

The Financial Times Limited
Registered Number:

227590

Annual Report and Financial Statements
For the Year Ended:

31 December 2016

Registered address:
Number One Southwark Bridge, London, SE1 9HL

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The Financial Times Limited

STRATEGIC REPORT

The directors present their Strategic Report of The Financial Times Limited (the "Company") for the year ended 31 December 2016.

Business review

On 23 July 2015 Pearson plc and Nikkei Inc. ("Nikkei") entered into an agreement for the sale and purchase of the Financial Times managed group, which included the Company. On 30 November 2015, the sale completed and Nikkei Inc. became the ultimate parent undertaking and controlling party of the Company.

The Company's activities consist of one class of business namely the provision of international business and financial news and associated advertising revenue. The Company provides users with access to detailed industry news, data, comments and analysis through the publication of the international daily newspaper, Financial Times (FT) and on FT.com, in mobile and tablet format, on social media and through third party platforms.

In addition, the Company offers a wide range of print magazines, websites, conferences and events, all driven by the FT brand, targeting specific areas of the business world. Published titles include Investors Chronicle; Money Management; Pensions Week; Professional Wealth Management; Financial Adviser; fDi Magazine; This is Africa; How to Spend It; FT Confidential Research; and The Banker.

On 10 March 2016, Financial Times Group Limited, the direct parent of the Company, issued and allotted 1 ordinary share, with par value £0.80 for an aggregate amount of £72,000,000 to Nikkei, Inc. in consideration for the payment by Nikkei, Inc. to Financial Times Group Limited of £72,000,000. Also on this date, the Company issued and allotted 72,000,000 ordinary shares, with par value £1.00 for an aggregate amount of £72,000,000 to Financial Times Group Limited in consideration for the payment by Financial Times Group Limited to the Company of £72,000,000.

On 5 July 2016, Financial Times Group Limited, the direct parent of the Company issued and allotted 1 ordinary share for an aggregate amount of £2,200,000 to Nikkei, Inc. in consideration for the payment by Nikkei, Inc. to Financial Times Group Limited of £2,200,000. Also on this date, the Company issued and allotted 2,200,000 ordinary shares, with par value £1.00 for an aggregate amount of £2,200,000 to Financial Times Group Limited in consideration for the payment by the Financial Times Group Limited to the Company of £2,200,000.

Key performance indicators

In 2016, the FT's total circulation grew by 8% year-on-year to more than 846,000 (2015: 780,000) across print and online. Digital readership grew by 14% to 647,000 (2015: 566,000). Digital now represents more than three-quarters of the FT's total paying audience. Mobile drives almost half of total traffic. The FT now has corporate licences with more than 7,800 organisations, including 39 of the world's top 50 business schools. FT Live revenue grew 11% year-on-year. In 2016, FT Live held 200 events in 31 countries, drawing 23,558 attendees.

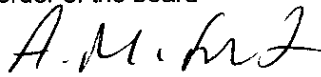
Principal risks and uncertainties

The principal risks and uncertainties of the Company are reported in the Directors' Report on page 2.

Results

The profit for the financial year after taxation was £6,064,000 (2015: profit of £359,427,000). The 2015 figure included a £475,100,000 profit on disposal of an investment in an associated undertaking. It also included a top up contribution to the Pearson Group pensions scheme of £112,735,000, of which £90,000,000 was an accrual for a payment to Pearson Group Pension Trustee Limited that the Company was required to pay in event of a change in ownership. This was paid to Pearson Group Pension Trustee Limited on 14 March 2016.

By order of the board


AM Fortescue
Company Secretary

25 May 2017

The Financial Times Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of The Financial Times Limited (the "Company") for the year ended 31 December 2016.

Future developments

Whilst we anticipate the external environment to remain challenging in 2017, we expect to benefit from continued growth in digital and subscription revenues with print advertising remaining volatile and profits reflecting further actions to accelerate the shift from print to digital.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the Going Concern basis in preparing the annual financial statements. Further details can be found in Note 1.

Principal risks and uncertainties

The Company operates in a challenging sector, with both structural and cyclical changes at work, with the resultant revenue implications for both print and digital business models and as such the Company has procedures in place to make the directors aware of the various risks to the Company's business. To mitigate these risks the Financial Times managed group adheres to comprehensive legal guidelines and processes and has a strong communications team operating throughout the business. Risks are also monitored and reported to the board on a regular basis.

Dividends

No interim dividends were paid in the year (2015: £670,305,000). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2016 (2015: nil).

Political contributions

No political contributions were made during the year (2015: nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

FL Barber

C De Bono (appointed 21 July 2016)

BM Hughes (resigned 29 July 2016)

JD Lund

H Nomura (appointed 4 July 2016)

JJ Ridding

Directors' insurance

During the year ended 31 December 2016, the Company maintained insurance covering the directors of the Company against liabilities arising in relation to the Company in accordance with Section 233 of the Companies Act 2006.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. Debt is managed in line with the Financial Times managed group treasury policy. Its principal objectives are to minimise financial risk whilst maximising returns on cash deposits.

Price risk

The Company does not have a material exposure to price risk.

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse and unrelated customer base. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables. Credit risk arises from deposits with banks and financial institutions. Deposits of funds are made with banks and financial institutions approved by the Board.

DIRECTORS' REPORT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient funds available to meet its liabilities when due, under both normal and difficult trading conditions, and without incurring unacceptable losses or risking damage to the Company's reputation. This is achieved through careful cash management including the production and review of regular cash flow forecasts.

Interest risk

The Company does not have material exposure to interest rate risks, as the intra-company debt attracts a fixed rate of interest.

Employees

The Company is committed to employment policies, which follow best practice based on equal opportunities for all employees irrespective of gender, marital status, race, ethnic or national origin, colour or nationality, religious or political beliefs, sexual orientation, disability or age.

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. During 2016, employees were provided with information by a variety of methods including the Company's internal communications tools of "Inside FT" and Facebook@Work and regular emails from the Communications team. In addition, the CEO holds employee briefing sessions to update employees. Employees are encouraged to maintain an interest in the financial and economic factors affecting the Financial Times group's performance. We also run an annual employee engagement survey, and this year will include specific questions on diversity and inclusion with a view to obtaining feedback from which we can further build initiatives that support our diversity and inclusion objectives.

The Company is an equal opportunities employer.

Disabled persons

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 employees become disabled, the Company will offer to continue employment either in the same role, or an alternative position with appropriate retraining, subject to agreement with the employee and with regard to their particular circumstances.

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The Financial Times Limited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

Deloitte LLP was appointed as auditor during 2016. Having indicated its willingness to continue in office, Deloitte LLP will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

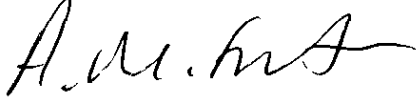
Disclosure of information to auditor

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



AM Fortescue
Company Secretary
25 May 2017

Company registered number :
227590

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED

We have audited the financial statements of The Financial Times Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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


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

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

Matters on which we are required to report by exception

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

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



Kevin Thompson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 May 2017

The Financial Times Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2016

		2016	2015
	Note	£'000	£'000
Continuing operations			
Revenue	3	310,774	285,329
Other income		470	0
Cost of sales		(168,714)	(164,164)
Gross profit		142,530	121,165
Distribution costs		(7,227)	(7,017)
Administrative expenses		(128,699)	(247,087)
Administrative expenses comprise:			
Special pension contribution	22	0	(112,735)
Other		(128,699)	(134,352)
Operating profit / (loss)	4	6,604	(132,939)
Income from shares in group undertakings		0	12,608
Profit on sale of investment	12b	0	475,100
Profit before interest and taxation		6,604	354,769
Finance income	7	276	1,247
Finance costs	7	(651)	(210)
Profit before taxation		6,229	355,806
Tax on profit	8	(165)	3,621
Profit for the financial year		6,064	359,427
Total comprehensive income for the year		6,064	359,427

The Financial Times Limited


BALANCE SHEET

As at:

31 December 2016

		2016	2015
	Note	£'000	£'000
Non current assets			
Intangible assets	10	96,493	91,735
Property, plant and equipment	11	3,644	4,207
Investments	12	9,511	10,985
Deferred tax asset	18	6,855	7,070
		116,503	113,997
Current assets			
Inventory	13	1,597	1,312
Trade and other receivables	14	100,972	82,010
Cash at bank and in hand		19,856	20,733
		122,425	104,055
Trade and other payables: amounts falling due within one year	15	(148,678)	(120,811)
Net current liabilities		(26,253)	(16,756)
Total assets less current liabilities		90,250	97,241
Trade and other payables: amounts falling due after more than one year	15	0	(50)
Provisions for liabilities	17	(6,599)	(93,804)
Net assets		83,651	3,387
Capital and reserves			
Called up share capital	19	141,200	67,000
Profit and loss account		(57,549)	(63,613)
Total shareholder's funds		83,651	3,387

The financial statements on pages 7 - 43 were approved by the board of directors and authorised for issue on 25 May 2017. They were signed on its behalf by :


JD Lund
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2016

	Profit and loss account	Called up share capital	Other reserves	Total shareholder's funds
Note	£'000	£'000	£'000	£'000
At 1 January 2015	147,277	185,000	3,151	335,428
Profit for the financial year	359,427	0	0	359,427
Total comprehensive income for the year	359,427	0	0	359,427
Share-based payment transactions	1,866	0	(268)	1,598
Transfers for share based payments	2,883	0	(2,883)	0
Tax on share based payments	(932)	0	0	(932)
Capital reduction entries	118,000	(118,000)	0	0
Dividends	9 (692,134)	0	0	(692,134)
At 31 December 2015	(63,613)	67,000	0	3,387
Profit for the financial year	6,064	0	0	6,064
Issue of share capital	0	74,200	0	74,200
Total comprehensive income for the year	6,064	74,200	0	80,264
At 31 December 2016	(57,549)	141,200	0	83,651

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2016

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Accounting policies

The principal accounting policies are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The Financial Times Limited is a private company limited by shares incorporated in England, in the United Kingdom under the Companies Act 2006. The address of its registered office is Number One Southwark Bridge, London, SE1 9HL.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has adopted FRS 101 (Financial Reporting Standard 101 Reduced Disclosure Framework) as issued by the Financial Reporting Council.

The preparation of financial statements in conformity with FRS 101 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 2.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Consolidation

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of Nikkei Inc. which are publicly available (note 25).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As disclosed in Note 19, the Company issued additional ordinary shares during the year for an aggregate amount of £74,200,000. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Foreign currency translation

The financial statements are presented in pounds sterling (£) which is also the Company's functional currency.

Transactions in currencies other than the functional currency are recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not re-translated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

1

Accounting policies (continued)

Revenue recognition

Revenue represents net circulation, advertisement and other revenue receivable, net of discounts and excluding value added tax. Circulation and print advertising revenue is recognised when the newspaper or publication is published. Online advertising revenue is recognised either as page impressions are served or evenly over the period, depending on the terms of the contract. Subscription revenue is recognised over the life of the subscription. Event revenue is recognised at the time the event occurs. Revenue from barter transactions is recognised when the services exchanged are dissimilar and the amount can be measured reliably.

Other income

Other income relates to intragroup management fees, commencing in the current year, received from other entities in the Financial Times group of companies.

Current and deferred income tax

Current tax is recognised on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of tax assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

(b) Customer lists and Trade names

Acquired intangible assets include customer lists and trade names acquired as part of business combinations and are capitalised separately from goodwill if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits attributable to the asset will flow to the Company. These assets are capitalised on acquisition at fair value. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life as follows:

Customer lists - 10 years

Trade names - 10 years

(c) Software

Expenditure on software is capitalised when the Company is able to demonstrate all of the following: the technical feasibility of the resulting asset; the ability and intention to complete the development and use or sell it; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development. Development costs which do not meet these criteria are recognised in the income statement as incurred and are not subsequently capitalised. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life (3 - 10 years).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2016

1

Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Freehold buildings 10 - 40 years;

Plant and machinery 5 - 10 years;

Fixtures and fittings 3 - 10 years;

Leasehold buildings - over the period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Impairment of non-financial assets

Goodwill is tested annually for impairment. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are held at cost less accumulated impairment losses.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow moving and obsolete inventory.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provisions for bad and doubtful debts and anticipated future sales returns.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term investments with maturities of three months or less. Overdrafts are included in borrowings in current liabilities in the balance sheet.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Provisions

Provisions are recognised if the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Accounting policies (continued)

Pensions

The Company participates in the Financial Times Retirement Plan, a defined contribution scheme. Payments to defined contribution benefit schemes are charged as an expense as they fall due. All employees transferred to this scheme on 1 December 2015, prior to which the Company participated in the Pearson Group Pension Plan; a hybrid with both defined benefit and defined contribution elements, but predominantly consisting of defined benefit liabilities.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Certain employees are members of The Financial Times Overseas Pension Plan, which is a defined benefit scheme. The scheme is unfunded and hence there are no assets to value each year. The liabilities are valued using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period or arising from the passage of time is charged to the profit and loss account. Actuarial gains and losses are recognised in the statement of total comprehensive income. An independent actuarial valuation is performed every three years and this was last performed by Towers Watson as at 30 June 2014.

Share-based payments

In the prior year, options and shares were awarded to the Company's employees under Pearson share and option plans. The fair value of options or shares granted was recognised as an employee expense after taking into account the Company's best estimate of the number of awards expected to vest. Fair value was measured at the date of grant and was spread over the vesting period of the option or share. The fair value of the options granted was measured using an option model that was most appropriate to the award. The fair value of the shares awarded was measured using the share price at the date of grant unless another method was more appropriate. The schemes ceased as at 30 November 2015.

Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the profit and loss account over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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 profit and loss account on a straight-line basis over the period of the lease.

Financial instruments

(a) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Accounting policies (continued)

Financial instruments (continued)

(b) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Borrowings are recognised initially at fair value, being proceeds received net of transaction costs incurred. Borrowings are subsequently carried at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the profit and loss account over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of employee costs

Amounts capitalised as software in intangible fixed assets include the total cost of any external products or services and employee costs directly attributable to the development of the software. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

In ascertaining whether employee costs are directly attributable, the individual tasks performed must be examined to verify whether time spent relates to the fit, form, and function of the asset. Items which relate to the fit, form, and function of an asset will be those which are critical to the asset's development (i.e. asset cannot be created without that specific task being done) such as software coding or testing performed to ensure the product is built to certain specifications.

When classifying activities performed in a development project as either directly or indirectly attributable, a distinction should be made whether value is added to the project of creating an asset versus adding value to the asset itself. While an individual's role may give insight into the types of work an individual will be performing, the actual tasks performed need to be assessed as to whether an item will be capitalised (adding explicit value to customers) or expensed.

Internal employee costs must be able to be accurately measured in order to be eligible for capitalisation. Where an employee is dedicated full-time to a project and engaged in only directly attributable activities, no specific tracking needs to be performed and this time is able to be capitalised. Where a process/system is implemented to track internal labor time, management reviews and approves this methodology. If an employee is dedicated to the project but has time split between direct and indirect labor activities, or if an employee is working on the project on a part-time basis (e.g. not-fully dedicated to a single project), then their time must be specifically tracked (e.g. through the use of approved timecards) in order to accurately measure time spent on directly attributable activities compared with those of an indirect nature. A general allocation of costs is not permissible.

Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of employee costs

As described above, employee costs are capitalised as software where it is demonstrated that these costs are directly attributable to the development of the software. Management estimation is involved in determining the useful life of the software. Software is assessed separately (on a project by project basis) to determine useful life. The following factors are taken into consideration by management when assessing the useful life of software: technological obsolescence, future versions/ editions or substantive upgrades/ enhancements.

At least annually, consideration is given as to whether any impairment indicators have been met.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £30,000. During the year, an impairment loss of £1,322,000 was recognised in relation to the investment in FT Labs Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Revenue

	2016	2015
	£'000	£'000
Continuing operations		
Sale of goods	242,622	230,638
Provision of services	68,152	54,691
Total revenue	310,774	285,329

Sale of goods primarily includes print advertising, subscriptions and newsstand sales. Provision of services primarily includes digital advertising and events.

Revenue by geographical market is as follows:

	2016	2015
	£'000	£'000
United Kingdom	138,104	126,599
Rest of Europe	81,672	81,608
North America	49,568	44,495
Asia and Middle East	34,009	25,426
Rest of World	7,421	7,201
Total revenue	310,774	285,329

The Company's activities consist of one class of business namely the provision of international business and financial news, data, comment and analysis and associated advertising revenue.

The Company treats invoices to agents in the United Kingdom as United Kingdom turnover, regardless of the country of residence of the customer. The Company has recognised £13,386,000 of barter revenue (2015: £8,936,000) on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Operating profit / (loss)

Operating profit / (loss) is stated after charging/(crediting):

		2016	2015
	Note	£'000	£'000
Staff costs	5	100,814	236,743
Depreciation of property, plant and equipment:			
- owned		1,892	4,028
- held under finance leases		66	1,035
Operating lease charges		7,214	880
Inventory costs		9,454	9,789
Amortisation of intangible assets included in operating expenses:			
- internally generated		15,338	13,690
- other		362	361
Impairment of tangible fixed assets:			
- owned		103	0
Net foreign exchange (gains)		(1,413)	(881)
Fees payable to the Company's auditor:			
- auditing the financial statements of the Company		280	235
- taxation compliance services		159	10
- other assurance services		122	165

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Staff costs

	2016	2015
	£'000	£'000
Staff costs		
Wages and salaries	81,419	87,905
Social security costs	10,423	10,684
Other pension costs	8,972	136,556
Share-based payment costs	0	1,598
	100,814	236,743

Pension costs include £898,000 (2015: £464,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £8,074,000 (2015: £136,092,000) represent the charge for funding of the Financial Times Retirement Plan. In the prior year, this included a £90,000,000 accrual for a payment to Pearson Group Pension Trustee Limited that the Company was required to pay in the event of a change in ownership. This was paid in the current year, see Note 17.

	2016	2015
Average monthly number of persons employed by the company during the year	Number	Number
Production	795	857
Selling and distribution	180	120
Administration	331	297
	1,306	1,274

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Directors' remuneration

	2016	2015
	£'000	£'000
Aggregate emoluments	3,708	3,846
Company contributions to money purchase pension schemes	38	20
	3,746	3,866

	2016	2015
	Number directors	Number directors
Directors accruing benefits under defined benefit scheme	0	1
Directors accruing benefits under money purchase schemes	3	2
Directors who exercised share options	0	1
Directors entitled to shares under long-term incentive schemes	0	5

	2016	2015
Highest paid director	£'000	£'000
Aggregate emoluments	1,677	1,602
Defined benefit pension scheme - accrued pension at end of year	0	32
Defined contribution pension scheme - accrued pension at end of year	10	0
Shares received under long-term incentive scheme (number)	0	117,000

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Finance income and finance costs

	2016	2015
	£'000	£'000
Finance income		
Bank interest receivable	7	201
Other interest receivable	241	1,046
Interest receivable from group companies	28	0
Interest receivable and similar income	276	1,247
	2016	2015
	£'000	£'000
Finance costs		
Finance lease interest	2	150
Interest payable to group companies	599	12
Other interest	50	48
Interest payable and similar charges	651	210

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Tax on profit

	2016	2015
	£'000	£'000
Current tax		
UK corporation tax on profit for the financial year	(419)	(413)
Adjustments in respect of prior years	(169)	263
Overseas taxation	538	533
Total current tax	(50)	383
Deferred tax		
Origination and reversal of temporary differences	2,873	(5,603)
In respect of provisions	(2,534)	0
Change in tax rates	(124)	953
In respect of share based payments	0	(323)
Adjustments in respect of prior years	0	969
Total deferred tax	215	(4,004)
Total tax on profit	165	(3,621)
UK standard effective rate of corporation tax (%)	20	20.25

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	2016	2015
	£'000	£'000
Profit before taxation	6,229	355,806
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	1,246	72,051
Effects of:		
Expenses not deductible for tax purposes	446	65
Unprovided deferred taxation in year	(1,772)	0
Unrecognised deferred tax asset	0	20,305
Adjustments in respect of prior periods	(169)	1,232
Losses surrendered as group relief	419	0
Change in tax rates	(124)	953
Payment for group relief	(419)	0
Foreign tax	538	533
Non taxable UK dividend income	0	(2,553)
Non taxable gain on sale of investments	0	(96,207)
Total tax charge / (credit) for the year	165	(3,621)

The Company's profit for this accounting year is taxed at an effective rate of 20% (2015: 20.25%).

The rate of corporation tax is due to fall to 17% with effect from 1 April 2020. The deferred tax asset is calculated using a blended rate of 19.08%.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Dividends

	2016	2015
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014	0	21,829
Interim dividends for the year ended 31 December 2015	0	670,305
	0	692,134
Proposed final dividend for the year	0	0

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Intangible fixed assets

	Acquired customer lists	Acquired trade names	Software	Software under development	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2016	4,926	415	126,104	8,611	55,399	195,455
Additions	0	0	4,986	15,472	0	20,458
Transfers	0	0	8,845	(8,845)	0	0
At 31 December 2016	4,926	415	139,935	15,238	55,399	215,913
Amortisation						
At 1 January 2016	4,256	207	99,257	0	0	103,720
Charge for the year	320	42	15,338	0	0	15,700
At 31 December 2016	4,576	249	114,595	0	0	119,420
Net book value						
At 31 December 2015	670	208	26,847	8,611	55,399	91,735
At 31 December 2016	350	166	25,340	15,238	55,399	96,493

Goodwill relates to one Cash Generating Unit, which is comprised of the entire business operations of the Company. The directors have performed an impairment review and confirmed that no impairment to goodwill is required.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2016	1,856	3,798	22,160	552	28,366
Additions	0	0	931	744	1,675
Disposals	0	0	0	(243)	(243)
Transfers	50	15	266	(331)	0
At 31 December 2016	1,906	3,813	23,357	722	29,798
Depreciation					
At 1 January 2016	1,441	3,604	19,114	0	24,159
Charge for the year	193	77	1,622	0	1,892
Impairment	0	103	0	0	103
At 31 December 2016	1,634	3,784	20,736	0	26,154
Net book value					
At 31 December 2015	415	194	3,046	552	4,207
At 31 December 2016	272	29	2,621	722	3,644

The net carrying amount of assets held under finance leases included in fixtures and fittings is £35,000 (2015: £70,000).

The impairment of £103,000 in Plant and Machinery arose from an impairment review performed by managed during the year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Investments

	2016	2015
	£'000	£'000
Subsidiary undertakings	30	1,352
Associated undertakings and joint ventures	9,481	9,633
	9,511	10,985

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended :

31 December 2016

12a

Investments - subsidiary undertakings

	Total
	£'000
Cost	
At 1 January 2016	7,311
At 31 December 2016	7,311
Provision	
At 1 January 2016	5,959
Charge for the year	1,322
At 31 December 2016	7,281
Net book value	
At 31 December 2015	1,352
At 31 December 2016	30

Details of directly held subsidiary undertakings:

				2016	2015
Subsidiary	Registered office address	Class of shares held	Place of incorporation	% held	% held
The Financial Times (Overseas) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (France) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (Japan) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (Spain) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
Financial Times (ASC) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
St. Clements Press (1988) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
FT Labs Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (M-M UK) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
Mandatewire Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

At 31 December 2016

12a

Investments - subsidiary undertakings (continued)

Details of directly held subsidiary undertakings (continued):

FDI Intelligence Limited	Centrepont 6th Floor, 24 Ormeau Avenue, Belfast, BT2 8HS	Ordinary	Northern Ireland	100%	100%
Exec-Appointments Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial News Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (Switzerland) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
Southwark Administracao Participacoes Ltda	Avenida Paulista, 2073, Ed. Horsa 1, sala 1206, Sao Paulo, CEP 01311-940, Brazil	Ordinary	Brazil	98%	98%

The Company owns 98% of the issued share capital of Southwark Administracao Participacoes Ltda, incorporated in Brazil. Financial Times Group Limited owns the remaining 2% of the issued share capital.

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

During the year, an impairment loss of £1,322,000 was recognised in relation to the investment in FT Labs Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

12b

Investments - associated undertakings and joint ventures

	Total
	£'000
Cost	
At 1 January 2016	9,633
Foreign exchange	(152)
At 31 December 2016	9,481
Net book value	
At 31 December 2015	9,633
At 31 December 2016	9,481

Details of associated undertakings and joint ventures:

			2016	2015
Associated undertaking	Registered office address	Place of incorp	% held	% held
Corporate Learning Alliance 1,090,000 "B" shares	Number One Southwark Bridge, London, SE1 9HL	UK	50%	50%

On 11 August 2015, Pearson plc entered into an agreement with the Company, Exor S.A. and Exor S.p.A. to dispose of the 50% share in The Economist Newspaper Limited ("The Economist"). The investment in The Economist was held in the books of the Company at a cost of £900,000 and there was a £475,100,000 profit on disposal.

Investments in associated undertakings/joint ventures are stated at cost less provision for impairment.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

12c

Other investments

	2016	2015
	£'000	£'000
Other investments	0	0
	0	0

Details of other investments :

		2016	2015
	Class of shares held	% owned	% owned
NLA Media Access Limited	Ordinary	12.5%	12.5%

During the year ended 31 December 2015, £338,000 of loan stock related to NLA Media Access Limited was repaid. As at 31 December 2016, the Company still owned 12.5% of ordinary shares valued at £1.00.

In the opinion of the directors, the value of the investments is not less than the amount at which they are stated in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Inventory

	2016	2015
	£'000	£'000
Raw materials and consumables	1,597	1,312
	1,597	1,312

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Trade and other receivables

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade receivables	37,892	36,000
Amounts owed by group undertakings	35,765	29,769
Other taxation	7,377	841
Other receivables	4,661	4,376
Prepayments and accrued income	14,646	10,890
Corporation tax	631	134
Total trade and other receivables	100,972	82,010

Amounts owed by group undertakings include loans of: £1,372,000 attracting interest at 3 month LIBOR rates plus 100 basis points and £3,578,000 attracting interest at 5.5% (2015: £2,555,000 attracting interest at LIBOR plus 100 basis points and £3,391,000 attracting interest at 5.5%). The loans are unsecured and repayable on demand.

The remaining amounts of £30,815,000 (2015: £23,823,000) owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £1,369,000 (2015: £1,090,000).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Trade and other payables

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Obligations under finance leases (note 16)	18	32
Trade payables	11,914	7,491
Amounts owed to group undertakings	54,494	37,598
Other taxation and social security	7,932	2,992
Other payables	1,478	475
Accruals and deferred income	72,842	72,223
	148,678	120,811
Amounts falling due after more than one year		
Obligations under finance leases (note 16)	0	50
Total trade and other payables	0	50

Amounts owed to group undertakings include loans of: £38,185,000 attracting interest at rates ranging from 0.73% to 0.92% and £194,000 attracting interest at 3 month LIBOR rates plus 100 basis points (2015: £25,011,000 attracting interest at 1.70% and £234,000 attracting interest at LIBOR plus 100 basis points). The loans are unsecured and repayable on demand.

The remaining amounts of £16,115,000 (2015: £12,245,000) owed to group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Loans and other borrowings

	2016	2015
	£'000	£'000
Finance leases	18	82
	18	82

Future minimum lease payments due:

	2016	2015
	£'000	£'000
Within one year	20	33
In more than one year, but not more than five years	0	51
Total gross payments	20	84
Less finance charges included above	(2)	(2)
Present value of lease obligations	18	82

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Provisions

	Pensions	Re- organisations	Other Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2016	91,201	2,189	414	93,804
Utilised in the year	(90,000)	(1,343)	0	(91,343)
Amounts charged to the profit and loss account	800	3,718	73	4,591
Amounts released to the profit and loss account	0	(445)	(8)	(453)
At 31 December 2016	2,001	4,119	479	6,599

The reorganisation provision relates to redundancy obligations.

In 2015, the pension provision included a £90m accrual for a payment to Pearson Group Pension Trustee Limited that the Company was required to pay in the event of a change in ownership. This was paid to Pearson Group Pension Trustee Limited in March 2016. The remainder of the pension provision relates to a defined benefit scheme for non-journalistic staff and other pension liabilities in connection to the disposal by Pearson in 2015.

Other provisions relate to dilapidations. The dilapidation provision is the current best estimate of the cost of bringing certain properties, held under operating leases, back to their original condition as required by the lease agreement. The provision will be utilised as the lease comes to an end and/ or properties require repair.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Deferred taxation

	Non Current Assets	Provisions	Total
Asset	£'000	£'000	£'000
At 1 January 2016	2,873	4,197	7,070
(Charged)/credited to profit and loss	(2,873)	2,658	(215)
At 31 December 2016	0	6,855	6,855

The deferred tax asset recognised at 31 December 2016 is £6,855,000 (2015: £7,070,000).

A further deferred tax asset of £15.4m (2015: £23.7m) has not been recognised on provisions and losses available to carry forward due to the uncertainty regarding the availability of future taxable profits. The losses will be available to offset against future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Called up share capital

	2016		2015	
	£'000		£'000	
Total share capital	141,200		67,000	

	2016	2015	2016	2015
Ordinary shares £1 each	Number	Number	£'000	£'000
Allotted, called up and fully paid	141,200,000	67,000,000	141,200	67,000

On 29 June 2015, the directors made a Solvency Statement in accordance with Section 643 of the Companies Act 2006 and a Special Resolution was passed to reduce the Company's share capital.

The ordinary share capital of the Company was reduced by cancelling and extinguishing 78,000,000 ordinary shares of £1.00 each in the capital of the Company, all of which were issued and fully paid up, thereby reducing the issued ordinary share capital of the Company from £185,000,000 to £107,000,000.

On 27 October 2015, the directors made a Solvency Statement in accordance with Section 643 of the Companies Act 2006 and a Special Resolution was passed to reduce the Company's share capital.

The ordinary share capital of the Company was reduced by cancelling and extinguishing 40,000,000 ordinary shares of £1.00 each in the capital of the Company, all of which were issued and fully paid up, thereby reducing the issued ordinary share capital of the Company from £107,000,000 to £67,000,000.

On 10 March 2016, Financial Times Group Limited, the direct parent of the Company, issued and allotted 1 ordinary share, with par value £0.80 for an aggregate amount of £72,000,000 to Nikkei, Inc. in consideration for the payment by Nikkei, Inc. to Financial Times Group Limited of £72,000,000.

Also on this date, the Company issued and allotted 72,000,000 ordinary shares, with par value £1.00 for an aggregate amount of £72,000,000 to Financial Times Group Limited in consideration for the payment by Financial Times Group Limited to the Company of £72,000,000.

On 5 July 2016, Financial Times Group Limited, the direct parent of the Company issued and allotted 1 ordinary share for an aggregate amount of £2,200,000 to Nikkei, Inc. in consideration for the payment by Nikkei, Inc. to Financial Times Group Limited of £2,200,000.

Also on this date, the Company issued and allotted 2,200,000 ordinary shares, with par value £1.00 for an aggregate amount of £2,200,000 to Financial Times Group Limited in consideration for the payment by the Financial Times Group Limited to the Company of £2,200,000.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Share-based payments

The Company's employees were entitled to shares and options under the following equity-settled employee option and share plans up until the date of sale of the Financial Times group of companies. The schemes ceased as at 30 November 2015.

Save-for-Shares Plans

Under these plans, employees could save a portion of their monthly salary over periods of three, five or seven years. At the end of this period, the employee had the option to purchase ordinary shares with the accumulated funds at a purchase price equivalent to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options not exercised within six months of the third, fifth or seventh anniversary after grant lapse unconditionally. The scheme ceased as at 30 November 2015.

Long-Term Incentive Plan

This plan was introduced in 2001, renewed in 2006 and again in 2011. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to senior management in May 2015 and May 2014, vest dependent on relative total shareholder return, return on invested capital and earnings per share growth. Restricted shares awarded to senior management in November 2014 vest dependent on earnings per share growth. Other restricted shares awarded in 2015 and 2014 vest depending on continuing service over a three-year period. Under the terms of the sale any employees of the Company who were participants with Long-Term Incentive Plans that were naturally due to vest in 2015 were able to do so in full without pro-rata. Any Long-Term Incentive Plans that were due to vest in subsequent years post sale had a bespoke pro-rata calculation processed against their awards.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Capital and other commitments

	2016	2015
Capital commitments are as follows	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	956	919

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2016	2015	2015
	Land and	Other	Land and	Other
	buildings	£'000	buildings	£'000
	£'000	£'000	£'000	£'000
Within one year	7,291	31	7,032	21
Between two and five years	3,069	61	9,917	44
In over five years	5	0	8	0
	10,365	92	16,957	65

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Retirement benefit schemes

Pearson Group Pension Plan

The Company participated in the Pearson Group Pension Scheme for the first eleven months of the prior financial year until 30 November 2015. The Pearson Group Pension Scheme was a hybrid with both defined benefit and defined contribution sections but, predominantly, consisting of defined benefit liabilities. The Company did not define benefit account for its share of the Pearson scheme. Following agreement on the allocation of pensions benefits for former members of the defined benefit scheme, the Company created an Employee Benefit Trust to hold the dedicated benefit funds. From 1 December 2015, employees who were previously members of the Pearson Group Pension Plan transferred to the Financial Times Retirement Plan.

For the year ended 31 December 2015, in addition to the regular contributions disclosed below, the Company recognised a top up contribution to the Pearson Group Pension Scheme of £112,735,000.

Financial Times Retirement Plan

The Financial Times Retirement Plan (a defined contribution scheme) was established on 1 December 2015, following the sale of the Financial Times Group from Pearson plc to Nikkei Inc. At this time, members joined the Financial Times Retirement Plan (having previously been active members of the Pearson Group Pension Plan) and began to accrue future service benefits. Past service benefits for these members remained in the Pearson Group Pension Plan.

	2016 £'000	2015 £'000
Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid	8,074	12,147

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Contingent liabilities

Other guarantees and indemnities

The Company has agreed to provide, or arrange the provision of, funds to Financial Times (ASC) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2016, Financial Times (ASC) Limited had net liabilities of £1,235,000 (2015: £1,839,000).

The Company has agreed to provide, or arrange the provision of, funds to FT Personal Finance Limited, a fellow group subsidiary of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2016, FT Personal Finance Limited had net liabilities of £19,750,000 (2015: £19,704,000).

The Company has agreed to provide, or arrange the provision of, funds to The Financial Times (M-M UK) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2016, The Financial Times (M-M UK) Limited had net liabilities of £2,025,000 (2015: £2,696,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Related party transactions

The Company has taken advantage of the exemption under paragraph 8(j) and 8(k) of FRS101 not to disclose transactions with key management personnel or fellow wholly owned subsidiaries.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended:

31 December 2016

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Ultimate parent undertaking

The immediate parent undertaking is Financial Times Group Limited.

The ultimate parent undertaking and controlling party is Nikkei Inc., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Nikkei Inc.'s consolidated financial statements can be obtained from Nikkei Inc., 1-3-7 Otemachi, Chiyoda-ku, Tokyo 100-8066, Japan.

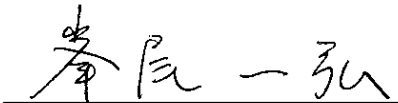
THESE ACCOUNTS FORM PART OF THE GROUP
ACCOUNTS OF THE FINANCIAL TIMES LTD.
COMPANY NO. 00227590

**Nikkei Inc. and
Consolidated Subsidiaries**

*Consolidated Financial Statements
for the Year Ended 31 December 2016,
and Independent Auditor's Report*

CERTIFIED AS A TRUE COPY

SIGNATURE



KAZUHIRO MINEO
DIRECTOR, NIKKEI INC.

DATE

09/05/2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nikkei Inc.:

We have audited the accompanying consolidated balance sheet of Nikkei Inc. and its consolidated subsidiaries as of 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nikkei Inc. and its consolidated subsidiaries as of 31 December 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into British pound amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such British pound amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

28 March 2017

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Balance Sheet
31 December 2016

	Millions of Yen		Thousands of British Pounds (Note 1)		Millions of Yen		Thousands of British Pounds (Note 1)
ASSETS	2016	2015	2016		2016	2015	2016
CURRENT ASSETS:							
Cash and cash equivalents (Notes 7 and 13)	¥101,476	¥91,498	£709,327	CURRENT LIABILITIES:	¥13,292	¥130,640	£92,915
Marketable securities (Notes 4 and 13)	3,509	5,100	24,465	Short-term bank loans (Notes 7 and 13)	9,834	300	68,739
Notes and accounts receivable (Note 13):				Current portion of long-term debt (Notes 7 and 13)			
Trade	33,221	35,675	232,219	Notes and accounts payable (Notes 7 and 13):			
Unconsolidated subsidiaries and associated companies	604	242	4,225	Trade	13,703	13,296	95,783
Other	2,773	15,149	19,384	Unconsolidated subsidiaries and associated companies	1,019	575	7,122
Allowance for doubtful receivables	(415)	(411)	(2,903)	Other	12,616	13,777	88,186
Inventories (Note 5)	3,329	3,534	23,268	Income taxes payable	2,279	3,343	15,931
Short-term investments (Notes 6 and 13)	25,019	19,765	174,887	Accrued expenses	11,197	12,632	78,265
Deferred tax assets (Note 11)	1,895	2,331	13,246	Provision for sales returns	1,281	1,273	8,954
Other current assets	5,508	4,919	38,499	Other current liabilities (Notes 7, 9 and 11)	34,080	35,980	238,225
Total current assets	176,910	177,802	1,236,617	Total current liabilities	99,301	211,816	694,120
PROPERTY, PLANT AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land (Note 7)	104,150	104,150	728,019	Long-term debt (Notes 7 and 13)	110,796	504	774,470
Buildings and structures (Note 7)	159,540	158,407	1,115,194	Deferred tax liabilities for land revaluation	18,683	19,684	130,598
Machinery and equipment (Note 7)	72,540	72,872	507,059	Liability for retirement benefits (Note 8)	72,481	86,082	506,648
Furniture and fixtures	22,003	23,285	153,806	Retirement allowance for Directors and Audit & Supervisory Board Members	2,703	2,793	18,896
Lease assets	1,908	2,294	13,338	Other liabilities (Notes 9 and 11)	16,190	9,517	113,170
Construction in progress	2,037	301	14,238	Total long-term liabilities	220,853	118,580	1,543,782
Total	362,178	361,309	2,531,654	COMMITMENTS AND CONTINGENT LIABILITIES			
Accumulated depreciation	(204,990)	(201,175)	(1,432,897)	(Note 15)			
Net property, plant and equipment	157,188	160,134	1,098,757	EQUITY (Note 10):			
INVESTMENTS AND OTHER ASSETS:				Common stock—authorized, 120,000,000 shares; issued, 25,000,000 shares in 2016 and in 2015	2,500	2,500	17,475
Investment securities (Notes 4, 7 and 13)	36,866	37,197	257,698	Capital surplus	10	5	67
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 13)	42,215	39,343	295,084	Retained earnings	280,219	276,815	1,958,748
Goodwill (Note 3)	95,569	155,565	668,033	Accumulated other comprehensive income:	16,466	16,732	115,099
Software	20,397	22,295	142,578	Unrealized gain on available-for-sale securities	9	1	61
Assets for retirement benefits (Note 8)	5,789	2,065	40,466	Deferred gain (loss) on derivatives under hedge accounting	9,699	8,698	67,796
Deferred tax assets (Note 11)	18,537	20,112	129,572	Land revaluation surplus	(43,879)	(12,448)	(306,710)
Other assets (Note 3)	40,744	17,947	284,804	Foreign currency translation adjustments	(12,670)	(11,611)	(88,566)
Total investments and other assets	260,117	294,524	1,818,235	Defined retirement benefit plans	252,354	280,692	1,763,970
				Total	21,707	21,372	151,737
				Noncontrolling interests			
				Total equity	274,061	302,064	1,915,707
TOTAL	¥594,215	¥632,460	£4,153,609	TOTAL	¥594,215	¥632,460	£4,153,609

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended 31 December 2016

	Millions of Yen		Thousands of British Pounds (Note 1)
	<u>2016</u>	<u>2015</u>	<u>2016</u>
NET SALES (Note 18)	¥358,977	¥303,759	£2,509,274
COST OF SALES (Note 18)	<u>219,397</u>	<u>191,153</u>	<u>1,533,599</u>
Gross profit	139,580	112,606	975,675
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	<u>129,671</u>	<u>96,735</u>	<u>906,410</u>
Operating income	<u>9,909</u>	<u>15,871</u>	<u>69,265</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	883	1,064	6,173
Interest expense	(721)	(261)	(5,039)
Loss on sales and disposal of property, plant and equipment	(265)	(162)	(1,856)
Gain on sales of investment securities	6	224	45
Foreign exchange loss	(176)	(133)	(1,228)
Loss on valuation of investment securities	(1,242)	(37)	(8,683)
Equity in earnings of unconsolidated subsidiaries and associated companies	2,125	1,784	14,856
Other—net	<u>(233)</u>	<u>383</u>	<u>(1,631)</u>
Other income (expenses)—net	<u>377</u>	<u>2,862</u>	<u>2,637</u>
INCOME BEFORE INCOME TAXES	<u>10,286</u>	<u>18,733</u>	<u>71,902</u>
INCOME TAXES (Note 11):			
Current	4,877	5,426	34,088
Deferred	<u>1,086</u>	<u>2,531</u>	<u>7,594</u>
Total income taxes	<u>5,963</u>	<u>7,957</u>	<u>41,682</u>
NET INCOME	4,323	10,776	30,220
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>544</u>	<u>628</u>	<u>3,806</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥3,779</u>	<u>¥10,148</u>	<u>£26,414</u>
	<u>Yen</u>		<u>British Pounds</u>
PER SHARE OF COMMON STOCK (Note 2.w):			
Basic net income	¥151.15	¥405.93	£1.06
Cash dividends applicable to the year	15.00	15.00	0.10

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended 31 December 2016

	Millions of Yen		Thousands of British Pounds (Note 1)
	<u>2016</u>	<u>2015</u>	<u>2016</u>
NET INCOME	¥4,323	¥10,776	£30,220
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(86)	3,528	(604)
Deferred gain (loss) on derivatives under hedge accounting	13	(14)	93
Land revaluation surplus	1,001	2,062	6,995
Foreign currency translation adjustments	(31,405)	(13,736)	(219,521)
Defined retirement benefit plans	(970)	879	(6,781)
Share of other comprehensive (loss) income in associates	<u>(280)</u>	<u>446</u>	<u>(1,956)</u>
Total other comprehensive loss	<u>(31,727)</u>	<u>(6,835)</u>	<u>(221,774)</u>
COMPREHENSIVE (LOSS) INCOME	<u>¥ (27,404)</u>	<u>¥3,941</u>	<u>£(191,554)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME			
ATTRIBUTABLE TO:			
Owners of the parent	¥ (27,968)	¥3,172	£(195,496)
Noncontrolling interests	564	769	3,942

See notes to consolidated financial statements.

Year Ended 31 December 2016

	Thousands	Millions of Yen										
		Accumulated Other Comprehensive Income										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
Balance, 1 January 2015 (as previously reported)	25,000	¥ 2,500	¥ 5	¥ 282,693	¥ 12,875	¥ 9	¥ 6,636	¥ 1,274	¥ (12,445)	¥ 293,547	¥ 21,201	¥314,748
Cumulative effect of accounting change				(15,651)						(15,651)	(194)	(15,845)
Balance, 1 January 2015 (as restated)	25,000	2,500	5	267,042	12,875	9	6,636	1,274	(12,445)	277,896	21,007	298,903
Net income attributable to owners of the parent				10,148						10,148		10,148
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Net change in the year					3,857	(8)	2,062	(13,722)	834	(6,977)	365	(6,612)
Balance, 31 December 2015	25,000	2,500	5	276,815	16,732	1	8,698	(12,448)	(11,611)	280,692	21,372	302,064
Net income attributable to owners of the parent												
Cash dividends, ¥15.00 per share				3,779						3,779		3,779
Change in the parent's ownership interest due to transactions with noncontrolling interests			5	(375)						(375)		(375)
Net change in the year					(266)	8	1,001	(31,431)	(1,059)	(31,747)	335	(31,412)
Balance, 31 December 2016	25,000	¥ 2,500	¥ 10	¥ 280,219	¥ 16,466	¥ 9	¥ 9,699	¥ (43,879)	¥ (12,670)	¥ 253,354	¥ 21,707	¥ 274,061

Thousands of British Pounds (Note1)									
	Accumulated Other Comprehensive Income								
	Unrealized Gain on Common Stock	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Other	Noncontrolling Interest	Total Equity	
BALANCE, 31 DECEMBER 2015	£ 17,475	£33	£1,934,956	£ 116,959	£(87,014)	£(81,161)	£1,962,053	£149,394	£2,111,447
Net income attributable to owners of the parent			26,414				26,414		26,414
Cash dividends, £0.10 per share			(2,622)				(2,622)		(2,622)
Change in the parent's ownership interest due to transactions with noncontrolling interests									
Net change in the year		34		(1,860)	57	6,995	(219,696)	(7,405)	(221,909)
BALANCE, 31 DECEMBER 2016	£ 17,475	£67	£1,938,748	£115,099	£61	£67,796	£306,719	£(88,566)	£1,763,970
								£151,737	£1,915,707

See notes to consolidated financial statements

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2016

	Thousands of British Pounds		
	Millions of Yen	(Note 1)	
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 10,286	¥ 18,733	£ 71,902
Adjustments for:			
Income taxes—paid	(6,039)	(4,530)	(42,216)
Depreciation and amortization	20,749	14,637	145,038
Loss on sales and disposal of property, plant and equipment	265	162	1,856
Gain on sales of investment securities	(6)	(224)	(45)
Loss on valuation of investment securities	1,242	37	8,683
Amortization of goodwill	5,221		36,501
Equity in earnings of unconsolidated subsidiaries and associated companies	(2,125)	(1,784)	(14,856)
Changes in assets and liabilities, net of effects:			
Decrease in notes and accounts receivable	530	1,424	3,708
Increase (decrease) in notes and accounts payable	1,045	(1,601)	7,306
Decrease in liability for employees' retirement benefits	(10,721)	(5,264)	(74,940)
Other—net	4,844	5,097	33,849
Total adjustments	15,005	7,954	104,884
Net cash provided by operating activities	25,291	26,687	176,786
INVESTING ACTIVITIES:			
Payments into time deposits	(38,408)	(54,169)	(268,473)
Proceeds from withdrawal of time deposits	39,576	70,492	276,641
Purchases of marketable securities	(4,000)	(11,500)	(27,960)
Proceeds from sales of marketable securities	7,100	15,600	49,629
Purchases of property, plant and equipment	(4,507)	(7,511)	(31,502)
Purchases of intangible assets	(9,731)	(5,234)	(68,017)
Purchases of investment securities	(5,277)	(5,516)	(36,889)
Proceeds from sales of investment securities	65	3,018	453
Purchases of investments in affiliates		(161,236)	
Purchases of investments in subsidiaries with changes in consolidation scope	(1,345)		(9,404)
Other—net	298	(546)	2,081
Net cash used in investing activities	(16,229)	(156,602)	(113,441)
FORWARD	¥9,062	¥(129,915)	£63,345

(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended 31 December 2016

	Millions of Yen		Thousands of British Pounds (Note 1)
	2016	2015	2016
FORWARD	¥9,062	¥(129,915)	£63,345
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	16,465	130,259	115,093
Repayments of short-term bank loans	(132,865)	(10,275)	(928,736)
Proceeds from long-term bank loans	120,000		838,809
Repayments of long-term bank loans		(700)	
Dividends paid	(375)	(375)	(2,622)
Other—net	(552)	(611)	(3,858)
Net cash provided by financing activities	2,673	118,298	18,686
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,757)	(53)	(12,282)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,978	(11,670)	69,749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,498	103,168	639,578
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 101,476	¥91,498	£ 709,327
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Increase in assets and liabilities due to newly-consolidated subsidiaries:			
Assets		¥ 39,575	
Liabilities		44,086	
Goodwill		155,565	
Foreign currency translation adjustments		17,519	

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikkei Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥143.06 to £1, the approximate rate of exchange at 31 December 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into British pounds at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as at 31 December 2016, include the accounts of the Company and its 40 (44 in 2015) significant subsidiaries (together, the "Group"). Financial Times Group Limited, which consolidates all of its subsidiaries, is counted as one company.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 12 (12 in 2015) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is recorded as goodwill and amortized within 20 years by using the straight-line method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

- b. **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Japanese accounting standards prescribe that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.
- c. **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**— Japanese accounting standards require adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.
- d. **Business Combinations**— Japanese accounting standards require: (1) accounting for business combinations by the purchase method; (2) in-process research and development costs (IPR&D) acquired in the business combination are capitalised as an intangible asset; and (3) the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

In September 2013, the Accounting Standards Board of Japan ("ASBJ") issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

- (1) *Transactions with noncontrolling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
- (2) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet,

"minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

- (3) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.
- (4) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
- (5) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after 1 January 2016. Earlier application is permitted from the beginning of annual periods beginning on or after 1 January 2015, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after 1 April 2015. Earlier application is permitted for a

business combination which occurs on or after the beginning of annual periods beginning on or after 1 April 2014.

The Company applied the revised accounting standards and guidance for (1), (2), (3) and (5) above, effective 1 January 2016, and (4) above for a business combination which occurred on or after 1 January 2016. The revised accounting standards and guidance for (1) and (5) were applied prospectively.

With respect to (2) and (3), the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

- e. Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.

- f. Allowance for doubtful receivables*—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and evaluation of potential losses in the receivables outstanding.

- g. Inventories*—The Company determines the cost of raw materials by the average cost method and the cost of supplies by the first-in, first-out method.

The consolidated subsidiaries determine the cost of raw materials mainly by the first-in, first-out method, the cost of merchandise and finished products mainly by the moving-average method, and the cost of work in process mainly by the specific identification method.

Inventories are stated at the lower of cost, or net selling value.

- h. Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- i. Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, excluding lease assets, is principally computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to buildings and structures. The range of useful lives is mainly from 2 to 60 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

Depreciation of lease assets related to the finance leases for which ownership is not transferred is computed by the straight-line method over the lease period with no residual value carried.

- j. Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group

may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- k. Land Revaluation**—Under the “Law of Land Revaluation,” the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as at 31 December 2000. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the declines in value should be removed from the land revaluation excess account and related deferred tax liabilities.
- l. Software**—Software is amortized by the straight-line method based on the length of the period it can be used internally (mainly 5 years).
- m. Goodwill**—Goodwill is amortized by the straight-line method over its estimated useful life determined for each business combination, not exceeding 20 years. In the case it is fairly immaterial, it is expensed immediately in the fiscal year of its occurrence.
- n. Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans.

In calculating the retirement benefit obligation, a benefit formula basis is principally used to determine the amount of the expected retirement benefit obligations attributed to services performed up to the end of the current fiscal year.

Past service costs are amortized on a straight-line basis within the average remaining service period of the eligible employees in and after the fiscal year in which they arise.

Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the eligible employees in and after the fiscal year in which they arise.

- o. Asset Retirement Obligations**—An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalised by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalised amount of the related asset retirement cost.

- p. Leases**—For a lessee, all finance lease transactions are capitalised to recognize leased assets and lease obligations in the balance sheet.

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- q. **Provision for Sales Returns**—The Company and 6 consolidated subsidiaries accrue provisions for sales returns of books and magazines based on historical return rates.
- r. **Retirement Allowance for Directors and Audit & Supervisory Board Members**—Retirement allowance for Directors and Audit & Supervisory Board Members is provided to allocate retirement compensation for directors at an amount that would be required to be paid in accordance with the Company's internal rules as if all eligible officers resign from their positions at the balance sheet date.
- s. **Income Taxes**—The provision for income taxes is computed based on pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- t. **Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- u. **Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as at the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.
- v. **Derivatives and Hedge Activities**—The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange, interest rates and currency swaps. Foreign exchange forward contracts, interest rate swaps and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading purposes or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives transactions are recognized in the consolidated statement of income, and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Notes and accounts payable denominated in foreign currencies, for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for specific hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. The currency swaps which qualify for hedge accounting and specific matching criteria are not remeasured at market value, but the hedged debt is translated at the contracted rates of the foreign currency swaps.

- w. **Per Share Information**—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares

outstanding for the period.

Diluted net income per share is not presented because the Company has no dilutive financial instruments.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

x. *New Accounting Pronouncements*

Tax Effect Accounting—On 28 March 2016, the ASBJ issued ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgement in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company’s classification in respect of its profitability, taxable profit, temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for deductible temporary differences for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after 1 April 2016. Earlier application is permitted for annual periods ending on or after 31 March 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective 1 January 2017, and is in process of measuring the effects of applying the new guidance in future applicable periods.

3. BUSINESS COMBINATION

Business Combination with Financial Times Group Limited

1. Completion of Purchase Price Allocation

In the previous year, the process for distinguishing identifiable assets and liabilities on the date of the business combination for the acquisition of Financial Times Group Limited which occurred on 31 December 2015, was under examination and the allocation of purchase price had not yet been completed as of 31 December 2015. As such, the amount of goodwill was accounted for on a provisional basis.

This process has been completed in the current year. The adjustments due to the completion of purchase price allocation in the current year are as follows:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Goodwill (before revision)	¥155,565	£1,087,410
Intangible assets	(39,801)	(278,210)
Deferred tax liabilities	7,085	49,523
Other purchase price adjustments	1,323	9,248
Revision total	<u>(31,393)</u>	<u>(219,439)</u>
Goodwill (after revision)	<u>¥124,172</u>	<u>£867,971</u>

As a result, goodwill of ¥155,565 million (£1,087,410 thousand) which was accounted for on a provisional basis in the previous year decreased by ¥31,393 million (£219,439 thousand) to ¥124,172 million (£867,971 thousand) in the current year.

2. Amount of goodwill, reason for recognizing goodwill, and the method and period of amortization of goodwill

- i. Amount of goodwill: ¥124,172 million (£867,971 thousand)
- ii. Reason for recognizing goodwill
Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the amount exceeded is regarded as goodwill.
- iii. Method and period of amortization of goodwill: Goodwill is amortized by the straight-line method over 20 years.

3. Amount allocated to intangible assets other than goodwill, main component and amount, and amortization period

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>	<u>Amortization period</u>
Customer-related assets	¥10,326	£ 72,179	From 3 to 10 years
Brand names	29,475	206,030	20 years

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Current:			
Debt securities and other	¥ 3,500	¥ 5,100	£ 24,465
Total	¥ 3,500	¥ 5,100	£ 24,465
Non-current:			
Equity securities	¥36,058	¥35,407	£252,049
Debt securities and other	808	1,790	5,649
Total	¥36,866	¥37,197	£257,698

The costs and aggregate fair values of marketable and investment securities at 31 December 2016 and 2015, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>31 December 2016</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,298	¥22,071	¥(8)	¥28,361
Held-to-maturity	800	8		808
<u>31 December 2015</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,817	¥22,628	¥(9)	¥27,436
Other	67			67
Held-to-maturity	5,925	17	(0)	5,942
	Thousands of British Pounds			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>31 December 2016</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	£44,026	£154,274	£(56)	£198,244
Held-to-maturity	5,592	56		5,648

The information for available-for-sale securities which were sold during the years ended 31 December 2016 and 2015, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2016</u>			
Available-for-sale:			
Equity securities	¥ 12	¥ 6	
Total	¥ 12	¥ 6	
<u>31 December 2015</u>			
Available-for-sale:			
Equity securities	¥ 0	¥ 0	
Debt securities	203		
Total	¥203	¥ 0	
	Thousands of British Pounds		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2016</u>			
Available-for-sale:			
Equity securities	£ 85	£ 45	
Total	£ 85	£ 45	

The impairment losses on available-for-sale equity securities for the year ended 31 December, 2016 was ¥1,242 million (£8,683 thousand).

5. INVENTORIES

Inventories at 31 December 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Merchandise	¥ 177	¥ 272	£ 1,237
Finished products	781	790	5,457
Work in process	1,497	1,568	10,467
Raw materials and supplies	874	904	6,107
Total	¥3,329	¥3,534	£23,268

6. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Time deposits	<u>¥25,019</u>	<u>¥19,765</u>	<u>£174,887</u>
Total	<u>¥25,019</u>	<u>¥19,765</u>	<u>£174,887</u>

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at 31 December 2016 and 2015, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.44% and 0.29% at 31 December 2016 and 2015, respectively. Various covenants (financial covenants etc) are attached to long-term loans borrowing from banks accompanying the acquisition of Financial Times Group.

Long-term debt at 31 December 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Unsecured loans from banks with average interest rates of 0.29% (2016)	¥120,000		£838,809
Obligations under finance leases	¥ 630	¥ 804	4,400
Total	<u>120,630</u>	<u>804</u>	<u>843,209</u>
Less current portion	<u>(9,834)</u>	<u>(300)</u>	<u>(68,739)</u>
Long-term debt, less current portion	<u>¥110,796</u>	<u>¥ 504</u>	<u>£774,470</u>

Annual maturities of long-term debt, excluding finance leases (see Note 12), at 31 December, 2016, were as follows:

Year Ended 31 December	Millions of Yen	Thousands of British Pounds
<u> </u>	<u> </u>	<u> </u>
2017	¥ 9,504	£ 66,434
2018	9,504	66,434
2019	9,504	66,434
2020	9,504	66,434
2021	9,504	66,434
2022 and thereafter	<u>72,480</u>	<u>506,639</u>
Total	<u>¥120,000</u>	<u>£ 838,809</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£140 thousand), collateralized notes and accounts payable of ¥90 million (£630 thousand) and collateralized other current liabilities of ¥5,165 million (£36,100 thousand) at 31 December 2016, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£538
Property, plant and equipment—net of accumulated depreciation	9,639	67,379
Investment securities	59	411
Total	<u>¥9,775</u>	<u>£68,328</u>

8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have two types of defined benefit plans, namely: funded defined benefit plans and lump-sum severance payment plans (principally unfunded), while some consolidated subsidiaries have defined contribution plans and other similar plans. Extra payments may be added upon retirement of employees. Certain consolidated subsidiaries calculated their retirement benefit obligation and retirement benefit expenses by using the simplified method.

a. The changes in defined benefit obligation for the years ended 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥201,160	¥158,320	£1,406,126
Cumulative effect of accounting change		22,987	
Balance at beginning of year (as restated)	201,160	181,307	1,406,126
Current service cost	5,724	5,709	40,009
Interest cost	1,623	1,623	11,345
Actuarial losses	1,582	402	11,055
Benefits paid	(20,671)	(6,926)	(144,491)
Past service cost	121	(70)	846
Increase due to newly-consolidated subsidiaries		19,153	
Foreign currency translation differences	(3,283)		(22,947)
Others	(3)	(38)	(20)
Balance at end of year	<u>¥186,253</u>	<u>¥201,160</u>	<u>£1,301,923</u>

b. The changes in plan assets for the years ended 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Balance at beginning of year	¥119,684	¥111,856	£836,601
Expected return on plan assets	3,504	3,303	24,495
Actuarial losses	(2,247)	(594)	(15,706)
Contributions from the employer	6,815	6,962	47,639
Benefits paid	(5,627)	(5,472)	(39,336)
Contribution to the employees' retirement benefit trust		3,500	
Increase due to newly-consolidated subsidiaries		135	
Foreign currency translation differences	(12)		(86)
Others	0	(6)	0
Balance at end of year	¥122,117	¥119,684	£853,607

c. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as at 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Funded defined benefit obligation	¥166,528	¥181,384	£1,164,043
Plan assets	(128,609)	(125,899)	(898,986)
	37,919	55,485	265,057
Unfunded defined benefit obligation	28,773	28,532	201,125
Net liability arising from defined benefit obligation	¥ 66,692	¥ 84,017	£ 466,182

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Liability for retirement benefits	¥72,481	¥86,082	£506,648
Asset for retirement benefits	(5,789)	(2,065)	(40,466)
Net liability arising from defined benefit obligation	¥66,692	¥84,017	£466,182

- d. *The components of net periodic benefit costs for the years ended 31 December 2016 and 2015, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Service cost	¥ 5,724	¥ 5,709	£ 40,009
Interest cost	1,603	1,623	11,208
Expected return on plan assets	(3,504)	(3,303)	(24,495)
Recognized actuarial losses	3,643	3,256	25,468
Amortization of prior service cost	(171)	(163)	(1,200)
Others	687	668	4,803
Net periodic benefit costs	¥ 7,982	¥ 7,790	£ 55,793

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2016 and 2015, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Prior service cost	¥ (174)	¥ (93)	£ (1,220)
Actuarial (gains) losses	(185)	2,272	(1,290)
Total	¥ (359)	¥ 2,179	£ (2,510)

- f. *Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2016 and 2015, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Unrecognized prior service cost	¥ 1,412	¥ 1,587	£ 9,869
Unrecognized actuarial gains	(19,128)	(18,943)	(133,708)
Total	¥ (17,716)	¥ (17,356)	£ (123,839)

- g. *Plan assets*

(1) Components of plan assets

Plan assets as at 31 December 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	47%	47%
Equity investments	34	36
General accounts	11	10
Cash and cash equivalents	3	1
Others	5	6
Total	100%	100%

Note: Total plan assets at 31 December 2016 include a retirement benefit trust set up for lump-sum severance payment plans that represented 3% of the total plan assets.

(2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the current and expected allocation of plan assets and the current and expected long-term rates of return on the various components of the plan assets.

h. Principal assumptions used for the years ended 31 December 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	3.3%	3.3%

i. The amounts contributed to the defined contribution retirement plans of the Group for the years ended 31 December 2016 and 2015

¥2,156 million (£15,072 thousand) and ¥484 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Balance at beginning of year	¥1,271	¥1,041	£8,881
Increase due to newly-consolidated subsidiaries		186	
Additional provisions associated with the acquisition of property, plant and equipment	69	28	480
Reconciliation associated with changes in accounting estimates	783		5,477
Reconciliation associated with passage of time	16	19	113
Others	(19)	(3)	(130)
Balance at end of year	¥2,120	¥1,271	£14,821

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for

dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that ordinary shares, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 35.6% for the years ended 31 December 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Deferred tax assets:			
Liability for retirement benefits	¥ 21,650	¥ 25,416	£151,337
Excess of depreciation of property, plant and equipment	5,850	6,065	40,892
Tax loss carryforwards	3,589	2,964	25,089
Investment securities	3,505	966	24,500
Accrued expenses	1,075	1,340	7,517
Allowance for doubtful receivables	389	413	2,716
Other	7,169	7,240	50,115
Less valuation allowance	(14,414)	(12,951)	(100,760)
Total	¥28,813	¥ 31,453	£201,406
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 919	¥ 976	£ 6,430
Unrealized gain on available-for-sale securities	6,518	7,041	45,559
Intangible assets	5,115		35,756
Other	1,207	1,246	8,434
Total	13,759	9,263	96,179

Net deferred tax assets	<u>¥ 15,054</u>	<u>¥ 22,190</u>	<u>£105,227</u>
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A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended 31 December 2016, with the corresponding figures for 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Normal effective statutory tax rate	33.1 %	35.6 %
Expenses not deductible for income tax purposes	3.2	1.5
Local inhabitants tax on per capital basis	1.0	0.5
Valuation allowance	2.0	(3.2)
Equity in earnings of an associated company	(6.4)	(3.4)
Effect of reduction of income tax rates on deferred tax assets	10.9	11.9
Amortization of goodwill	16.8	
Lower income tax rates applicable to income in certain foreign countries	(3.0)	
Other—net	<u>0.4</u>	<u>(0.4)</u>
Actual effective tax rate	<u>58.0 %</u>	<u>42.5 %</u>

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after 1 January 2017 and January 2018, to approximately 30.9% and for the fiscal year beginning on after 1 January 2019, to approximately 30.6%. The effect of these changes was to decrease deferred tax assets by ¥769 million (£5,379 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥348 million (£2,436 thousand) and land revaluation surplus by ¥1,001 million (£6,995 thousand), with a decrease of the same amount in related deferred tax liability, in the consolidated balance sheet as at 31 December 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,118 million (£7,814 thousand).

12. LEASES

a. Lessee

The Group leases certain machinery, computer equipment, office space and other assets. The minimum rental commitments under non-cancellable operating leases at 31 December 2016 and 2015, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of British Pounds</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Due within one year	¥911	¥1,091	£ 6,371
Due after one year	<u>290</u>	<u>746</u>	<u>2,027</u>
Total	<u>¥1,201</u>	<u>¥1,837</u>	<u>£8,398</u>

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2016 and 2015, were as follows:

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Due within one year	¥ 549	¥ 498	£ 3,840
Due after one year	1,452	1,766	10,150
Total	¥2,001	¥2,264	£13,990

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group Policy and Risk Management for Financial Instruments

The Group invests cash surpluses only in low risk deposits, and finances its operations principally through debt from financial institutions. Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables by monitoring payment terms and balances to identify the default risk of customers at an early stage. With respect to investment securities which consist mainly of shares of business partners, the Group checks their financial condition semiannually. Short-term bank loans are used for financing related to operating activities and long-term loans are related to facility investment and mergers and acquisitions. Although long-term bank loans are exposed to market risks from changes in variable interest rates and foreign currency exchange rates, those risks are mitigated by using derivatives of interest-rate swaps and currency swaps. In addition, such interest rate swaps and currency swaps are contracted in accordance with internal rules, which prescribe that all derivative transactions be entered into to hedge risks incorporated in the Group's business.

b. Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(1) Fair value of financial instruments

Millions of Yen			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>31 December 2016</u>			
Cash and cash equivalents	¥ 101,476	¥ 101,476	
Notes and accounts receivable	36,598	36,598	
Short-term investments	25,019	25,019	
Marketable securities and investment securities	32,061	32,069	¥ 8
Investments in unconsolidated subsidiaries and associated companies	26,462	23,891	(2,571)
Total	¥221,616	¥219,053	¥(2,563)
Short-term bank loans	¥13,292	¥13,292	
Notes and accounts payable	27,338	27,338	
Long-term debt	120,630	120,046	¥ (584)
Total	¥161,260	¥160,676	¥ (584)
Derivatives	¥ 21	¥ 21	
<u>31 December 2015</u>			
Cash and cash equivalents	¥91,498	¥91,498	
Notes and accounts receivable	51,066	51,066	
Short-term investments	19,765	19,765	
Marketable securities and investment securities	33,962	33,979	¥ 17
Investments in unconsolidated subsidiaries and associated companies	25,732	24,586	(1,146)
Total	¥222,023	¥220,894	¥(1,129)
Short-term bank loans	¥130,640	¥130,640	
Notes and accounts payable	27,648	27,648	
Long-term debt	804	804	
Total	¥159,092	¥159,092	
Derivatives	¥ 1	¥ 1	
Thousands of British Pounds			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>31 December 2016</u>			
Cash and cash equivalents	£ 709,327	£ 709,327	
Notes and accounts receivable	255,828	255,828	
Short-term investments	174,887	174,887	
Marketable securities and investment securities	224,170	224,226	£ 56
Investments in unconsolidated subsidiaries and associated companies	184,910	166,933	(17,977)
Total	£1,549,122	£1,531,201	£ (17,921)
Short-term bank loans	£ 92,915	£ 92,915	
Notes and accounts payable	191,091	191,091	
Long-term debt	843,209	839,129	£(4,080)
Total	£1,127,215	£1,123,135	£(4,080)
Derivatives	£ 145	£ 145	

Note: Amounts of derivative financial instruments are net of assets and liabilities.

Cash and Cash Equivalents, Notes and Accounts Receivable and Short-term Investments

The carrying amounts of cash and cash equivalents, notes and accounts receivable and short-term investments approximate fair value because of their short maturities.

Marketable and Investment Securities

The carrying amounts of marketable and investment securities are measured at the quoted market price of the shares exchanged for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 4.

Notes and Accounts Payable and Short-term Bank Loans

The carrying amounts of notes and accounts payable and short-term bank loans approximate fair value because of their short maturities.

Long-Term Debt

The fair values of long-term debt are measured at the present value by discounting expected payments of principal and interest in the remaining period by using an assumed interest rate on an equivalent new loan.

Derivatives

Fair value information for derivatives is included in Note 14.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of British Pounds
	2016	2015	2016
Investment securities that do not have a quoted market price in an active market	¥ 7,998	¥ 7,981	£ 55,906
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	15,288	12,754	106,862
Convertible bonds			
Investments in capital of partnership	299	354	2,087

(3) Maturity analysis for financial assets and securities with contractual maturities

Millions of Yen				
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
31 December 2016				
Cash and cash equivalents	¥101,476			
Notes and accounts receivable	36,599			
Marketable securities and investment securities:				
Held-to-maturity securities	15,000	¥200		
Available-for-sale securities with contractual maturities	273	120	¥205	
Total	¥153,348	¥320	¥205	

Thousands of British Pounds				
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
31 December 2016				
Cash and cash equivalents	£ 709,327			
Notes and accounts receivable	255,828			
Marketable securities and investment securities:				
Held-to-maturity securities	104,850	£1,398		
Available-for-sale securities with contractual maturities	1,906	839	£1,433	
Total	£1,071,911	£2,237	£1,433	

14. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

The Group had the following derivative contracts outstanding to which hedge accounting was applied at 31 December 2016 and 2015:

		Millions of Yen		
			Contract Amount Due after One Year	Fair Value
31 December 2016		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥	144	¥21
—Forward contract applied for designated transactions	Payables		57	8
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		72,000	¥66,297
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		120,000	110,496
31 December 2015				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables		¥194	¥1
—Forward contract applied for designated transactions	Payables		37	0
		Thousands of British Pounds		
			Contract Amount Due after One Year	Fair Value
31 December 2016		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	£	1,007	£145
—Forward contract applied for designated transactions	Payables		398	57
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		503,285	£463,425
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		838,809	772,375

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above currency swaps or interest rate swaps which qualify for hedge accounting are accounted for in combination with hedged items such as the long-term debt. In addition, the fair value of such interest rate swaps and currency swaps in Note 14 are included in those of hedged items.

15. CONTINGENT LIABILITIES

At 31 December 2016, the Group had the following contingent liabilities:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Guarantees and similar items related to bank loans	¥2,997	£20,948

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended 31 December 2016 and 2015, were as follows:

	Thousands of		
	Millions of Yen	British Pounds	
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
Amount arising during the year	¥(636)	¥4,359	£(4,444)
Reclassification adjustments to profit or loss	(6)	4	(45)
Amount before income tax effect	(642)	4,363	(4,489)
Income tax effect	556	(835)	3,885
Total	¥ (86)	¥3,528	£ (604)
Deferred gain (loss) on derivatives under hedge accounting:			
Amount arising during the year	¥13	¥(22)	£93
Income tax effect		8	
Total	¥13	¥(14)	£93
Land revaluation surplus:			
Income tax effect	¥1,001	¥2,062	£6,995
Total	¥1,001	¥2,062	£6,995
Foreign currency translation adjustments:			
Amount arising during the year	¥(31,423)	¥(13,736)	£(219,649)
Reclassification adjustments to profit	18		128
Total	¥(31,405)	¥(13,736)	£(219,521)
Defined retirement benefit plans:			
Amount arising during the year	¥ (3,828)	¥ (911)	£ (26,756)
Reclassification adjustments to profit	3,469	3,090	24,249
Amount before income tax effect	(359)	2,179	(2,507)
Income tax effect	(611)	(1,300)	(4,274)
Total	¥ (970)	¥ 879	£ (6,781)
Share of other comprehensive (loss) income in associates:			
(Loss) gains arising during the year	¥ (286)	¥ 454	£ (1,997)
Reclassification adjustments to profit or loss	6	(8)	41
Total	¥ (280)	¥ 446	£ (1,956)
Total other comprehensive loss	¥ (31,727)	¥(6,835)	£(221,774)

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2016, was approved at the Company's shareholders meeting held on 29 March 2017:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Year-end cash dividends, ¥15.00 (£0.10) per share	¥375	£2,622

18. SEGMENT INFORMATION

The Company is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of Media & Information Services and Other Business.

The Media & Information Services segment provides various information to customers, combining media such as newspapers (including electric media), publications and digital content.

The Other business segment provides real estate lease services to customers.

Descriptions of reportable segments are stated below.

Media & Information Service	Newspaper business (The Nikkei, The Nikkei Online Edition, Nikkei Business Daily, Nikkei MJ, Nikkei VERITAS, Nikkei Asian Review, Financial Times, etc.) Magazine and book business (Nikkei Business, etc.) Market information services using the Group's electronic media (Nikkei Telecom, QUICK Level-X, etc.) TV program production and broadcasting Index business (The Nikkei Stock Average, etc.)
Other Business	Real estate leasing, etc.

b. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

c. Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen
2016

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	¥353,217	¥5,760	¥358,977		¥358,977
Intersegment sales or transfers	474	3,568	4,042	¥(4,042)	
Total	¥353,691	¥9,328	¥363,019	¥(4,042)	¥358,977
Segment profit	¥ 6,463	¥3,438	¥ 9,901	¥ 8	¥ 9,909
Other					
Depreciation	19,559	1,190	20,749		20,749
Amortization of goodwill	5,221		5,221		5,221

Millions of Yen
2015

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	¥297,712	¥6,047	¥303,759		¥303,759
Intersegment sales or transfers	558	3,628	4,186	¥(4,186)	
Total	¥298,270	¥9,675	¥307,945	¥(4,186)	¥303,759
Segment profit	¥12,135	¥3,728	¥15,863	¥ 8	¥15,871
Other					
Depreciation	13,386	1,251	14,637		14,637

Thousands of British Pounds
2016

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	£2,469,014	£40,260	£2,509,274		£2,509,274
Intersegment sales or transfers	3,313	24,944	28,257	£ (28,257)	
Total	£2,472,327	£65,204	£2,537,531	£ (28,257)	£2,509,274
Segment profit	£45,172	£24,035	£69,207	£58	£69,265
Other					
Depreciation	136,720	8,318	145,038		145,038
Amortization of goodwill	36,501		36,501		36,501

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2016 and 2015, of ¥8 million (£58 thousand) and ¥8 million, respectively, are intersegment eliminations.
2. Segment profit is reconciled with operating income in the consolidated statement of income.
3. Segment assets and segment liabilities are not disclosed because they are not offered

periodically to the Board of Directors and they are not subject to management resource and performance evaluations.

d. Sales by Geographical Area

Sales by Geographical Area for the year ended 31 December 2016 was as follows. Note that 2015 is omitted due to immateriality.

Millions of Yen				
2016				
Japan	U.K.	U.S.A.	Other	Total
¥299,322	¥23,677	¥14,792	¥21,186	¥358,977

Thousands of British Pounds				
2016				
Japan	U.K.	U.S.A.	Other	Total
£2,092,284	£165,501	£103,399	£148,090	£2,509,274

Note: Sales are classified by country or region based on the location of customers.

e. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2016 and 2015, were as follows.

Millions of Yen		
	Media & Information Services	Other Business
Amortization of goodwill	¥5,221	¥5,221
Goodwill at 31 December 2016	¥95,569	¥95,569

Millions of Yen		
	Media & Information Services	Other Business
Amortization of goodwill		
Goodwill at 31 December 2015	¥155,565	¥155,565

Thousands of British Pounds		
	Media & Information Services	Other Business
Amortization of goodwill	£36,501	£36,501
Goodwill at 31 December 2016	£668,033	£668,033