

The Financial Times Limited

Registered Number:

00227590

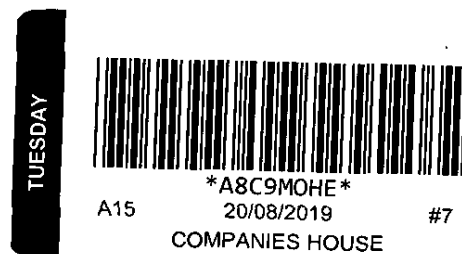
Annual Report and Financial Statements

For the Year Ended:

31 December 2018

Registered address:

Bracken House, 1 Friday Street, London EC4M 9BT
(formerly Number One Southwark Bridge, London,
SE1 9HL)



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 2018.

Business review

The Company's activities consist of one primary 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, How to Spend It, and The Banker.

Key performance indicators

In 2018, the FT's total circulation grew by 8% year-on-year to 985,000 (2017: 910,000) across print and online. Digital subscriptions grew by 11% to 796,000 (2017: 714,000). Digital paid readership represents more than three-quarters of the FT's total circulation. In 2018 FT's total digital content revenues grew by 11 per cent year on year, and revenues from combined subscriptions and newspaper sales now represent 55 per cent of total revenues. Advertising proved resilient with only minor declines of three per cent in digital advertising and five per cent in print advertising year on year, defying industry trends. There was a 15% increase in FT reader engagement in 2018, a key performance indicator measured by the frequency and length of reader visits to FT.com.

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 £8,226,000 (2017: profit of £5,383,000).

Approved and authorised for issue by the board



AM Fortescue
Company Secretary

05 August 2019

The Financial Times Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2018.

Future developments

Whilst we anticipate the external environment to remain challenging in 2019, we expect to benefit from continued growth in digital 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 a period of at least 12 months from the date of approval of the financial statements. 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 Company adheres to comprehensive legal guidelines and processes and has a strong communications team operating throughout the business. Risks, including the ongoing uncertainty around Brexit, are also monitored and reported to the board on a regular basis.

Dividends

No interim dividends were paid in the year (2017: nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2018 (2017: nil).

Political contributions

No political contributions were made during the year (2017: 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 (resigned 01 January 2019)
JD Lund
H Nomura
KM O'Riordan (appointed 01 January 2019)
JJ Ridding

Directors' insurance

During the year ended 31 December 2018, 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.

Post balance sheet events

On 23 July 2019, the Company did not participate in an optional top-up investment in Sifted (EU) Limited that resulted in the dilution of the Company's previous investment percentage to 24.58%.

Also on 23 July 2019, the Company subscribed for further shares in Sifted (EU) Limited in the form of 18,479 B-3 Preferred Shares for £499,993. As a result of this round of investment and the optional top-up investment referred to above, the Company's stake in Sifted was marginally reduced overall from 25.7% to 24.68%.

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.

The Financial Times Limited

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 2018, employees were provided with information by a variety of methods including the Company's internal communications tools of "Inside FT" and Workplace 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. Previously issued annually, from Q4 2018 onwards the employee engagement survey will run quarterly and in 2018 included 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, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

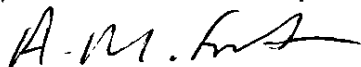
Disclosure of information to auditor

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.

Approved and authorised for issue by the board



AM Fortescue
Company Secretary
05 August 2019

Company registered number.
00227590

The Financial Times Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Financial Times Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

The Financial Times Limited

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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions 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 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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

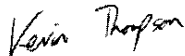
We have nothing to report in respect of these matters.

The Financial Times Limited

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

Use of our report

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.



Kevin Thompson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
05 August 2019

The Financial Times Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2018

		2018	2017
	Note	£'000	£'000
Continuing operations			
Revenue	3	323,599	321,434
Other income		736	698
Cost of sales		(178,182)	(173,232)
Gross profit		146,153	148,900
Distribution costs		(4,466)	(5,564)
Administrative expenses		(134,402)	(139,367)
Operating profit	4	7,285	3,969
Income from shares in group undertakings		631	686
Profit before interest and taxation		7,916	4,655
Finance income	7	413	278
Finance costs	7	(171)	(277)
Profit before taxation		8,158	4,656
Tax on profit	8	68	727
Profit for the financial year		8,226	5,383
Total comprehensive income for the year		8,226	5,383

The notes on pages 11 to 41 form an integral part of these financial statements.

The Financial Times Limited

BALANCE SHEET

As at:

31 December 2018

		2018	2017
	Note	£'000	£'000
Non current assets			
Intangible assets	9	103,916	97,980
Property, plant and equipment	10	4,327	2,541
Investments	11	10,689	9,589
Deferred tax asset	16	7,682	7,523
		126,614	117,633
Current assets			
Inventory	12	1,221	1,534
Trade and other receivables	13	104,868	115,742
Cash at bank and in hand		18,324	17,159
		124,413	134,435
Trade and other payables: amounts falling due within one year	14	(150,671)	(158,831)
Net current liabilities		(26,258)	(24,396)
Total assets less current liabilities		100,356	93,237
Provisions for liabilities	15	(3,914)	(5,021)
Net assets		96,442	88,216
Capital and reserves			
Called up share capital	17	141,200	141,200
Profit and loss account		(44,758)	(52,984)
Total shareholder's funds		96,442	88,216

The notes on pages 11 to 41 form an integral part of these financial statements.

The financial statements on pages 8 - 41 were approved by the board of directors and authorised for issue on 05 August 2019. They were signed on its behalf by:



JD Lund
Director

Company registered number:
00227590

The Financial Times Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2018

	Profit and loss account	Called up share capital	Total shareholder's funds
	£'000	£'000	£'000
At 1 January 2017	(57,549)	141,200	83,651
Profit for the financial year	5,383	-	5,383
Actuarial loss on defined benefit pension obligation	(818)	-	(818)
Total comprehensive income for the year	4,565	-	4,565
At 31 December 2017	(52,984)	141,200	88,216
Profit for the financial year	8,226	-	8,226
Total comprehensive income for the year	8,226	-	8,226
At 31 December 2018	(44,758)	141,200	96,442

The notes on pages 11 to 41 form an integral part of these financial statements.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

**For the year ended:
31 December 2018**

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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 with the exception of IFRS 9 and IFRS 15 which were adopted in 2018. The adoption of both IFRS 9 and IFRS 15 did not have a material impact on the financial statements and there has been no restatement of comparative amounts.

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 Bracken House, 1 Friday Street, London EC4M 9BT (formerly 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 financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

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, 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 23).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Although the Company is in a net current liabilities position this is largely driven by deferred income, and the directors have assessed that the Company has sufficient cash to service this balance. 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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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.

The first time adoption of IFRS 15 did not result in material changes to either the timing or amounts of revenue recognised by the Company. As a result no restatement has been made to comparative amounts

In line with IFRS 15, at contract inception, the company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations the Company considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Remaining performance obligations represent the transaction price of contracts for work that have not yet been performed, and is recorded as deferred income on the balance sheet.

Other income

Other income relates to intragroup management fees 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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Accounting policies (continued)

(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 - 5 years).

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation and impairment. 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. In line with IFRS 9, provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses. The adoption of IFRS 9 did not result in a change to the measurement of provisions for bad and doubtful debts.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

1

Accounting policies (continued)

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.

Pensions

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 an 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 Willis Towers Watson as at 31 December 2017.

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) Financial assets at amortised cost

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.

(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 2018

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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. Employment costs capitalised as software in 2018 amounted to £19,323,000 (2017: £9,479,000). 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 can be capitalised. Where a process/system is implemented to track internal labour time, management reviews and approves this methodology. If an employee is dedicated to the project but has time split between direct and indirect labour 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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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 life of 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. No impairment loss was recognised during the year in relation to any of the investments.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Revenue

	2018	2017
	£'000	£'000
Continuing operations		
Sale of goods	249,130	245,658
Provision of services	74,469	75,776
Total revenue	323,599	321,434

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

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 £15,361,000 of barter revenue (2017: £14,476,000) on a gross basis.

In line with IFRS 15 the Company disaggregates revenue by geographical market as shown below:

	2018	2017
	£'000	£'000
United Kingdom	142,038	142,012
Rest of Europe	82,399	83,649
North America	56,372	50,784
Asia and Middle East	34,579	37,271
Rest of World	8,211	7,718
Total revenue	323,599	321,434

The following table shows how much revenue recognised in the current period relates to carried forward deferred income:

	2018	2017
	£'000	£'000
Revenue recognised that was included in the deferred income balance at the beginning of the period	54,625	49,998

The following table shows an analysis of revenue split between revenues earned at a point in time and revenues earned over a period of time:

	2018	2017
	£'000	£'000
Revenue earned at a point in time	156,914	162,244
Revenue earned over a period of time	166,685	159,190
Total revenue	323,599	321,434

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Operating profit

Operating profit is stated after charging/(crediting):

		2018	2017
	Note	£'000	£'000
Staff costs	5	104,374	103,722
Depreciation of property, plant and equipment:			
- owned		1,239	1,679
- held under finance leases		34	45
Operating lease charges		7,192	7,316
Inventory costs		9,090	9,302
Amortisation of intangible assets included in operating expenses:			
- internally generated		18,976	16,916
- other		177	174
Impairment of tangible fixed assets:			
- owned		-	-
Net foreign exchange (gains)/loss		(307)	3,700
Fees payable to the Company's auditor:			
- auditing the financial statements of the Company		292	271
- taxation compliance services		-	10
- other assurance services		137	109

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Staff costs

	2018	2017
	£'000	£'000
Staff costs		
Wages and salaries	84,578	84,591
Social security costs	11,077	10,849
Other pension costs	8,719	8,282
	104,374	103,722

Pension costs include £889,000 (2017: £882,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £7,830,000 (2017: £7,400,000) represent the charge for funding of the Financial Times Retirement Plan.

	2018	2017
	Number	Number
Average monthly number of persons employed by the Company during the year		
Production	830	831
Selling and distribution	201	201
Administration	266	259
	1,297	1,291

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Directors' remuneration

	2018	2017
	£'000	£'000
Aggregate emoluments	3,294	4,689
Company contributions to money purchase pension schemes	30	35
	3,324	4,724

	2018	2017
	Number directors	Number directors
Directors accruing benefits under money purchase schemes	3	3

	2018	2017
Highest paid director	£'000	£'000
Aggregate emoluments	1,693	2,554
Defined contribution pension scheme - accrued pension at end of year	10	11

The amount earned by the highest paid director in the year was £1,693,000 as noted above. However, due to reinvestment of £510,000 into the Company, the total emoluments actually paid to the highest paid director amounted to £1,183,000.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Finance income and finance costs

	2018	2017
	£'000	£'000
Finance income		
Bank interest receivable	71	28
Interest receivable from group companies	342	250
Interest receivable and similar income	413	278

	2018	2017
	£'000	£'000
Finance costs		
Interest payable to group companies	71	190
Other interest	43	30
Pension finance expense	57	57
Interest payable and similar charges	171	277

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

8

Tax on profit

	2018	2017
	£'000	£'000
Current tax		
UK corporation tax on profit for the financial year	(272)	(296)
Adjustments in respect of prior years	(103)	(240)
Overseas taxation	466	477
Total current tax	91	(59)
Deferred tax		
Origination and reversal of temporary differences	(159)	(2,150)
In respect of provisions	0	1,274
Change in tax rates	0	208
Total deferred tax	(159)	(668)
Total tax (credit) for the year	(68)	(727)
UK standard effective rate of corporation tax (%)	19.00	19.25

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

	2018	2017
	£'000	£'000
Profit before taxation	8,158	4,656
Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.25%)	1,550	896
Effects of:		
Expenses not deductible for tax purposes	260	(207)
Unprovided deferred taxation in year	(1,848)	(1,445)
Higher tax rates on overseas earnings	466	477
Adjustments in respect of prior periods	(104)	(240)
Losses surrendered as group relief	(272)	296
Change in tax rates	(272)	(208)
Payment for group relief	272	(296)
Tax exempt dividend income	(120)	-
Total tax (credit) for the year	(68)	(727)

As enacted in Finance (No.2) Act 2015, the UK corporation tax rate reduced from 1 April 2017 to 19%. As a result, the Company's profit for the year is taxed at a statutory rate of 19.00% for the calendar year (2017: 19.25%). As enacted in Finance Act 2016, the UK corporation tax rate will reduce from 1 April 2020 to 17%. As a result, deferred tax is recognised at a blended rate of 17.83%, being the rate at which it is expected to reverse.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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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 2018	4,926	415	152,176	16,911	55,399	229,827
Additions	0	0	2,877	22,212	-	25,089
Transfers	0	0	34,473	(34,473)	-	-
At 31 December 2018	4,926	415	189,526	4,650	55,399	254,916
Accumulated amortisation and impairment						
At 1 January 2018	4,708	291	126,848	-	-	131,847
Charge for the year	135	42	18,976	-	-	19,153
At 31 December 2018	4,843	333	145,824	-	-	151,000
Net book value						
At 31 December 2017	218	124	25,328	16,911	55,399	97,980
At 31 December 2018	83	82	43,702	4,650	55,399	103,916

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

10

Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2018	1,906	3,819	24,294	355	30,374
Additions	-	65	427	2,533	3,025
Transfers	-	-	48	(48)	-
At 31 December 2018	1,906	3,884	24,769	2,840	33,399
Accumulated depreciation					
At 1 January 2018	1,829	3,805	22,199	-	27,833
Charge for the year	43	16	1,180	-	1,239
At 31 December 2018	1,872	3,821	23,379	-	29,072
Net book value					
At 31 December 2017	77	14	2,095	355	2,541
At 31 December 2018	34	63	1,390	2,840	4,327

The net carrying amount of assets held under finance leases included in fixtures and fittings is £72,000 (2017: £76,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

11

Investments

	2018	2017
	£'000	£'000
Subsidiary undertakings	30	30
Associates and joint ventures	10,659	9,559
	10,689	9,589

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

11a

Investments - subsidiary undertakings

	Total
	£'000
Cost	
At 1 January 2018	7,311
At 31 December 2018	7,311
Provision	
At 1 January 2018	7,281
At 31 December 2018	7,281
Net book value	
At 31 December 2017	30
At 31 December 2018	30

Details of directly held subsidiary undertakings:

				2018	2017
Subsidiary	Registered office address	Class of shares held	Place of incorporation	% held	% held
The Financial Times (Overseas) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
The Financial Times (France) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
The Financial Times (Japan) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
The Financial Times (Spain) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
Financial Times (ASC) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
St. Clements Press (1988) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly 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 2018

11a

Investments - subsidiary undertakings (continued)

Details of directly held subsidiary undertakings (continued):

The Financial Times (M-M UK) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
Mandatewire Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
FT Labs Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
FDI Intelligence Limited	Centrepont 6th Floor, 24 Ormeau Avenue, Belfast, BT2 8HS	Ordinary	Northern Ireland	100%	100%
Exec-Appointments Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
The Financial News Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
The Financial Times (Switzerland) Limited	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	Ordinary	England	100%	100%
Financial Times do Brasil Consultoria Ltda	Avenida Paulista, 2073, Ed. Horsa 1, sala 1206, Sao Paulo, CEP 01311-940, Brazil	Ordinary	Brazil	90%	98%

The Company owns 90% of the issued share capital of Financial Times do Brasil Consultoria Ltda, incorporated in Brazil. Financial Times Group Limited owns the remaining 10% 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended:
31 December 2018**

11b

Investments - associates and joint ventures

	Total
	£'000
Cost	
At 1 January 2018	9,559
Additions	1,100
At 31 December 2018	10,659
Net book value	
At 31 December 2017	9,559
At 31 December 2018	10,659

On 16 August 2018, the Company acquired a 25.7% stake of Sifted (EU) Limited for £1,100,000 and holds 54,500 B-1 Preferred Shares with a par value of £0.01 each.

Details of associate undertakings:

			2018	2017
Associate	Registered office address	Place of incorp	% held	% held
Sifted (EU) Limited	20-22 Wenlock Road, London, England, N1 7GU	UK	25.7%	0%

Details of joint venture undertakings:

			2018	2017
Joint ventures	Registered office address	Place of incorp	% held	% held
Headspring Limited (formerly Corporate Learning Alliance Limited)	Bracken House, 1 Friday Street, London EC4M 9BT (formerly Number One Southwark Bridge, London, SE1 9HL)	UK	50%	50%

Investments in 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 2018

11c

Other investments

	2018	2017
	£'000	£'000
Other investments	-	-
	-	-

Details of other investments :

		2018	2017
	Class of shares held	% owned	% owned
NLA Media Access Limited	Ordinary	12.5%	12.5%

As at 31 December 2018, the Company still owned 12.5% of ordinary shares valued at £1.00 each.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Inventory

	2018	2017
	£'000	£'000
Raw materials and consumables	1,221	1,534
	1,221	1,534

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Trade and other receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade receivables	39,811	38,352
Amounts owed by group undertakings:		
- immediate parent	570	6
- fellow group entities	40,020	35,805
Other taxation	3,813	15,245
Other receivables	1,421	5,533
Prepayments and accrued income	18,619	20,047
Corporation tax	614	754
Total trade and other receivables	104,868	115,742

Amounts owed by group undertakings include loans of: £3,775,000 attracting interest at 5.75%, £2,173,000 attracting interest at 2.30% and £4,830,000 attracting interest at 3 month LIBOR rates plus 100 basis points (2017: £812,000 attracting interest at 3 month LIBOR rates plus 100 basis points and £3,775,000 attracting interest at 5.5%). The loans are unsecured and repayable on demand.

The remaining amounts of £29,812,000 (2017: £31,224,000) owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £2,657,000 (2017: £3,239,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Trade and other payables

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Trade payables	6,318	10,218
Amounts owed to group undertakings:		
- immediate parent	280	17,252
- fellow group entities	47,837	29,457
Other taxation and social security	2,074	12,974
Other payables	2,690	1,711
Accruals and deferred income	91,472	87,219
	150,671	158,831

Amounts owed to group undertakings include loans of: £280,000 attracting interest at 1.16% and £292,000 attracting interest at 3 month LIBOR rates plus 100 basis points (2017: £17,252,000 attracting interest at rates ranging from 0.73% to 0.92% and £223,000 attracting interest at 3 month LIBOR rates plus 100 basis points). The loans are unsecured and repayable on demand.

The remaining amounts of £47,545,000 (2017: £29,234,000) owed to group undertakings are unsecured, interest free and repayable on demand.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Provisions

	Pensions	Re- organisations	Other Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2018	2,180	2,463	378	5,021
Utilised in the year	-	(653)	-	(653)
Amounts charged to the profit and loss account	212	729	180	1,121
Amounts released to the profit and loss account	-	(1,575)	-	(1,575)
At 31 December 2018	2,392	964	558	3,914

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. The defined benefit scheme is unfunded and subject to triennial valuation.

The reorganisation provision relates to redundancy obligations.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Deferred taxation asset

	Provisions	Total
Asset	£'000	£'000
At 1 January 2018	7,523	7,523
Credited to profit and loss	159	159
At 31 December 2018	7,682	7,682

The deferred tax asset recognised at 31 December 2018 is £7,682,000 (2017: £7,523,000).

A further net deferred tax asset of £10,741,000 (2017: £13,392,000) has not been recognised on provisions, capital allowances, goodwill 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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Called up share capital

	2018	2017
	£'000	£'000
Total authorised share capital	141,200	141,200

	2018	2017	2018	2017
	Number	Number	£'000	£'000
Ordinary shares £1 each				
Allotted, called up and fully paid	141,200,000	141,200,000	141,200	141,200

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Capital and other commitments

	2018	2017
Capital commitments are as follows	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	3,054	810
	3,054	810

The capital commitments disclosed above related to property, plant and equipment.

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:

	2018	2018	2017	2017
	Land and	Other	Land and	Other
	buildings		buildings	
	£'000	£'000	£'000	£'000
Within one year	3,503	26	3,447	27
Between two and five years	118	12	449	62
In over five years	0	0	25	0
	3,621	38	3,921	89

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Retirement benefit schemes

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.

	2018	2017
	£'000	£'000
Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid	7,830	7,400

Amounts relating to defined benefit schemes are detailed further in Note 15 Provisions. As the defined benefit arrangements are unfunded and not material no additional disclosure has been given here.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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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 2018, Financial Times (ASC) Limited had net liabilities of £807,000 (2017: £931,000).

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 2018, FT Personal Finance Limited had net liabilities of £19,616,000 (2017: £19,674,000).

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 2018, The Financial Times (M-M UK) Limited had net liabilities of £862,000 (2017: £1,462,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Post balance sheet events

On 23 July 2019, the Company did not participate in an optional top-up investment in Sifted (EU) Limited that resulted in the dilution of the Company's previous investment percentage to 24.58%.

Also on 23 July 2019, the Company subscribed for further shares in Sifted (EU) Limited in the form of 18,479 B-3 Preferred Shares for £499,993. As a result of this round of investment and the optional top-up investment referred to above, the Company's stake in Sifted was marginally reduced overall from 25.7% to 24.68%.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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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.

During the year the Company provided office space with a value of £16,000 (2017: £nil) to Sifted (EU) Limited, an associate of the Company. At the year end there were no amounts receivable from Sifted (EU) Limited (2017: £nil).

During the year the Company provided services to a value of £823,000 (2017: £563,000) to Headspring Limited (formerly Corporate Learning Alliance Limited), a joint venture of the Company. At the period end amounts receivable from Headspring Limited totalled £75,000 (2017: £60,000). In addition, the Company has advanced a loan to Headspring Limited, with amounts receivable at the period end totalling £1,795,000 (2017: £nil).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2018

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Ultimate parent undertaking

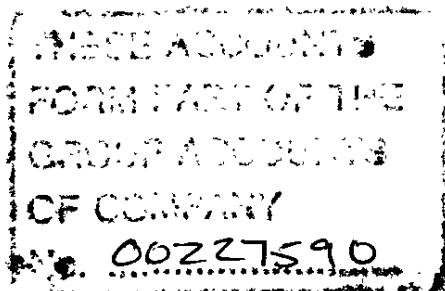
The immediate parent undertaking is Financial Times Group Limited.

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. Nikkei Inc. is incorporated in Japan and copies of Nikkei Inc.'s consolidated financial statements can be obtained from its registered office at 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 2018,
and Independent Auditor's Report*



CERTIFIED AS A TRUE COPY

SIGNATURE

森田 勝久

KATSUHISA MORITA
DIRECTOR, NIKKEI INC.

DATE

08 / 05 / 2019

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 2018, 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 2018, 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.



27 March 2019

Thousands of British Pounds	Thousands of British Pounds	Thousands of British Pounds
ASSETS	LIABILITIES AND EQUITY	
Millions of Yen (Note 1)	Millions of Yen (Note 1)	Millions of Yen (Note 1)
2018	2018	2018
2017	2017	2017

See notes to consolidated financial statements

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Income
Year Ended 31 December 2018

	Millions of Yen		Thousands of British Pounds (Note 1)
	2018	2017	2018
NET SALES (Note 18)	¥355,286	¥358,225	£2,531,428
COST OF SALES	<u>210,111</u>	<u>216,104</u>	<u>1,497,050</u>
Gross profit	145,175	142,121	1,034,378
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	<u>132,202</u>	<u>131,598</u>	<u>941,944</u>
Operating income	<u>12,973</u>	<u>10,523</u>	<u>92,434</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,173	980	8,359
Interest expense	(616)	(667)	(4,392)
Loss on sales and disposal of property, plant and equipment	(173)	(253)	(1,235)
Gain on sales of investment securities	1,845	56	13,145
(Loss)gain on sales of investments in subsidiaries and affiliated companies	(239)	496	(1,699)
Foreign exchange loss	(168)	(139)	(1,194)
Loss on valuation of investment securities	(957)	(2,591)	(6,817)
Loss on impairment of long-lived assets (Note 6)	(2,099)	(170)	(14,956)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,469	2,037	10,464
Other—net	<u>(296)</u>	<u>249</u>	<u>(2,112)</u>
Other income (expenses)—net	<u>(61)</u>	<u>(2)</u>	<u>(437)</u>
INCOME BEFORE INCOME TAXES	<u>12,912</u>	<u>10,521</u>	<u>91,997</u>
INCOME TAXES (Note 11):			
Current	7,081	3,961	50,450
Deferred	<u>(674)</u>	<u>(839)</u>	<u>(4,803)</u>
Total income taxes	<u>6,407</u>	<u>3,122</u>	<u>45,647</u>
NET INCOME	6,505	7,399	46,350
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>1,343</u>	<u>936</u>	<u>9,572</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥5,162</u>	<u>¥6,463</u>	<u>£36,778</u>
	Yen		British Pounds
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥206.47	¥258.51	£1.47
Cash dividends applicable to the year	15.00	15.00	0.11

See notes to consolidated financial statement

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Year Ended 31 December 2018

	Millions of Yen		Thousands of British Pounds (Note 1)
	<u>2018</u>	<u>2017</u>	<u>2018</u>
NET INCOME	¥6,505	¥7,399	£46,350
OTHER COMPREHENSIVE (LOSS)INCOME (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(2,307)	52	(16,436)
Deferred loss on derivatives under hedge accounting	(6)	(9)	(40)
Foreign currency translation adjustments	(9,574)	7,220	(68,213)
Defined retirement benefit plans	(4,589)	7,889	(32,700)
Share of other comprehensive income in associates	<u>315</u>	<u>435</u>	<u>2,243</u>
Total other comprehensive(loss) income	<u>(16,161)</u>	<u>15,587</u>	<u>(115,146)</u>
COMPREHENSIVE (LOSS)INCOME	<u>¥ (9,656)</u>	<u>¥ 22,986</u>	<u>£(68,796)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(10,056)	¥21,408	£(71,649)
Noncontrolling interests	400	1,578	2,853

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity
Year Ended 31 December 2018

	Thousands	Millions of Yen										
		Accumulated Other Comprehensive Income										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain 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 2017	25,000	¥ 2,500	¥ 10	¥280,219	¥ 16,466	¥ 9	¥ 9,699	¥ (43,879)	¥ (12,670)	¥252,354	¥21,707	¥274,061
Net income attributable to owners of the parent				6,463						6,463		6,463
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Change in the parent's ownership interest due to transactions with noncontrolling interests			(7)	(11)						(7)	(7)	(7)
Reversal of revaluation reserve for land										(11)		(11)
Net change in the year					213	(6)	11	7,159	7,580	14,957	1,349	16,306
BALANCE, 31 DECEMBER 2017	25,000	2,500	3	286,296	16,679	3	9,710	(36,720)	(5,090)	273,381	23,056	296,437
Net income attributable to owners of the parent				5,162						5,162		5,162
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Capital transactions with noncontrolling shareholders				(2,474)						(2,474)		(2,474)
Change in scope of consolidation				141						141		141
Change in scope of equity method				(54)						(54)		(54)
Change in the parent's ownership interest due to transactions with noncontrolling interests			301	(1,090)						301		301
Reversal of revaluation reserve for land										(1,090)		(1,090)
Net change in the year					(1,387)	(3)	1,090	(9,620)	(4,207)	(14,127)	(158)	(14,285)
BALANCE, 31 DECEMBER 2018	25,000	¥ 2,500	¥304	¥287,606	¥ 15,292	¥ (0)	¥ 10,800	¥ (46,340)	¥(9,297)	¥260,865	¥22,898	¥283,763

	Thousands of British Pounds (Note 1)										
	Accumulated Other Comprehensive Income										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain 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, 31 DECEMBER 2017	£ 17,813	£24	£2,039,871	£118,841	£24	£69,180	£(261,634)	£(36,268)	£1,947,851	£164,278	£2,112,129
Net income attributable to owners of the parent			36,778						36,778		36,778
Cash dividends, £0.11 per share			(2,672)						(2,672)		(2,672)
Capital transactions with noncontrolling shareholders			(17,625)						(17,625)		(17,625)
Change in scope of consolidation			1,002						1,002		1,002
Change in scope of equity method			(387)						(387)		(387)
Change in the parent's ownership interest due to transactions with noncontrolling interests		2,145									
Reversal of revaluation reserve for land			(7,764)							2,145	2,145
Net change in the year				(9,882)	(24)	7,764	(68,544)	(29,977)	(100,663)	(1,127)	(101,790)
BALANCE, 31 DECEMBER 2018	£ 17,813	£2,169	£2,049,203	£108,959	£(0)	£76,944	£(330,178)	£(66,245)	£1,858,665	£163,151	£2,021,816

See notes to consolidated financial statements

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Year Ended 31 December 2018

	Thousands of British Pounds (Note 1)	
	Millions of Yen	
	2018	2017
		2018
OPERATING ACTIVITIES:		
Income before income taxes	¥12,912	¥10,521
Adjustments for:		£91,997
Income taxes—paid	(3,364)	(4,602)
Depreciation and amortization	19,699	20,134
Loss on sales and disposal of property, plant and equipment	173	253
Loss on impairment of long-lived assets	2,099	170
Gain on sales of investments in subsidiaries and affiliated companies	(1,606)	(552)
Loss on valuation of investment securities	957	2,591
Amortization of goodwill	5,413	5,114
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,469)	(2,037)
Changes in assets and liabilities, net of effects:		
Decrease (increase) in notes and accounts receivable	1,978	(533)
Decrease in notes and accounts payable	(2,271)	(167)
(Decrease)increase in liability for employees' retirement benefits	(2,760)	857
Other—net	8,286	(4,648)
Total adjustments	27,135	16,580
Net cash provided by operating activities	40,047	27,101
INVESTING ACTIVITIES:		
Payments into time deposits	(44,485)	(48,429)
Proceeds from withdrawal of time deposits	45,566	49,544
Purchases of marketable securities	(1,000)	(3,000)
Proceeds from sales of marketable securities	3,000	5,498
Purchases of property, plant and equipment	(10,326)	(8,460)
Purchases of intangible assets	(11,040)	(10,810)
Purchases of investment securities	(729)	(4,636)
Proceeds from sales of investment securities	5,289	127
Purchases of investments in subsidiaries resulting in change in the scope of consolidation	(696)	
Payments for sales of investments in subsidiaries resulting in change in the scope of consolidation	(83)	
Proceeds from sales of investments in subsidiaries resulting in change in the scope of consolidation		676
Other—net	(306)	(67)
Net cash used in investing activities	(14,810)	(19,557)
FORWARD	¥25,237	¥7,544
		£179,812
		(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Year Ended 31 December 2018

	Millions of Yen		Thousands of British Pounds (Note 1)
	2018	2017	2018
FORWARD	<u>¥25,237</u>	<u>¥7,544</u>	<u>£179,812</u>
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	25,474	31,150	181,505
Repayments of short-term bank loans	(29,245)	(31,282)	(208,376)
Repayments of long-term bank loans	(9,504)	(9,504)	(67,716)
Dividends paid	(375)	(375)	(2,672)
Other—net	<u>(448)</u>	<u>(516)</u>	<u>(3,193)</u>
Net cash used in financing activities	<u>(14,098)</u>	<u>(10,527)</u>	<u>(100,452)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(718)	370	(5,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,421	(2,613)	74,243
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER		89	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>98,952</u>	<u>101,476</u>	<u>705,043</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥109,373</u>	<u>¥98,952</u>	<u>£779,286</u>

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2018

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥140.35 to £1, the approximate rate of exchange at 31 December 2018. 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 2018, include the accounts of the Company and its 39 (39 in 2017) 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 11 (13 in 2017) 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**—Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” 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**—ASBJ Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments,” requires 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. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and 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.

e. **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.

f. **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.

g. **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.

- h. 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 ownerships is not transferred is computed by the straight-line method over the lease period with no residual value carried.

- i. 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.
- j. 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.
- k. Software*—Software is amortized by the straight-line method based on the length of the period it can be used internally (mainly 5 years).
- l. 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.
- m. 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.

- n. Asset Retirement Obligations*—An asset retirement obligation is recorded for 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.

- o. Leases*—For a lessee, finance lease transactions are capitalised by recognizing lease assets and lease obligations in the balance sheet.
- p. Provision for sales returns*—Certain consolidated subsidiaries accrue provision for sales returns of books and magazines based on their historical sales returns rate experience.
- q. 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.
- r. Income Taxes*—The provision for income taxes is computed based on the 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.
- s. 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.
- t. 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.
- u. Derivatives and Hedge Activities*—The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange and 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 hedged debt is translated at the contracted rates of the foreign currency swaps.

- v. **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.

w. **New Accounting Pronouncements**

• **Revenue Recognition**

On 30 March, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after 1 April, 2021. Earlier application is permitted for annual periods beginning on or after 1 April, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after 1 January, 2022, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods

• **Lease**

On 13 January, 2016, the international Accounting Standards Board(IASB) issued IFRS16 "Leases" requiring recognition of substantially all lease assets and lease liabilities on the balance sheet.

Certain overseas subsidiaries which apply IFRS expect to apply this accounting standard from the beginning of the annual period beginning on 1 January, 2019, and are in the process of measuring the effects of applying the accounting standard in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Current:			
Debt securities and other	¥1,000	¥1,000	£7,125
Total	¥1,000	¥1,000	£7,125
Non-current:			
Equity securities	¥32,692	¥34,943	£232,930
Debt securities and other	277	2,542	1,976
Total	¥32,969	¥37,485	£234,906

The costs and aggregate fair values of marketable and investment securities at 31 December 2018 and 2017, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,704	¥19,229	¥(346)	¥27,587
Held-to-maturity	1,000		(0)	1,000
31 December 2017				
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,994	¥22,031	¥(23)	¥29,002
Held-to-maturity	3,200	2	(0)	3,202
	Thousands of British Pounds			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	£62,017	£137,009	£(2,467)	£196,559
Held-to-maturity	7,125	0	(1)	7,124

The information for available-for-sale securities which were sold during the years ended 31 December 2018 and 2017, was as follows:

		Millions of Yen		
		Proceeds	Realized Gains	Realized Losses
<u>31 December 2018</u>				
Available-for-sale:				
Equity securities		¥ 2,744	¥ 1,845	
Total		¥ 2,744	¥ 1,845	
<u>31 December 2017</u>				
Available-for-sale:				
Equity securities		¥ 72	¥ 56	
Total		¥ 72	¥ 56	
		Thousands of British Pounds		
		Proceeds	Realized Gains	Realized Losses
<u>31 December 2018</u>				
Available-for-sale:				
Equity securities		£ 19,548	£ 13,146	
Total		£ 19,548	£ 13,146	

The impairment losses on available-for-sale equity securities for the years ended 31 December, 2018 and 2017, were ¥957million (£6,817 thousand) and ¥2,591million, respectively.

4. INVENTORIES

Inventories at 31 December 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Merchandise	¥ 121	¥ 148	£ 863
Finished products	845	766	6,019
Work in process	1,528	1,517	10,886
Raw materials and supplies	772	835	5,505
Total	¥3,266	¥3,266	£23,273

5. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Time deposits	<u>¥23,718</u>	<u>¥24,991</u>	<u>£168,989</u>
Total	<u>¥23,718</u>	<u>¥24,991</u>	<u>£168,989</u>

6. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

Impairment loss for the year ended 31 December 2018 and 2017, consisted of the following:

Location	Classification by Use	Type of Assets	Millions of Yen
			2018
Osaka (Osaka)	Business assets	Buildings and Structures	¥303
		Machine	100
		Land	1,692
		Furniture and Fixtures	4

Location	Classification by Use	Type of Assets	Millions of Yen
			2017
Ashigarashi mogun (Kanagawa)	Idle assets	Buildings and Structures	¥72
		Land	28
Kobe (Hyogo)	Business assets	Buildings and Structures	9
		Land	60
		Furniture and fixtures	1

Location	Classification by Use	Type of Assets	Thousands of British Pounds
			2018
Osaka (Osaka)	Business assets	Buildings and Structures	£2,159
		Machine	713
		Land	12,051
		Furniture and Fixtures	33

Business assets are grouped based on the business. Idle assets and assets held for rent are grouped on an individual asset base. Corporate headquarters facilities are grouped as the corporate assets. The Group reviewed assets planned to close due to the reorganization of printing plants for impairment as of 31 December 2018. As a result, the Group recognized an impairment loss of ¥2,099 million (£14,956 thousand).

The carrying amounts were written down to net realizable value, real estate appraisal value and the differences were recognized as impairment loss.

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

Short-term bank loans at 31 December 2018 and 2017, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.42% and 0.41% at 31 December 2018 and 2017, 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 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Unsecured loans from banks with average interest rates of 0.29% (2018) and 0.29% (2017)	¥100,992	¥110,496	£719,572
Obligations under finance leases	376	441	2,681
Total	101,368	110,937	722,253
Less current portion	(9,643)	(9,711)	(68,708)
Long-term debt, less current portion	<u>¥91,725</u>	<u>¥101,226</u>	<u>£653,545</u>

Annual maturities of long-term debt, excluding finance leases (see Note 12), at 31 December, 2018, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2019	¥ 9,504	£67,716
2020	9,504	67,716
2021	9,504	67,716
2022	9,504	67,716
2023	9,504	67,716
2024 and thereafter	<u>43,968</u>	<u>313,276</u>
Total	<u>¥91,488</u>	<u>£651,856</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£143 thousand), collateralized notes and accounts payable of ¥86 million (£613 thousand) and collateralized other current liabilities of ¥5,295 million (£37,727 thousand) at 31 December 2018, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£549
Property, plant and equipment—net of accumulated depreciation	9,482	67,561
Investment securities	47	332
Total	<u>¥9,606</u>	<u>£68,442</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 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Balance at beginning of year	¥184,387	¥186,253	£1,313,768
Current service cost	5,221	5,423	37,202
Interest cost	1,540	1,610	10,978
Actuarial losses	(222)	(1,411)	(1,584)
Benefits paid	(7,522)	(7,666)	(53,600)
Foreign currency translation differences	(138)	167	(985)
Others	(40)	11	(288)
Balance at end of year	<u>¥183,226</u>	<u>¥184,387</u>	<u>£1,305,491</u>

b. The changes in plan assets for the years ended 31 December 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Balance at beginning of year	¥133,174	¥122,117	£948,868
Expected return on plan assets	3,908	3,569	27,852
Actuarial losses	(9,949)	6,691	(70,893)
Contributions from the employer	6,005	6,591	42,793
Benefits paid	(5,742)	(5,800)	(40,913)
Foreign currency translation differences	(8)	(5)	(58)
Others	(0)	11	(0)
Balance at end of year	<u>¥127,388</u>	<u>¥133,174</u>	<u>£907,649</u>

- 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 2018 and 2017 was as follows:*

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Funded defined benefit obligation	¥162,383	¥164,967	£1,156,985
Plan assets	(134,252)	(140,254)	(956,548)
Total	28,131	24,713	200,437
Unfunded defined benefit obligation	30,577	28,882	217,850
Net liability arising from defined benefit obligation	¥58,708	¥ 53,595	£418,287
	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Liability for retirement benefits	¥65,525	¥62,341	£466,865
Asset for retirement benefits	(6,817)	(8,746)	(48,578)
Net liability arising from defined benefit obligation	¥58,708	¥53,595	£418,287

- d. *The components of net periodic benefit costs for the years ended 31 December 2018 and 2017, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Service cost	¥5,221	¥ 5,423	£37,203
Interest cost	1,541	1,610	10,978
Expected return on plan assets	(3,909)	(3,568)	(27,852)
Recognized actuarial losses	3,952	3,322	28,158
Amortization of prior service cost	(353)	(310)	(2,516)
Others	1,099	394	7,828
Net periodic benefit costs	¥ 7,551	¥ 6,871	£53,799

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2018 and 2017, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Prior service cost	¥(353)	¥(309)	£(2,516)
Actuarial (gains) losses	(5,766)	11,432	(41,088)
Total	¥ (6,119)	¥11,123	£(43,604)

- f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2018 and 2017, were as follows:**

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Unrecognized prior service cost	¥749	¥ 1,102	£5,338
Unrecognized actuarial gains	(13,460)	(7,694)	(95,908)
Total	¥ (12,711)	¥ (6,592)	£(90,570)

g. Plan assets

(1) Components of plan assets

Plan assets as at 31 December 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	38%	36%
Equity investments	30	34
General accounts	11	10
Cash and cash equivalents	3	4
Others	18	16
Total	100%	100%

Note: Total plan assets at 31 December 2018 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 2018 and 2017, were set forth as follows:**

	2018	2017
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 2018 and 2017**

¥2,288 million (£16,300 thousand) and ¥2,162 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Balance at beginning of year	¥2,147	¥2,120	£15,299
Additional provisions associated with the acquisition of property, plant and equipment	36	27	260
Reconciliation associated with changes in accounting estimates	136	(11)	971
Reconciliation associated with passage of time	17	17	120
Others	(116)	(6)	(830)
Balance at end of year	<u>¥2,220</u>	<u>¥2,147</u>	<u>£15,820</u>

Changes in accounting estimates were recorded as it became evident that the estimate of the discounted cash flows required for future asset retirement would change at the beginning of the year. A reconciliation has been prepared for the change, which resulted in a increase of the asset retirement obligation for the years ended 31 December 2018 by 136 million (£971 thousand).

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 30.8% and 30.9% for the years ended 31 December 2018 and 2017, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Deferred tax assets:			
Liability for retirement benefits	¥20,258	¥ 18,076	£144,342
Excess of depreciation of property, plant and equipment	5,929	5,682	42,247
Tax losses carryforwards	2,675	3,482	19,058
Investment securities	1,771	1,395	12,617
Accrued expenses	993	1,151	7,074
Allowance for doubtful receivables	464	459	3,306
Other	6,630	6,585	47,241
Less valuation allowance	(10,703)	(10,321)	(76,265)
Total	¥28,017	¥26,509	£199,620
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 936	¥ 907	£ 6,667
Unrealized gain on available-for-sale securities	5,629	6,524	40,108
Intangible assets	3,969	4,676	28,276
Other	1,753	1,970	12,489
Total	12,287	14,077	87,540
Net deferred tax assets	¥15,730	¥ 12,432	£112,080

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 2018, is as follows:

	2018
Normal effective statutory tax rate	30.8 %
Expenses not deductible for income tax purposes	1.8
Local inhabitants tax on per capital basis	0.8
Valuation allowance	3.3
Equity in earnings of an associated company	(3.5)
Expired tax losses carryforwards	1.5
Amortization of goodwill	15.6
Other—net	(0.7)
Actual effective tax rate	49.6 %

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected for the year ended 31 December 2017, is not disclosed because the difference between the normal effective statutory tax rates and the actual effective tax rates is immaterial.

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 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Due within one year	¥401	¥431	£2,858
Due after one year	139	533	987
Total	¥540	¥964	£3,845

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Due within one year	¥895	¥1,092	£6,378
Due after one year	4,331	5,226	30,856
Total	¥5,226	¥6,318	£37,234

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 semi-annually. 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
31 December 2018			
Cash and cash equivalents	¥109,373	¥109,373	
Notes and accounts receivable	35,579	35,579	
Short-term investments	23,718	23,718	
Marketable securities and investment securities	28,587	28,587	¥ (0)
Investments in unconsolidated subsidiaries and associated companies	25,500	21,631	(3,869)
Total	¥222,757	¥218,888	¥(3,869)
Short-term bank loans	¥9,377	¥9,377	
Notes and accounts payable	25,875	25,875	
Long-term debt	101,369	101,539	¥170
Total	¥136,621	¥136,791	¥170
Derivatives	¥ (0)	¥ (0)	
31 December 2017			
Cash and cash equivalents	¥98,952	¥98,952	
Notes and accounts receivable	39,069	39,069	
Short-term investments	24,991	24,991	
Marketable securities and investment securities	32,202	32,203	¥ 1
Investments in unconsolidated subsidiaries and associated companies	27,987	25,794	(2,193)
Total	¥223,201	¥221,009	¥(2,192)
Short-term bank loans	¥13,371	¥13,371	
Notes and accounts payable	26,562	26,562	
Long-term debt	110,936	110,438	¥ (498)
Total	¥150,869	¥150,371	¥ (498)
Derivatives	¥ 8	¥ 8	
Thousands of British Pounds			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
31 December 2018			
Cash and cash equivalents	£779,286	£ 779,286	
Notes and accounts receivable	253,500	253,500	
Short-term investments	168,989	168,989	
Marketable securities and investment securities	203,685	203,683	£ (1)
Investments in unconsolidated subsidiaries and associated companies	181,693	154,126	(27,568)
Total	£1,587,153	£1,559,584	£ (27,569)
Short-term bank loans	£ 66,814	£ 66,814	
Notes and accounts payable	184,362	184,362	
Long-term debt	722,253	723,463	£1,210

Total	£ 973,429	£ 974,639	£1,210
Derivatives	£ (0)	£ (0)	

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 3.

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
	2018	2017	2018
Investment securities that do not have a quoted market price in an active market	¥ 5,105	¥ 5,941	£ 36,370
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	16,616	17,225	118,386
Convertible bonds			
Investments in capital of partnership	277	342	1,976

(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 2018				
Cash and cash equivalents	¥ 109,373			
Notes and accounts receivable	35,579			
Marketable securities and investment securities:				
Held-to-maturity securities	16,500			
Available-for-sale securities with contractual maturities	33	¥81	¥99	
Total	¥161,485	¥81	¥99	
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 2018				
Cash and cash equivalents	£ 779,286			
Notes and accounts receivable	253,500			
Marketable securities and investment securities:				
Held-to-maturity securities	117,563			
Available-for-sale securities with contractual maturities	237	£575	£702	
Total	£1,150,586	£575	£702	

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 2018 and 2017:

		Millions of Yen		
		Contract	Contract	Fair
		Amount Due	after One	Value
		Amount	Year	
31 December 2018		Hedged		
		Item		
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 173		¥ (0)
—Forward contract applied for designated transactions	Payables	22		(0)
Currency swaps	Long-term	60,595	¥54,893	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	100,992	91,488	
(fixed rate payment, floating rate receipt)	debt			
31 December 2017				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 260		¥8
—Forward contract applied for designated transactions	Payables	101		3
Currency swaps	Long-term	66,298	¥60,595	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	110,496	100,992	
(fixed rate payment, floating rate receipt)	debt			
		Thousands of British Pounds		
		Contract	Contract	Fair
		Amount Due	after One	Value
		Amount	Year	
31 December 2018		Hedged		
		Item		
Foreign currency forward contracts.				
Buying U.S.\$				
—Deferral hedge	Payables	£ 1,229		£(0)
—Forward contract applied for designated transactions	Payables	153		(0)
Currency swaps	Long-term	431,743	£391,114	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	719,572	651,856	
(fixed rate payment, floating rate receipt)	debt			

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

The above interest rate swaps and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps and currency swaps in Note 13 is included in that of hedged items.

15. CONTINGENT LIABILITIES

At 31 December 2018, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of British Pounds
Guarantees and similar items related to bank loans	¥2,036	£14,507

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income(loss) for the years ended 31 December 2018 and 2017, were as follows:

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Unrealized (loss) gain on available-for-sale securities:			
Amount arising during the year	¥(1,147)	¥263	(8,175)
Reclassification adjustments to profit or loss	(2,063)	(192)	(14,699)
Amount before income tax effect	(3,210)	71	(22,874)
Income tax effect	903	(19)	6,438
Total	¥(2,307)	¥52	£(16,436)
Deferred loss on derivatives under hedge accounting:			
Amount arising during the year	¥(6)	¥(9)	£(40)
Income tax effect			
Total	¥(6)	¥(9)	£(40)
Foreign currency translation adjustments:			
Amount arising during the year	¥(9,446)	¥7,213	(67,301)
Reclassification adjustments to profit or loss	(128)	7	(912)
Total	¥(9,574)	¥7,220	£(68,213)
Defined retirement benefit plans:			
Amount arising during the year	¥(9,728)	¥8,108	£(69,310)
Reclassification adjustments to profit	3,608	3,015	25,706
Amount before income tax effect	(6,120)	11,123	(43,604)
Income tax effect	1,531	(3,234)	10,904
Total	¥(4,589)	¥7,889	£(32,700)
Share of other comprehensive income in associates:			
Gains arising during the year	¥780	¥483	£5,554
Reclassification adjustments to loss	(465)	(48)	(3,311)
Total	¥315	¥435	£2,243
Total other comprehensive (loss) income	¥(16,161)	¥15,587	£(115,146)

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2018, was approved at the Company's shareholders meeting held on 28 March 2019:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Year-end cash dividends, ¥15.00 (£0.11) per share	¥375	£2,672

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 electrical media (Nikkei Telecom, QUICK FactSet Workstation, etc.) TV program producing 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
2018

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	¥349,907	¥5,379	¥355,286		¥355,286
Intersegment sales or transfers	493	4,217	4,710	¥(4,710)	
Total	¥350,400	¥9,596	¥359,996	¥(4,710)	¥355,286
Segment profit	¥9,880	¥3,084	¥12,964	¥9	¥12,973
Other					
Depreciation	17,878	1,821	19,699		19,699
Amortization of goodwill	5,413		5,413		5,413

Millions of Yen
2017

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	¥352,958	¥5,267	¥358,225		¥358,225
Intersegment sales or transfers	474	3,821	4,295	¥(4,295)	
Total	¥353,432	¥9,088	¥362,520	¥(4,295)	¥358,225
Segment profit	¥7,508	¥3,006	¥10,514	¥9	¥10,523
Other					
Depreciation	18,649	1,485	20,134		20,134
Amortization of goodwill	5,114		5,114		5,114

Thousands of British Pounds
2018

	Reportable Segments			Reconciliations	Consolidated
	Media & Information Services	Other Business	Total		
Sales:					
Sales to external customers	£2,493,102	£38,326	£2,531,428		£2,531,428
Intersegment sales or transfers	3,511	30,046	33,557	£(33,557)	
Total	£2,496,613	£68,372	£2,564,985	£(33,557)	£2,531,428
Segment profit	£70,392	£21,980	£92,372	£62	£92,434
Other					
Depreciation	127,380	12,976	140,356		140,356
Amortization of goodwill	38,567		38,567		38,567

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2018 and 2017, of ¥9 million (£61 thousand) and ¥9million, 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 Areas

Sales by Geographical Areas for the year ended 31 December 2018 and 2017, were as follows:

Millions of Yen				
2018				
Japan	U.K.	U.S.A.	Other	Total
¥294,210	¥23,948	¥15,673	¥21,455	¥355,286

Millions of Yen				
2017				
Japan	U.K.	U.S.A.	Other	Total
¥298,361	¥23,774	¥15,329	¥20,761	¥358,225

Thousands of British Pounds				
2018				
Japan	U.K.	U.S.A.	Other	Total
£2,096,260	£170,633	£111,668	£152,867	£2,531,428

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

e. Loss on impairment of long-lived assets by Reportable Segment

Loss on impairment of long-lived assets for the year ended 31 December 2018 and 2017, were as follows.

Millions of Yen		
2018		
Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	¥2,099	¥2,099

Millions of Yen		
2017		
Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	¥170	¥170

	Thousands of British Pounds		
	2018		
	Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	£14,956		£14,956

f. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2018 and 2017, were as follows.

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,413		¥5,413
Goodwill at 31 December 2018	¥83,473		¥83,473

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,114		¥5,114
Goodwill at 31 December 2017	¥95,276		¥95,276

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Amortization of goodwill	£38,567		£38,567
Goodwill at 31 December 2018	£549,749		£549,749

19. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2018 of TV TOKYO Holdings Corporation which was classified as a significant affiliated company, is as follows:

a. Consolidated Balance sheet

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Total current assets	¥67,972	¥62,240	£484,305
Total non-current assets	55,563	54,035	395,887
Total current liabilities	32,876	31,645	234,241
Total non-current liabilities	6,731	6,186	47,958
Total equity	¥83,929	¥78,444	£597,995

b. Consolidated Statement of income

	Millions of Yen		Thousands of British Pounds
	2018	2017	2018
Operating revenue	¥147,104	¥142,680	£1,048,121
Income before income taxes	9,454	7,094	67,358
Net income	¥6,058	¥4,286	£43,165