Registration number: 00908396

Guardian News & Media Limited

Annual Report and Financial Statements

for the year ended 31 March 2019

Guardian News & Media Limited

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Guardian News & Media Limited

Company Information

Directors	David Pemsel Katharine Viner Richard Kerr James Bishop
Registered office	PO Box 68164 Kings Place 90 York Way London N1P 2AP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Guardian News & Media Limited

Strategic Report for the year ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

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 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 2 July 2019 and signed on its behalf by:

....

Richard Kerr
Director

Guardian News & Media Limited

Directors' Report for the year ended 31 March 2019

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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

James Bishop

Dividends

The directors recommend a final dividend payment of £Nil be made in respect of the financial period ended 31 March 2019 (2018: £Nil).

Financial instruments

Objectives and policies

Financial risk management is discussed on pages 28 to 30 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 28 to 30 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 a working environment where our staff, clients and partners are treated equally. We aspire that our Company staffing at levels reflects our values, based on equal opportunities for all employees, irrespective of gender, race, religion, disability, social background, age, sexual orientation, pregnancy & parenthood, gender reassignment 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 31 March 2019

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.

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 2 July 2019 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.

Directors' confirmations

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 audit of the financial statements

Opinion

In our opinion, Guardian News & Media Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Guardian News & Media Limited

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

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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Samuel Tomlinson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 July 2019

Guardian News & Media Limited

Income Statement for the year ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	209,667	199,250
Operating costs	5	(220,490)	(253,570)
Operating loss		(10,823)	(54,320)
Other interest receivable and similar income	6	8,328	3,416
Interest payable and similar charges	7	-	(8,796)
Share of loss/(profit) of equity accounted investees		(85)	-
Loss on ordinary activities before taxation		(2,580)	(59,700)
Tax on loss on ordinary activities	11	9,038	4,493
Profit/(loss) for the period		6,458	(55,207)

The above results were derived from continuing operations.

Guardian News & Media Limited

Statement of Comprehensive Income for the year ended 31 March 2019

	2019 £ 000	2018 £ 000
Profit/(loss) for the period	6,458	(55,207)
Total comprehensive expense for the period	6,458	(55,207)

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 31 March 2019

	Note	2019 £ 000	2018 £ 000
Non current assets			
Intangible assets	12	3,081	852
Property, plant and equipment	13	2,570	1,959
Investments	14	692	-
		6,343	2,811
Current assets			
Inventories	15	482	498
Trade and other receivables	16	172,635	158,152
Income tax asset	11	29	24
Deferred tax assets	11	10,246	2,011
Cash at bank and in hand		3,525	1,601
		186,917	162,286
Current liabilities			
Trade and other payables	17	(131,559)	(112,520)
Net current assets		55,358	49,766
Total assets less current liabilities		61,701	52,577
Non-current liabilities			
Deferred lease incentive		(7,841)	(9,868)
Provisions for liabilities	19	(14,003)	(18,878)
Net assets		39,857	23,831
Equity			
Called up share capital	20	665,000	655,000
Retained earnings		(625,143)	(631,169)
Shareholders' funds		39,857	23,831

Approved by the Board on 2 July 2019 and signed on its behalf by:

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Richard Kerr
Director

Guardian News & Media Limited

Statement of Changes in Equity for the year ended 31 March 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 2 April 2018	655,000	(631,169)	23,831
Change in accounting policy	-	(432)	(432)
At 2 April 2018 (As restated)	655,000	(631,601)	23,399
Profit for the period	-	6,458	6,458
Total comprehensive expense	-	6,458	6,458
New share capital subscribed	10,000	-	10,000
At 31 March 2019	665,000	(625,143)	39,857

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 3 April 2017	605,000	(575,962)	29,038
Loss for the period	-	(55,207)	(55,207)
Total comprehensive expense	-	(55,207)	(55,207)
New share capital subscribed	50,000	-	50,000
At 1 April 2018	655,000	(631,169)	23,831

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 2 July 2019.

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 31 March 2019 and for the comparative period cover the 52 weeks ended 1 April 2018.

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 118 (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.

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

Changes resulting from adoption of IFRS 9 and IFRS 15

IFRS 9 Financial Instruments and *IFRS 15 Revenue from Contracts with Customers* became mandatorily effective on 1 January 2018. The company has applied both for the first time in this accounting period which has resulted in changes to the accounting policies. The nature and effect of these changes are described below.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting,

Whilst the adoption of IFRS 9 has resulted in changes to the accounting policies, no restatement to comparative information is required.

The adoption of IFRS 15 has resulted in changes in the company's accounting policies for the recognition and measurement of revenue.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations, introducing a five step approach to revenue recognition and applies to all revenue arising from contracts with customers. This is explained in more detail in the Revenue Recognition policy.

The company has adopted IFRS 15 using the cumulative effect method. The disclosure requirements in IFRS 15 have not been applied to the comparative information and the information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 11, IAS 18 and related interpretations.

An opening adjustment has been posted directly to equity of £432,000, which had the effect of reducing the opening balance of trade and other receivables on 2 April 2018 from £158,152,000 to £157,720,000.

Changes in accounting policy

Other than noted above, none of the standards, interpretations and amendments effective for the first time from 2 April 2018 have had a material effect on the financial statements.

Revenue recognition

Revenue is recognised in the accounting period when control of the sold service has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The application of the principles results in the following:

Revenue from contributions and donations is recognised as revenue upon receipt of funds.

Membership revenue is recognised on a straight-line basis over the life of the membership.

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.

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

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.

Marketing services revenue is recognised when performance obligations have been met.

Circulation revenue (net of returns) is recognised on publication.

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

Royalty revenue is recognised upon generation of revenue by users of the Company's content.

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 credit for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a charge/credit 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 credit 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 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.

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.

Trade receivables
Trade receivables are amounts due from customers for products 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. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the identified impairment loss was immaterial.

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 the income statement.

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.

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 Company 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 fund, and the Company 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.

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.

Revenue recognition

The Company has a number of revenue streams which run over a number 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.

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 dilapidations of premises, onerous property leases and severance costs incurred from restructuring its cost base.

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.

Onerous leases are calculated based on the expected vacancy rates of leased property.

When calculating the severances provision, management has estimated expected timings and payments based on written agreements and discussions that have taken place as part of the restructuring plan.

Recognition of deferred tax assets

The Company's tax credit/expense for the year is the sum of the total current and deferred tax charges and credits. The calculation of the total tax credit/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:

	2019 £ 000	2018 £ 000
Digital revenue	94,596	80,760
Print revenue	97,878	106,775
Royalties received	16,479	10,917
Barter transactions	714	798
	209,667	199,250

5 Operating costs

The following amounts have been charged in arriving at the operating loss:

	2019 £ 000	2018 £ 000
Depreciation expense	1,997	2,971
Amortisation expense	901	803
Operating lease expense - property	4,390	8,031
Operating lease expense - plant and machinery	29	330
Staff costs	103,041	111,576
Raw materials consumed	17,440	14,663
Other expenses	92,550	115,083
Auditors' remuneration	117	89
Donations	25	24
	220,490	253,570

6 Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	2	-
Dividend income	-	191
Interest received from related parties	3,872	3,225
Foreign exchange gains	4,454	-
	8,328	3,416

7 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Foreign exchange losses	-	8,796

8 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	82,352	84,030
Social security costs	8,909	10,135
Pension costs, defined contribution scheme	7,469	7,337
Redundancy costs	4,311	10,074
	103,041	111,576

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

	2019 No.	2018 No.
Production	756	801
Administration and support	192	195
Sales, marketing and distribution	333	337
	1,281	1,333

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2019 £ 000	2018 £ 000
Remuneration	1,629	1,851
Contributions paid to money purchase schemes	41	104
	1,670	1,955

As at 31 March 2019 retirement benefits are accruing to four directors under a money purchase scheme (2018: four). Aggregate emoluments includes £nil in respect of contractual entitlement for notice period or compensation for loss of office (2018: £193,000).

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	693	693
Company contributions to money purchase pension schemes	13	13

10 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	67	82
Other fees to auditors		
Taxation compliance services	27	7
All other non-audit services	23	-
	50	7

11 Income tax

Tax credited in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	(717)	(4,143)
Deferred taxation		
Arising from origination and reversal of temporary differences	(8,321)	(350)
Tax credited in the income statement	(9,038)	(4,493)

The tax on loss before tax for the period is lower than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before tax	(2,580)	(59,700)
Corporation tax at standard rate	(490)	(11,343)
Increase in current tax from adjustment for prior periods	-	400
Increase (decrease) from effect of foreign tax rates	203	-
Increase from effect of expenses not deductible in determining taxable profit	288	380
Increase from effect of current year losses not utilised in the year	-	1,990
Increase from effect of losses surrendered to other group companies for nil payment	70	3,820
Increase/(decrease) in deferred tax charge from effect of impairing a deferred tax asset	(8,741)	10,576
(Decrease)/increase in deferred tax charge from effect of reduction in UK tax rate	1,214	(420)
Increase from effect of research and development expenditure credit	40	-
Decrease in deferred tax from adjustment for prior periods	(1,622)	(9,896)
Total tax credit	(9,038)	(4,493)

Factors which may affect future tax charges

The UK main corporation tax rate was reduced to 17% from 1 April 2020. The closing deferred tax balances have been restated at the rate at which the balances are expected to be unwound. The impact of the restatement is a deferred tax credit of £1,149,000 recognised in the income statement.

Deferred tax

Deferred tax movement during the period:

	2018 £ 000	Recognised in income £ 000	2019 £ 000
Accelerated tax depreciation	998	9,248	10,246
Provisions	1,013	(1,013)	-
Net tax assets	2,011	8,235	10,246

Deferred tax movement during the prior period:

	2017 £ 000	Recognised in income £ 000	2018 £ 000
Accelerated tax depreciation	206	792	998
Provisions	1,455	(442)	1,013
Net tax assets	1,661	350	2,011

The Company has an unprovided deferred tax asset of £21,733,000 (2018: £31,433,000) relating to carried forward trading losses (£17,347,000) (2018: (£18,388,000)) and short term timing differences (£1,333,000) (2018: (£1,481,000)) and fixed asset timing differences (£3,053,000) (2018: (£11,564,000)). 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 2 April 2018	14,961
Additions	3,130
At 31 March 2019	18,091
Amortisation	
At 2 April 2018	14,109
Amortisation charge	901
At 31 March 2019	15,010
Carrying amount	
At 31 March 2019	3,081
At 1 April 2018	852

Intangible assets amortisation is recorded in operating costs.

13 Property plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant & machinery £ 000	Total £ 000
Cost or valuation				
At 2 April 2018	13,209	25,167	11,708	50,084
Additions	-	256	2,352	2,608
At 31 March 2019	13,209	25,423	14,060	52,692
Depreciation				
At 2 April 2018	13,209	23,967	10,949	48,125
Charge for the period	-	1,169	828	1,997
At 31 March 2019	13,209	25,136	11,777	50,122
Carrying amount				
At 31 March 2019	-	287	2,283	2,570
At 1 April 2018	-	1,200	759	1,959

Land and buildings comprises solely of long leasehold.

14 Investments

Subsidiaries	**£ 000**
Carrying amount	
At 31 March 2019	-
At 1 April 2018	-
At 3 April 2017	-

Details of the subsidiaries as at 31 March 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2019	2018
ContentNext Media Inc.*	Media	United States of America	100%	100%
Guardian News and Media LLC	Media	United States of America	100%	100%
OG Enterprises Limited*	Media	England and Wales	100%	100%
Guardian Education Interactive Limited*	Liquidated	England and Wales	0%	100%
FSE World Limited*	Liquidated	England and Wales	0%	100%
York Way 1001 Limited*	Liquidated	England and Wales	0%	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 liquidated) is PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

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

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

Joint ventures

	£ 000
Cost or valuation	
At 3 April 2017	-
At 1 April 2018	-
At 2 April 2018	-
Additions	692
At 31 March 2019	692
Carrying amount	
At 31 March 2019	692

Details of the joint ventures as at 31 March 2019 are as follows:

Name of Joint-ventures	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2019	2018
Ozone Project Limited	Media	England and Wales	25%	0%

The registered office for the companies incorporated in:

- England and Wales, Ozone Project Limited is 1 London Bridge Street, London, SE19GF.

Ozone Project Limited

The financial period end for Ozone Project Limited is 30 June 2019.

15 Inventories

	2019 £ 000	2018 £ 000
Raw materials and consumables	482	498

The cost of Inventories recognised as an expense in the period amounted to £14,580,000 (2018 - £14,663,000). This is included within operating costs.

16 Trade and other receivables

	2019 £ 000	2018 £ 000
Trade receivables	19,118	21,291
Provision for impairment of trade receivables	(77)	(126)
Net trade receivables	19,041	21,165
Loans to related parties	138,895	125,485
Accrued income	7,203	6,738
Prepayments	5,205	3,133
Other receivables	2,291	1,631
Total current trade and other receivables	172,635	158,152

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the identified impairment loss was immaterial.

17 Trade and other payables

	2019 £ 000	2018 £ 000
Trade payables	10,292	8,328
Accrued expenses	20,138	20,309
Deferred income	14,841	15,078
Amounts due to related parties	83,340	64,952
Social security and other taxes	2,374	3,195
Other payables	574	658
	131,559	112,520

18 Obligations under leases and hire purchase contracts

Operating leases

The total minimum lease payments are as follows:

	2019 £ 000	2018 £ 000
Within one year	6,954	6,752
In two to five years	21,589	24,221
In over five years	42,334	61,493
	70,877	92,466

The amount of non-cancellable operating lease payments recognised as an expense during the period was £4,390,000 (2018 - £8,031,000).

19 Provisions for liabilities

	Building £ 000	Restructuring £ 000	Other provisions £ 000	Total £ 000
At 2 April 2018	13,720	1,313	3,844	18,877
Increase in existing provisions	2,381	4,681	1,273	8,335
Provisions used	(2,477)	(5,749)	(1,439)	(9,665)
Unused provision reversed	(2,460)	-	(1,084)	(3,544)
At 31 March 2019	11,164	245	2,594	14,003
Non-current liabilities	5,228	-	1,381	6,609
Current liabilities	5,936	245	1,213	7,394

The building provisions relate to obligations in relation to onerous leases which are expected to be utilised within three years and dilapidations provisions are expected to be utilised over the life of the lease of fourteen years.

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

20 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	665,000	665,000	655,000	655,000

New shares allotted
During the period 10,000,000 ordinary shares having an aggregate nominal value of £1 were allotted for an aggregate consideration of £10,000,000.

21 Related party transactions

Key management personnel
The Company paid one director (2018: one director) of The Scott Trust Limited, £98,000 (2018: £97,000) for services rendered to the Company in the normal course of business.

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

Summary of transactions with parent entities

Income and receivables from related parties

	Other related parties £ 000
2019	
Revenue	59
2018	

Expenditure with and payables to related parties

	Other related parties £ 000
2019	
Purchase of goods	1,115

	Other related parties £ 000
2018	
Purchase of goods	900

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

The Company provided £80,000 (2018: £66,000) 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.