Registration number: 00908396

# Guardian News & Media Limited

Annual Report and Financial Statements

for the year ended 2 April 2017

# Guardian News & Media Limited

## Contents

# Guardian News & Media Limited

## Company Information

| | |
|---|---|
| **Directors** | David Pemsel |
| | Katharine Viner |
| | Richard Kerr |
| | Claire Pape |
| **Company secretary** | Richard Kerr |
| **Registered office** | PO Box 68164<br>Kings Place<br>90 York Way<br>London<br>N1P 2AP |
| **Solicitors** | Bristows LLP<br>100 Victoria Embankment<br>London<br>EC4Y 0DH |
| **Bankers** | The Royal Bank of Scotland plc<br>280 Bishopsgate<br>London<br>EC2M 4RB |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>1 Embankment Place<br>London<br>WC2N 6RH |

# Guardian News & Media Limited

## Strategic Report for the year ended 2 April 2017

The directors present their strategic report for the year ended 2 April 2017.

**Review of the business**

Guardian News & Media Limited (the "Company") is publisher of theguardian.com, one of the world's leading news websites, and the Guardian and Observer newspapers. The Company forms part of the Guardian News & Media division (GNM) which is the core operating division of Guardian Media Group plc (GMG). The directors manage the group's operations on a divisional basis. The business review, key performance indicators, strategy and future outlook of GNM is discussed on pages 2 to 4 in the group's consolidated financial statements copies of which are available from The Secretary, Guardian Media Group plc, PO Box 60164, Kings Place, 90 York Way, London, N1P 2AP.

**Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Guardian Media Group plc, which include those of the Company, are discussed on page 3 of the group's consolidated financial statements, copies of which are available from The Secretary, Guardian Media Group plc, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

Approved by the Board on 5 July 2017 and signed on its behalf by:

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Richard Kerr
Director

# Guardian News & Media Limited

## Directors' Report for the year ended 2 April 2017

The directors present their report and the audited financial statements for the year ended 2 April 2017.

**Directors of the company**
The directors, who held office during the period, and up to the date of signing unless otherwise stated were as follows:

David Pemsel

Katharine Viner

Richard Kerr (appointed 13 April 2016)

Claire Pape (appointed 6 October 2016)

Emma Ciechan (resigned 6 October 2016)

**Dividends recommended**
The directors recommend a final dividend payment of £Nil be made in respect of the financial period ended 2 April 2017.

**Financial instruments**

***Objectives and policies***

Financial risk management is discussed on pages 27 to 29 in the group's consolidated financial statements, copies of which are available from The Secretary, Guardian Media Group plc, PO Box 60164, Kings Place, 90 York Way, London, N1P 2AP.

***Price risk, credit risk, liquidity risk and cash flow risk***

Price risk, credit risk, liquidity risk and cash flow risk are discussed on pages 27 to 29 in the group's consolidated financial statements, copies of which are available from The Secretary, Guardian Media Group plc, PO Box 60164, Kings Place, 90 York Way, London, N1P 2AP.

**Employee involvement**
The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining it. The Company encourages the involvement of employees by means of regular communication programmes to the company as a whole delivered by senior management, frequent internal email and intranet updates and an annual all staff financial results briefing.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled, the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

# Guardian News & Media Limited

## Directors' Report for the year ended 2 April 2017

### Environmental matters

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. During the year, the Company published its annual social, ethical and environmental audit that measures the impact of its corporate social responsibility programme.

### Going concern

The Company's intermediate parent undertaking, Guardian News & Media (Holdings) Limited, is owned 100% by Guardian Media Group plc, and ultimately owned by the Scott Trust Limited whose core purpose is to secure the financial and editorial independence of The Guardian in perpetuity. The directors believe that the Company has adequate resources to continue operations for the foreseeable future and confirmation has been received from Guardian Media Group plc that it will provide financing facilities to enable the Company to carry on its business as a going concern. For this reason, the going concern basis in preparing the financial statements continues to be appropriate.

### Directors' liabilities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

### Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 5 July 2017 and signed on its behalf by:

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Richard Kerr
Director

# Guardian News & Media Limited

## Statement of Directors' Responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# Guardian News & Media Limited

# Independent Auditors' Report to the members of Guardian News & Media Limited

## Report on the financial statements

### Our opinion

In our opinion, Guardian News & Media Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 2 April 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 2 April 2017;
- the Income Statement and the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Guardian News & Media Limited

## Independent Auditors' Report to the members of Guardian News & Media Limited

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Guardian News & Media Limited

## Independent Auditors' Report to the members of Guardian News & Media Limited

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Sam Tomlinson

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Samuel Tomlinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 July 2017

# Guardian News & Media Limited

## Income Statement for the year ended 2 April 2017

| | Note | 2017 £ 000 | 2016 £ 000 |
|---|---|---|---|
| Revenue | 4 | 197,584 | 198,070 |
| Operating costs | 5 | (246,237) | (273,744) |
| Other interest receivable and similar income | 6 | 10,142 | 1,929 |
| Interest payable and similar charges | 7 | 1,346 | (841) |
| Loss on ordinary activities before taxation | | (37,165) | (74,586) |
| Tax on loss on ordinary activities | 11 | 4,065 | 3,106 |
| Loss for the period | | (33,100) | (71,480) |

The above results were derived from continuing operations.

The notes on pages 13 to 33 form an integral part of these financial statements.

## Guardian News & Media Limited

## Statement of Comprehensive Income for the year ended 2 April 2017

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Loss for the period | (33,100) | (71,480) |
| Total comprehensive income for the period | (33,100) | (71,480) |

The notes on pages 13 to 33 form an integral part of these financial statements.

# Guardian News & Media Limited

## (Registration number: 00908396)
## Statement of Financial Position as at 2 April 2017

| | Note | 2017 £ 000 | 2016 £ 000 |
|---|---|---|---|
| **Non current assets** | | | |
| Intangible assets | 12 | 1,183 | 2,210 |
| Property, plant and equipment | 13 | 4,186 | 8,291 |
| | | 5,369 | 10,501 |
| **Current assets** | | | |
| Inventories | 15 | 723 | 868 |
| Trade and other receivables | 16 | 169,785 | 137,153 |
| Income tax asset | 11 | 38 | - |
| Deferred tax assets | 11 | 1,661 | - |
| Cash at bank and in hand | | 1,158 | 3,104 |
| | | 173,365 | 141,125 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (124,695) | (84,835) |
| Finance lease liabilities | 18 | - | (3,973) |
| Current liabilities | | (124,695) | (88,808) |
| Net current assets | | 48,670 | 52,317 |
| Total assets less current liabilities | | 54,039 | 62,818 |
| **Non-current liabilities** | | | |
| Finance lease liability | 18 | - | (14,663) |
| Deferred lease incentive | | (10,417) | (11,903) |
| Non-current liabilities | | (10,417) | (26,566) |
| Provisions for liabilities | 19 | (14,584) | (29,114) |
| Net assets | | 29,038 | 7,138 |
| **Equity** | | | |
| Called up share capital | 20 | 605,000 | 550,000 |
| Retained earnings | | (575,962) | (542,862) |
| Shareholders' funds | | 29,038 | 7,138 |

Approved by the Board on 5 July 2017 and signed on its behalf by:

Richard Kerr

Director

The notes on pages 13 to 33 form an integral part of these financial statements.

## Guardian News & Media Limited

## Statement of Changes in Equity for the year ended 2 April 2017

| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
|---|---|---|---|
| At 4 April 2016 | 550,000 | (542,862) | 7,138 |
| Loss for the period | - | (33,100) | (33,100) |
| Total comprehensive income | - | (33,100) | (33,100) |
| New share capital subscribed | 55,000 | - | 55,000 |
| At 2 April 2017 | 605,000 | (575,962) | 29,038 |

| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
|---|---|---|---|
| At 30 March 2015 | 490,000 | (471,382) | 18,618 |
| Loss for the period | - | (71,480) | (71,480) |
| Total comprehensive income | - | (71,480) | (71,480) |
| New share capital subscribed | 60,000 | - | 60,000 |
| At 3 April 2016 | 550,000 | (542,862) | 7,138 |

The notes on pages 13 to 33 form an integral part of these financial statements.

### 1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:
PO Box 68164
Kings Place
90 York Way
London
N1P 2AP

These financial statements were authorised for issue by the Board on 5 July 2017.

### 2 Accounting policies

**Summary of significant accounting policies and key accounting estimates**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**
The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006.

The Company is a wholly-owned subsidiary of Guardian News and Media (Holdings) Limited and is included in the consolidated financial statements of Guardian Media Group Plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements of the Company are made up to the Sunday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks ended 2 April 2017 and for the comparative period cover the 53 weeks ended 3 April 2016.

**Summary of disclosure exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

· IAS 1 'Presentation of financial statements': information on management of capital has not been presented. Comparative financial information in respect of paragraph 73 (E) of IAS 16 Property, plant and equipment and paragraph 11 (e) of IAS 38 Intangible assets has not been presented.
· IAS 7 'Statement of cash flows': a cash flow statement has not been presented.
· IAS 8 'Accounting policies, changes in accounting estimates and errors': disclosure in respect of new standards and interpretations that have been issued but which are not yet effective has not been provided.
· IAS 24 'Related party disclosures': key management personnel compensation has not been presented. Related party transactions entered into between two or more members of the group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member have not been disclosed.
· IFRS 7 'Financial instruments disclosures': none of the disclosures required by IFRS 7 have been presented.
· IFRS 13 'Fair value measurement': none of the disclosures required by IFRS 13 have been presented.

### Revenue recognition

Revenue represents the fair value of consideration received or receivable for circulation, advertisement and other revenue (net of VAT, trade discounts, volume rebates and anticipated returns). Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company.

Circulation revenue (net of returns) is recognised on publication in revenue in the income statement and in trade receivables on the balance sheet.

Subscription revenue is recognised on a straight-line basis over the life of the subscription. Revenue associated with voucher schemes is deferred based on estimated redemption rates and recognised as the vouchers are used or expire.

Print advertising revenue is recognised on publication. Online advertising is recognised as page impressions are served or evenly over the period, depending on the terms of the contract. Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

Subscription revenue from the provision of content via digital platforms is recognised gross of platform provider commission when the company retains decisions over pricing and marketing strategy and is recognised net of platform provider commission when the company does not retain these.

Marketing services revenue is recognised by stage of completion of the contractual arrangement at the balance sheet date. The stage of completion is determined through an assessment of the costs that have been incurred compared to the total costs required to complete the contract. Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

Membership revenue is recognised on a straight-line basis over the life of the subscription. Revenue from contributions and donations are recognised as revenue upon receipt of funds.

Foundation revenue is accounted for on a gross basis. Revenue is deferred and is recognised in line with costs and have been incurred for a nil contribution.

### Going concern

The financial statements have been prepared on a going concern basis.

### Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 4 April 2016 have had a material effect on the financial statements.

### Foreign currency transactions and balances

Transactions denominated in foreign currencies during the year are translated at rates ruling at the dates of the transactions. Monetary assets and liabilities held in foreign currencies are stated in sterling at rates applicable at the balance sheet date. Differences arising on translation and on the conversion of foreign currency transactions during the year are taken to the income statement.

**Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

**Property plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation..

Assets in course of construction are not depreciated until they are completed and employed by the Company. Depreciation is charged on assets from the time they become operational, over their expected useful economic life.

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the value in use of expected future cash flows of the relevant income generating unit.

**Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Plant and machinery | Straight line 6.7% - 50% |
| Furniture, fittings and equipment | Straight line 10% - 33% |

### Intangible assets

Intangible assets comprise internally-generated digital assets.

Internally-generated digital assets are website and other digital development costs that are capitalised only if all of the following conditions are met: the asset created can be identified; it is probable that the asset created will generate future economic benefits; and the development cost can be measured reliably. Such assets are amortised on a straight-line basis over their useful economic life up to a maximum of two years. Where no asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

| **Asset class** | **Amortisation method and rate** |
|---|---|
| Internally generated | Straight line 2 years |

Development costs relating to the creation of software are capitalised if it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the costs can be reliably measured. Expenditure on research is expensed.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown net of cash and cash equivalents where the company has the right of net settlement. Short-term funds that are managed as part of the investment fund and are used solely in the acquisition and redemption of investments are classified as non-current other financial assets - available for sale as management currently has no intention of using them for funding the Group's operations in the next financial year.

### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

### Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

### Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### Leases
Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

### Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**Defined contribution pension obligation**
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

### 3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Useful economic lives of property, plant and equipment and intangible assets**
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

The Company internally generates digital intangible assets that are amortised over a maximum life of two years. Due to the technical innovation inherent in these assets, there is significant judgement involved to ensure that they still have a value in use that supports their carrying value. Asset lives are assessed annually and reduced when necessary to reflect latest status on the remaining lives. Where reductions in useful economic lives are significant, these are disclosed in note 12.

**Impairment of trade receivables**
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 16 for the net carrying amount of the receivables and associated impairment provision.

**Revenue recognition**
The Company has a number of revenue streams which run over a numbers of months or years that require judgement to recognise revenue in the correct accounting period. Subscription revenue associated with voucher schemes is deferred using estimated redemption rates which are based on historical experience. Revenue from long term contracts can require judgement on the stage of completion of the contract. Management review contracts at year end make an estimate of costs to complete which determines the amount of revenue to be recognised.

**Advertising rebates**
The Company enters into agreements with advertising agencies, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency based on the level of agency spend over the contract period. These rebates can take the form of free advertising space, cash payments or both. The rebate provision is calculated using the forecast spend over the contract period and the rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement.

**Provisions**
The Company's provisions principally relate to severance costs incurred from restructuring its cost base and to dilapidations of premises. When calculating the severances provisions, management have estimated expected timings and payments based on written agreements and discussions that have taken place as part of the restructuring plan. Dilapidations are calculated based on the expected cost to return property to its original state and are built up over the life of the lease.

**Recognition of deferred tax assets**
The Company's tax expense for the year is the sum of the total current and deferred tax charges. The calculation of the total tax expense necessarily involves a degree of estimation and judgement in respect of certain items. A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable gains and profits of the business. Management believes that the estimates made to evaluate the recoverability of deferred tax assets are reasonable and that a recoverable amount of deferred tax assets is presented. However, these estimates include uncertainties that are beyond the control of management. Therefore, the company may need to adjust deferred tax assets in the future if there is a change in the estimates related to the evaluation of recoverability due to unforeseen changes in assumptions and other factors.

## 4 Revenue

The analysis of the company's revenue for the period from continuing operations is as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Digital revenue | 68,862 | 65,227 |
| Foundations grants revenue | 2,872 | 2,301 |
| Total digital revenue | 71,734 | 67,528 |
| Print revenue | 118,502 | 125,479 |
| Royalties received | 6,528 | 3,840 |
| Barter transactions | 820 | 1,223 |
| | 197,584 | 198,070 |

Prior year comparative for digital revenue has been re-presented to ensure that the financial information is comparable year on year. The re-presentation is between digital and print revenue.

## 5 Operating loss

Arrived at after charging/(crediting)

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Depreciation expense | 4,724 | 4,519 |
| Amortisation expense | 2,078 | 5,642 |
| Operating lease expense - property | 5,820 | 6,793 |
| Operating lease expense - plant and machinery | 77 | 43 |
| Employee benefits expense | 111,566 | 131,988 |
| Raw materials consumed | 14,056 | 14,173 |
| Other expenses | 107,744 | 110,234 |
| Auditors' remuneration | 162 | 285 |
| Donations | 10 | 67 |
| | 246,237 | 273,744 |

## 6 Other interest receivable and similar income

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Dividend income | 791 | - |
| Interest received from related parties | 2,675 | 1,531 |
| Foreign exchange gains | 6,676 | 398 |
| | 10,142 | 1,929 |

Foreign exchange gains this year were due to the higher volatility of the sterling, which is the functional and presentational currency of the company.

## 7 Interest payable and similar charges

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Interest on obligations under finance leases and hire purchase contracts | (1,354) | 841 |
| Other finance costs | 8 | - |
| | (1,346) | 841 |

Included in finance lease interest is a gain of £2,026,000 due to early termination of finance lease contract during the year. Interest expense recognised during the year is £672,000.

## 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Wages and salaries | 88,199 | 92,994 |
| Social security costs | 10,361 | 10,454 |
| Pension costs, defined contribution scheme | 7,849 | 8,403 |
| Redundancy costs | 5,157 | 20,137 |
| | 111,566 | 131,988 |

The monthly average number of persons employed by the Company (including directors) during the period, analysed by category was as follows:

| | 2017 No. | 2016 No. |
|---|---|---|
| Production | 893 | 961 |
| Administration and support | 221 | 233 |
| Sales, marketing and distribution | 378 | 376 |
| | 1,492 | 1,570 |

## 9 Directors' remuneration

The directors' remuneration for the period was as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Remuneration | 1,640 | 1,067 |
| Contributions paid to money purchase schemes | 65 | 192 |
| | 1,705 | 1,259 |

As at 2 April 2017 retirement benefits are accruing to one director under a money purchase scheme (2016: two directors). Aggregate emoluments excludes £nil in respect of contractual entitlement for notice period or compensation for loss of office (2016: £739,000). E. Ciechan was employed by another Guardian Media Group plc company during the year and no recharge is made for her services to the Company (2016: same).

In respect of the highest paid director:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Remuneration | 693 | 432 |
| Company contributions to money purchase pension schemes | 13 | 38 |

## 10 Auditors' remuneration

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Audit of the financial statements | 86 | 142 |
| **Other fees to auditors** | | |
| Taxation compliance services | 76 | 115 |
| All other non-audit services | - | 28 |
| | 76 | 143 |

## 11 Income tax

Tax (credited)/charged in the income statement

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | (2,404) | (5,430) |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (1,661) | 2,324 |
| Tax credited in the income statement | (4,065) | (3,106) |

The tax on loss before tax for the period is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 20% (2016 - 20%).

The differences are reconciled below:

| | 2017<br>£ 000 | 2016<br>£ 000 |
|---|---|---|
| Loss before tax | (37,165) | (74,586) |
| Corporation tax at standard rate | (7,433) | (14,917) |
| Increase/(Decrease) in current tax from adjustment for prior periods | 258 | (1,602) |
| Increase from effect of expenses not deductible in determining taxable profit (tax loss) | 341 | 959 |
| Increase arising from group relief tax reconciliation | 3,910 | 625 |
| Unrecognised tax loss or credit | - | 7,939 |
| Deferred tax charge from unrecognised temporary difference from a prior period | - | 1,157 |
| Deferred tax charge relating to changes in tax rates or laws | 87 | - |
| Research and development tax credit | 40 | 52 |
| (Recognition)/Impairment of the deferred tax asset | (1,268) | 2,681 |
| Total tax credit | (4,065) | (3,106) |

**Factors which may affect future tax charges**
The UK main corporation tax rate is reduced to 19% from 1 April 2017. A further reduction to 17% from 1 April 2020 was substantively enacted during the financial year. The closing deferred tax balances have been remeasured at the rate at which the balances are expected to be unwound. The impact of the measurement is a deferred tax charge of £87,000 recognised in the income statement.

**Deferred tax**

Deferred tax movement during the period:

| | 2016 £ 000 | Recognised in income £ 000 | 2017 £ 000 |
|---|---|---|---|
| Accelerated tax depreciation | - | 206 | 206 |
| Provisions | - | 1,455 | 1,455 |
| Net tax assets | - | 1,661 | 1,661 |

Deferred tax movement during the prior period:

| | 2015 £ 000 | Recognised in income £ 000 | 2016 £ 000 |
|---|---|---|---|
| Accelerated tax depreciation | 2,324 | (2,324) | - |
| Provisions | - | - | - |
| Net tax assets/(liabilities) | 2,324 | (2,324) | - |

The Company has an unprovided deferred tax asset of £30,725,000 (2016: £32,343,000) relating to carried forward trading losses (£16,235,000) (2016: (£15,797,000)), short term timing differences (£767,000) (2016: (£2,871,000)) and fixed asset timing differences (£13,723,000) (2016: (£13,675,000)). No deferred tax asset is recognised on these amounts as it is not regarded as more likely than not that there will be suitable taxable profits/gains against which they can be deducted in the foreseeable future.

### 12 Intangible assets

| | Internally generated digital assets £000 |
|---|---|
| **Cost** | |
| At 4 April 2016 | 13,433 |
| Additions | 1,107 |
| Disposals | (56) |
| At 2 April 2017 | 14,484 |
| **Amortisation** | |
| At 4 April 2016 | 11,223 |
| Amortisation charge | 2,079 |
| Amortisation eliminated on disposals | (1) |
| At 2 April 2017 | 13,301 |
| **Carrying amount** | |
| At 2 April 2017 | 1,183 |
| At 3 April 2016 | 2,210 |

Intangible assets amortisation is recorded in operating costs.

**13 Property plant and equipment**

| | Land and buildings £ 000 | Furniture, fittings and equipment £ 000 | Assets under construction £ 000 | Plant & Machinery £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 4 April 2016 | 13,209 | 26,580 | 14 | 54,763 | 94,566 |
| Additions | - | - | 38 | 633 | 671 |
| Disposals | - | - | (52) | - | (52) |
| At 2 April 2017 | 13,209 | 26,580 | - | 55,396 | 95,185 |
| **Depreciation** | | | | | |
| At 4 April 2016 | 13,209 | 19,792 | - | 53,274 | 86,275 |
| Charge for the period | - | 3,244 | - | 1,480 | 4,724 |
| At 2 April 2017 | 13,209 | 23,036 | - | 54,754 | 90,999 |
| **Carrying amount** | | | | | |
| At 2 April 2017 | - | 3,544 | - | 642 | 4,186 |
| At 3 April 2016 | - | 6,788 | 14 | 1,489 | 8,291 |

Land and buildings comprises solely of long leasehold.

# Guardian News & Media Limited

## Notes to the Financial Statements for the year ended 2 April 2017

### 14 Investments

Details of the subsidiaries as at 2 April 2017 are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held 2017 | 2016 |
|---|---|---|---|---|
| ContentNext Media Inc.* | Media | United States of America | 100% | 100% |
| Guardian News and Media LLC | Media | United States of America | 100% | 100% |
| GNM Australia Pty Ltd* | Media | Australia | 100% | 100% |
| OG Enterprises Limited* | Media | England and Wales | 100% | 100% |
| Guardian Education Interactive Limited* | In liquidation | England and Wales | 100% | 100% |
| FSE World Limited* | In liquidation | England and Wales | 100% | 100% |
| York Way 1001 Limited* | In liquidation | England and Wales | 100% | 100% |

* indicates direct investment of Guardian News & Media Limited

Unless stated below, all shares held are ordinary shares.

- ContentNext Media Inc - 100% ordinary shares and preference shares
- Guardian News and Media LLC - 100% membership interest

The registered office for the companies incorporated in:

• England and Wales (except for companies in liquidation) is PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

• Australia is 19 Foster Street, Surrey Hills, NSW 2010.

• United States of America is 160 Greentree Drive, Suite 101, Dover, DE 19904.

• In liquidation is 92 London Street, Reading, Berkshire, RG1 4SJ.

## 15 Inventories

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Raw materials and consumables | 723 | 868 |

The cost of Inventories recognised as an expense in the period amounted to £14,056,000 (2016 - £14,173,000). This is included within operating costs.

## 16 Trade and other receivables

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Trade receivables | 22,977 | 23,370 |
| Loans to related parties | 128,805 | 96,685 |
| Accrued income | 6,693 | 8,899 |
| Prepayments | 5,003 | 5,828 |
| Other receivables | 6,307 | 2,371 |
| Total current trade and other receivables | 169,785 | 137,153 |

## 17 Trade and other payables

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Trade payables | 9,729 | 7,836 |
| Accrued expenses | 16,822 | 18,344 |
| Deferred income | 16,737 | 11,389 |
| Amounts due to related parties | 77,832 | 41,953 |
| Social security and other taxes | 2,868 | 4,172 |
| Other payables | 707 | 1,141 |
| | 124,695 | 84,835 |

## 18 Obligations under leases and hire purchase contracts

### Finance leases

All finance leases were terminated during the year. The leases were in respect of printing machinery, the terms of which were 25 years with an interest rate of 4.5% per annum (2016: 4.5%).

| 2017 | Minimum lease payments £ 000 | Interest £ 000 | Present value £ 000 |
|---|---|---|---|
| | - | - | - |

| 2016 | Minimum lease payments £ 000 | Interest £ 000 | Present value £ 000 |
|---|---|---|---|
| Within one year | 4,645 | (672) | 3,973 |
| In two to five years | 14,466 | (1,017) | 13,449 |
| In over five years | 1,251 | (37) | 1,214 |
| | 20,362 | (1,726) | 18,636 |

The present values of future finance lease payments are analysed as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Current liabilities | - | 3,973 |
| Non-current liabilities | - | 14,663 |
| | - | 18,636 |

### Operating leases

The total minimum lease payments are as follows:

| | 2017 £ 000 | 2016 £ 000 |
|---|---|---|
| Within one year | 6,445 | 8,184 |
| In two to five years | 24,841 | 32,062 |
| In over five years | 70,176 | 87,346 |
| | 101,462 | 127,592 |

The amount of non-cancellable operating lease payments recognised as an expense during the period was £5,820,000 (2016 - £6,793,000).

### 19 Provisions for liabilities

| | Printing contracts £ 000 | Restructuring £ 000 | Other provisions £ 000 | Total £ 000 |
|---|---|---|---|---|
| At 4 April 2016 | 5,684 | 17,687 | 5,743 | 29,114 |
| Additional provisions | - | 5,059 | 4,542 | 9,601 |
| Provisions used | (1,466) | (20,252) | (1,278) | (22,996) |
| Unused provision reversed | - | - | (1,135) | (1,135) |
| At 2 April 2017 | 4,218 | 2,494 | 7,872 | 14,584 |
| Non-current liabilities | 4,218 | - | 7,774 | 11,992 |
| Current liabilities | - | 2,494 | 98 | 2,592 |

The Company has provided for onerous printing contracts, which are expected to be utilised over the life of the contracts of up to 13 years.

The Company is in the process of transforming its cost base. This has resulted in a number of changes within the business, including redundancies. The provision is expected to be fully utilised within one year.

The remaining provisions relate primarily to the company's move from its previous premises and are expected to be utilised over the life of the lease of 13 years.

### 20 Share capital

#### Allotted, called up and fully paid shares

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | 605,000 | 605,000 | 550,000 | 550,000 |

**New shares allotted**

During the period 55,000,000 Ordinary shares having an aggregate nominal value of £55,000,000 were allotted for an aggregate consideration of £55,000,000.

### 21 Related party transactions

**Key management personnel**

The Company paid one director of The Scott Trust Limited, Will Hutton £66,000 (2016: £66,000) for services rendered to the Company in the normal course of business.

**Summary of transactions with parent entities**

Transactions with fellow members of the Guardian Media Group plc are not disclosed as the exemption under FRS 101 has been applied.

**Income and receivables from related parties**

| 2017 | Other related parties £ 000 |
|---|---|
| Revenue | 1 |

| 2016 | Other related parties £ 000 |
|---|---|
| Revenue | 2 |

**Expenditure with and payables to related parties**

| 2017 | Other related parties £ 000 |
|---|---|
| Purchase of goods | 927 |

| 2016 | Other related parties £ 000 |
|---|---|
| Purchase of goods | 831 |

These related party transactions relate to sales and expenditure with entities in which GMG has an equity holding.

The Company provided £192,134 (2016 £342,629) in gifts in kind to the Guardian Foundation.

### 22 Parent and ultimate parent undertaking

Guardian Media Group plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Guardian Media Group plc can be obtained from The Secretary, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

The Company's immediate parent is Guardian News & Media (Holdings) Limited.

The ultimate parent is The Scott Trust Limited. These financial statements are available upon request from The Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.

### 23 Non adjusting events after the financial period

In June 2017, the group has announced that it has entered into an agreement to outsource its printing operations.