u>-</u>	<u>3,110</u>
Net book value			
At 1 January 2017	<u>519</u>	<u>78</u>	<u>597</u>
At 31 December 2017	<u>1,180</u>	<u>94</u>	<u>1,274</u>

Notes (continued)

10 Tangible fixed assets

	Land and buildings	Plant and Equipment	Fixtures & fittings	Assets not ready to be used	Total
	£000	£000	£000	£000	£000
Cost					
Balance at 1 January 2017	14,747	13,579	11,337	241	39,904
Additions	-	1,907	648	(239)	2,316
Write offs	(276)	(1,707)	(3,548)	-	(5,531)
Transfer to intangibles	-	-	(1,049)	-	(1,049)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	14,471	13,779	7,388	2	35,640
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
Balance at 1 January 2017	3,539	7,204	9,920	-	20,663
Depreciation charge for the year	131	812	812	-	1,755
Write offs	(421)	(605)	(4,666)	-	(5,692)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	3,249	7,411	6,066	-	16,726
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2017	11,208	6,375	1,417	241	19,241
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	11,222	6,368	1,322	2	18,914
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2017 the net carrying amount of property leased under a finance lease was £11,222k (2016: £11,208k).

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £000	Total £000
Cost		
At 1 January 2017	40	40
Impairment	(40)	(40)
Balance at 31 December 2017	-	-
	<hr/>	<hr/>
Provisions		
At 1 January and 31 December 2017	-	-
	<hr/>	<hr/>
Net book value		
At 31 December 2017	-	-
	<hr/>	<hr/>
At 31 December 2016	40	40
	<hr/>	<hr/>

The undertakings in which Company has an interest at the year end are as follows.

	Principal activity	Class and percentage of shares held
Subsidiary undertakings		
Condé Nast (CNI) Limited	Dormant	100%
Vogue Model Agency Limited	Dormant	100%
Tatler Publishing Company Limited	Dormant	100%
Vogue Design Limited	Dormant	100%
Magazine Holdings Limited	Dormant	100%
Televogue Limited	Dormant	100%
Glamour Magazine (Publishers) Limited	Dormant	100%
Wine & Food Publications Limited	Dormant	100%
Pharos Publications Limited	Dormant	100%
Videovogue Limited	Dormant	100%
Vogue Studio Limited	Dormant	100%
Joint ventures		
Business People Publications Ltd	England and Wales Magazine Publishing	50%
Associates		
Conde Nast and National Magazine Distributors Ltd	England and Wales Magazine Distributors	35%

The registered address of all subsidiary undertakings disclosed above is: Vogue House, Hanover Square, London, W1S 1JU.

Notes (continued)

12 Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,039	1,177
Work in progress	1,252	912
Finished goods	4	7
	<hr/>	<hr/>
Total stock	2,295	2,096
	<hr/>	<hr/>

The replacement cost of stock is not materially different from the amounts stated above.

13 Debtors

	2017 £000	2016 £000
Trade debtors	27,096	26,495
Amounts owed by group undertakings	46,972	51,563
Other debtors	2,156	1,725
Deferred tax assets (see note 8 and note 17)	-	8,707
Prepayments and accrued income	2,096	1,031
Corporation tax debtor	630	-
Taxation and social security	508	-
	<hr/>	<hr/>
	79,458	89,521
	<hr/>	<hr/>
Due within one year	45,005	46,953
Due after more than one year	34,453	42,568
	<hr/>	<hr/>
	79,458	89,521
	<hr/>	<hr/>

14 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	3,853	16,745
	<hr/>	<hr/>

15 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	5,646	4,799
Amounts owed to group undertakings	10,216	15,923
Taxation and social security	-	1,107
Corporation tax creditor	-	583
Other creditors	10,908	9,168
Accruals and deferred income	12,009	8,433
	<hr/>	<hr/>
	38,779	40,013
	<hr/>	<hr/>

Notes (continued)

16 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Accruals and deferred income	1,577	-
	<u>1,577</u>	<u>-</u>

17 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Accelerated capital allowances	-	-	(276)	(509)	(276)	(509)
Employee benefits	-	9,017	-	-	-	9,017
Reserves	276	199	-	-	276	199
Tax assets / (liabilities)	<u>276</u>	<u>9,216</u>	<u>(276)</u>	<u>(509)</u>	<u>-</u>	<u>8,707</u>

18 Employee benefits

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

The pension expense charged to the profit and loss account makes no allowance for actuarial gains and losses during the year. Actuarial gains and losses are recognised in Other Comprehensive Income (OCI) in the year that they occur. The latest full actuarial valuation was performed on 5 April 2017 to measure the defined benefit obligation as at 5 April 2017. The full actuarial valuation as at 5 April 2017 was updated to the accounting date by an independent qualified actuary in accordance with FRS102.

This pension has been prepared in accordance with the Pension Act 2004.

Net pension liability

	2017 £000	2016 £000
Defined benefit obligation	(136,320)	(155,710)
Plan assets	114,840	104,480
Net pension liability	<u>(21,480)</u>	<u>(51,230)</u>

Movements in present value of defined benefit obligation

	2017 £000	2016 £000
At 1 January	155,710	103,230
Current service cost	10	70
Interest expense	4,150	4,100
Remeasurement: actuarial (gains)/losses	(19,570)	49,750
Benefits paid	<u>(3,980)</u>	<u>(1,440)</u>
At 31 December	<u>136,320</u>	<u>155,710</u>

Notes (continued)

18 Employee benefits (continued)

Movements in fair value of plan assets

	2017 £000	2016 £000
At 1 January	104,480	85,730
Interest income	2,820	3,480
Remeasurement: return on plan assets less interest income	7,420	12,790
Contributions by employer	4,230	4,040
Benefits paid	(3,980)	(1,440)
Administrative expenses	(130)	(120)
At 31 December	<u>114,840</u>	<u>104,480</u>

A proportion of the Scheme's assets is invested in gilts and bonds, taking into account the make-up of the Scheme's membership, which will help to reduce the effect of market movements on funding levels.

Expense recognised in the profit and loss account

	2017 £000	2016 £000
Current service cost	10	70
Net interest on net defined benefit liability	1,330	620
Admin expenses	130	120
Total expense recognised in profit or loss	<u>1,470</u>	<u>810</u>

The fair value of the plan assets was as follows:

	2017 Fair value %	2016 Fair value %
Equities	44.8%	43.7%
Corporate bonds	31.7%	32.8%
Cash and cash equivalents	0.4%	0.1%
Other	23.1%	23.4%
	<u>100%</u>	<u>100.0%</u>

The fair value of the plan assets at 31 December 2017 was as follows:

	Fair value £000
Equities	51,500
Corporate bonds	36,400
Cash	440
Other	26,500
	<u>114,840</u>

There are no transferable financial instruments held as plan assets.

Notes (continued)

18 Employee benefits (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2017 %	2016 %
Discount rate	2.6%	2.7%
Rate of compensation increase	2.1%	2.2%
Rate of inflation	3.1%	3.2%
Rate of pension increases in payment (LPI 5%)	2.9%	3.1%

In valuing the liabilities of the pension fund at 31 December 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	31 December 2017		31 December 2016	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.6	25.7	24.2	26.2
Member age 45 (life expectancy at age 65)	25.2	27.2	26.1	28.2

Effect of the defined benefit plan on future cash flows

The Company agreed with the Trustees of the Plan to contribute a £4,000k payment in the period 1 April 2017 to 31 March 2018. From April 2018, the contribution per annum is increased to £5m and increases annually by 3.3% thereafter until January 2025.

Premiums in respect of death-in-service benefits and the Pension Protection Fund levies are also paid directly by the Company and are not allowed for within the pension disclosures.

The next formal actuarial valuation of the Scheme is due with an effective date of 5 April 2020.

Risks exposed to the Company

The plan does not expose the Company to any unusual, entity-specific or any other significant concentrations of risk.

Sensitivity analysis

The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25%:

	2017 £000	2016 £000
Increased discount rate	(8,279)	(10,944)
Decreased discount rate	9,005	11,934
Increased inflation rate	8,238	10,885
Decreased inflation rate	(7,605)	(8,332)
Mortality sensitivity	4,336	4,506

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 5 April 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

There have been no changes in actuarial assumptions since the valuation other than the changes to the assumptions above.

Notes (continued)

19 Other provisions

	2017 £000
At 1 January 2017	-
Credited	1,933
Utilised	-
	<hr/>
At 31 December 2017	1,933
	<hr/>

Other provisions relate to estimated cash contributions needed to fund continuing obligations relating to Conde Nast and National Magazine Distributors Ltd.

20 Capital and reserves

Share capital	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
220,000 ordinary shares of £100 each	22,000	22,000
	<hr/>	<hr/>

Dividends

After the balance sheet date total dividends of £nil (2016: £nil) were proposed by the directors.

Other comprehensive income

	Profit and loss account 2017 £000	Total other comprehensive income 2017 £000
Other comprehensive income		
Remeasurements of the net defined benefit liability	26,990	26,990
Tax credit on other comprehensive income	(8,379)	(8,379)
	<hr/>	<hr/>
Total other comprehensive income	18,611	18,611
	<hr/>	<hr/>
	Profit and loss account 2016 £000	Total other comprehensive income 2016 £000
Other comprehensive loss		
Remeasurements of the net defined benefit liability	(36,960)	(36,960)
Tax charge on other comprehensive loss	6,492	6,492
	<hr/>	<hr/>
Total other comprehensive loss	(30,468)	(30,468)
	<hr/>	<hr/>

Notes (continued)

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
		Restated
	£000	£000
Less than one year	6,439	2,666
Between one and five years	23,634	9,311
More than five years	22,438	11,007
	<hr/>	<hr/>

During the year £5,838k was recognised as an expense in the profit and loss account in respect of operating leases (2016: £5,532k).

22 Related parties

The Company is exempt from disclosing related party transactions with other group companies as they are wholly owned within the Group.

During the year, the Company had the following transactions with other related parties:

Agreements under which the company received distribution services from Condé Nast and National Magazine Distributors Ltd (COMAG) amounted to £8,105,756 (2016: £14,043,802). At the year end the amount due from COMAG in respect of these transactions was £1,450,229 (2016: £4,308,643).

During the year, the Company advanced £6,589,000 (2016: £nil) to COMAG in relation to a loan. During the year, the Company recognised a provision against the loan of £4,987,500 (2016: £nil). At the year end the amount due from COMAG was £1,601,500 (2016: £nil)

In addition, the Company recognised a provision for estimated cash contributions of £2,194,000 (2016: £nil) needed to fund continuing obligations relating to Conde Nast and National Magazine Distributors Ltd pension scheme.

23 Ultimate parent company

The immediate parent undertaking of the Company is Condé Nast International Limited, registered address: The Adelphi, 1-11 John Adam Street, London WC2N 6HT.

The financial statements of Condé Nast International Limited, which consolidate the results of the Company, may be obtained from The Adelphi, 1-11 John Adam Street, London WC2N 6HT.

The ultimate parent undertaking is Advance Publications Incorporated, which is incorporated in the United States of America.

The ultimate parent undertaking is privately owned and is not required to publish its financial statements.

24 Subsequent events

Subsequent to the balance sheet date, there have been no adjusting or non-adjusting events.