

The Financial Times Limited

Registered Number:

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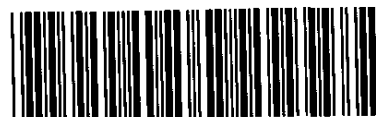
Annual Report and Financial Statements
For the Year Ended:

31 December 2019

Registered address:

Bracken House, 1 Friday Street, London EC4M 9BT

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The Financial Times Limited

STRATEGIC REPORT

The directors present their Strategic Report of The Financial Times Limited (the "Company") for the year ended 31 December 2019.

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, comment 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, Financial Adviser, fDi Magazine, How to Spend It, and The Banker.

Section 172 Statement

Section 172 requires that "a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) The likely consequences of any decision in the long term;
- b) The interests of the company's employees;
- c) The need to foster the company's business relationships with suppliers, customers and others;
- d) The impact of the company's operations on the community and the environment;
- e) The desirability of the company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly between members of the company."

The statutory board (the "Board") delegates responsibility to the management board for developing and implementing strategy, and for the day to day management of the business. Reporting to the management board, there are a number of decision-making committees across the Company. These committees help the management board to drive strategy, allocate resources and govern the approach to issues such as data usage and technology, and compliance with the FT's Editorial Code.

In performing their duties under s.172, the directors of the Company have had regard to the matters set out in s.172(1) as described below.

During the year, the brand values of the Company have been reviewed and updated; the directors continue to ensure they are applied throughout the Company. The brand values, which are reflective of the Company's desire to maintain a reputation for high standards of business conduct, are:

- *Integrity*: we are truthful, accurate, ethical and decent;
- *Trust*: we deliver our commitments;
- *Curiosity*: we are open minded and eager to learn, always exploring new ideas;
- *Subscriber focus*: we have an unmatched understanding of our subscribers and channel our resources to meet their needs;
- *Ambition*: we are leaders not followers, aiming to be the best and make a difference;
- *Inclusion*: we value different perspectives and experiences, making us truly global in outlook.

The Board recognises that to compete in an ever-changing world, the Company needs to be strong from the inside out. Developing a clear set of brand values and personality helps the Company to cohere and supports consistent decision-making.

During 2018 - 2019, a Governance Review Group was established to review and enhance the FT Group's governance policies and processes, ensuring alignment with best practice and developments in UK regulation. Made up of members of the Board (including the CEO), management board, senior journalists, representatives from our ultimate shareholder Nikkei and the company secretary, its goals were to:

The Financial Times Limited

Section 172 Statement (continued)

- Review and enhance the FT Group's governance policies and processes, ensuring they align with UK standards and changes in UK regulation coming into effect in 2019.
- Ensure that FT Group governance aligns with Nikkei governance, the FT being a private company wholly owned by Nikkei and sitting within the oversight mechanisms, internal and external, of Nikkei Inc.
- Ensure that the Company's successful and dynamic business model is supported by robust and agile decision-making structures. These should underpin its continued stability, sustainability and growth in a sector characterised by constant disruption.
- Enhance transparency and communications about FT Group governance for the benefit of employees, to create better awareness of the way decisions are made and by whom, enabling better planning and implementation of company strategy.

The review group held in-depth discussions about three broad, overlapping areas: oversight of the FT Group and its performance by its owner and sole shareholder, Nikkei; internal decision-making processes and transparency; and engagement, including employee engagement. Recommendations of the Governance Review Group have been published to all staff and are being implemented with the endorsement of the Board.

The Company is not required to adopt a UK Corporate Governance code, however we strive for best practice and believe that our approach is broadly aligned with the Wates Corporate Governance Principles.

In February 2019, externally facilitated training was provided to all directors covering the duties of directors in the context of Section 172. On appointment to the Board and management board, new directors are also provided with training and guidance on their duties, and refreshers will be provided to all directors on a regular basis. Appointment letters for directors joining the statutory and management board were formalised in 2019 to reflect their statutory duties better.

The Board's decision-making is appropriately informed by s.172 factors, which are actively considered and referenced in board minutes and aided by the inclusion of these factors in board papers to the extent relevant. Guidance regarding the factors the Board must consider in their decision-making is available to senior managers who prepare board papers.

The following table provides further examples of the effect that having regard to the s.172 factors has had on the Company's decisions and strategies during the financial year.

Section 172 (1) factors	Matter
a) the likely consequences of any decision in the long term; and f) the need to act fairly between members of the company.	The Board formally considers, approves and adopts strategic and operating plans and budgets annually as appropriate. In 2019 it reviewed and discussed the 2020-2025 Strategic Plan with Nikkei management prior to its formal consideration and approval. The management board is regularly updated on and actively monitors the Company's progress against these plans.
a) the likely consequences of any decision in the long term; and b) the interests of the company's employees; and c) the need to foster the company's business relationships with suppliers.	In April 2019 the Board considered and approved the transition of the product and technology teams supporting our 'Specialist Titles' to a supplier in Bulgaria, with the aim of achieving a significant increase in capability that will enable product and service enhancements, modernisation of the technology that underpins Specialist titles, and the ability to expand and diversify to cover new markets and audience groups as part of the 'FT Specialist' business and product strategy.

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Section 172 Statement (continued)

	<p>(continued) In transitioning the team, the Board considered in particular the potential impact on employees and this enabled the transition to take place without any roles becoming redundant.</p> <p>To encourage and foster a strong working relationship, the Board agreed that regular visits by senior management and Board to our key technology supplier in Bulgaria should be encouraged. This decision has further enhanced the relationship with the supplier, their understanding of the FT business and therefore their ability to support and engage with the Company.</p>
<p>a) the likely consequences of any decision in the long term; and b) the interests of the company's employees.</p>	<p>In 2019 the Company moved headquarters and returned to its historical home at Bracken House. To enable staff opinion and concerns to be heard and considered ahead of the move, the Board endorsed the establishment of the New Bracken House (NBH) Project Team. Each internal department nominated a representative to collect questions, concerns and opinions from their colleagues, to bring to a weekly meeting with the Project Team, and to relay information back to their respective teams.</p> <p>A microsite was created to provide information, in addition to bi-weekly newsletters and information emails sent to all UK staff. UK staff also had the opportunity to visit the new office in advance for a walk through.</p> <p>During the move, each staff member was greeted on their first day, given directions and provided with a "welcome" bag.</p> <p>The Board was updated on staff experiences of the move through a continuous process of feedback and improvement over the course of several weeks.</p> <p>Overwhelmingly, staff feedback was good: on each first day in the new location, 97% of staff were working in under 30 minutes, and the move process was rated extremely positively by our teams.</p>
<p>b) the interests of the company's employees;</p>	<p>The Board has engaged with and consulted employees and their representatives on a regular basis, to enable the Board to have regard to their interests when making decisions. A detailed summary of this is covered in the Directors' Report under Engagement with employees.</p>
<p>c) the need to foster the company's business relationships with suppliers, customers and others;</p>	<p>The Board recognises the importance of maintaining good working relationships with the Company's suppliers, customers and others and that effective engagement with these stakeholders is key in order to successfully deliver the Company's strategy. A detailed summary of this is covered in the directors' report under the section titled Engagement with suppliers, customers and others.</p>

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Section 172 Statement (continued)

d) the impact of the company's operations on the community and the environment;	In September 2019, the Company launched a brand campaign named the "New Agenda", underlining the role of the FT as a trusted guide, putting the brand on the side of responsible business, and reinforcing our critical role in holding power to account. The campaign provoked debate about issues like slowing productivity and rising inequality, and their impact on liberal democracy.
d) the impact of the company's operations on the community and the environment;	<p>The Board recognises the importance of conducting business in a responsible manner in line with our brand values and the broader role of the FT in the media industry. At both the company and group level we have established partnerships with a number of external organisations to encourage and support diversity in journalism and media organisations. In the UK, these include The Student View media literacy initiative and the Journalism Diversity Fund, to name just two.</p> <p>We also work with multiple organisations and charities to offer mentoring, internships, work experience placements and workshops to young people from disadvantaged backgrounds and those with disabilities.</p> <p>In 2019, the Company also supported the local community through Volunteering Matters, whereby FT volunteers assisted with reading in local schools and contributed funds to the programme.</p> <p>The Company also offered work experience placements and workshops for local Southwark schools via the Southwark Education Business Alliance (SEBA).</p> <p>The FT matches charitable donations up to £500 per year per employee and all employees may have up to two days of paid volunteer leave in any calendar year. It also contributes to local seasonal and sector specific events at St Bride's Church.</p>
e) the desirability of the company maintaining a reputation for high standards of business conduct;	<p>The Board approved the Company's annual statement on Modern Slavery, and Tax Policy Statement. It has further ensured that robust policies are in place on Anti-Bribery and Corruption, Conflicts of Interest and Whistleblowing, as well as a stringent Editorial Code of Practice. The Board ensures that all policies are effectively communicated to employees and that periodic reviews are undertaken to renew and refresh policies as appropriate.</p> <p>As referred to above, the brand values of the Company were reviewed and updated in 2019 and the directors continue to ensure they are applied throughout the Company.</p>
f) the need to act fairly as between members of the company.	The Company is wholly owned by the Financial Times Group Limited, which is wholly owned by Nikkei, Inc., a privately owned Japanese registered company. The Company's CEO reports to the Chairman of Nikkei on the overall performance of the Group and Company as set out in regular detailed business reports. Nikkei is represented on the Company's statutory and management boards and the Company is subject to oversight by the audit and supervisory boards of Nikkei.

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Key performance indicators

In 2019 the FT reached and surpassed its longstanding goal of one million paying readers across print and digital formats. The FT's total circulation grew by 11% year-on-year to 1,090,000 (2018: 985,000) across print and online. Digital subscriptions grew by 15% to 916,000 (2018: 796,000). Digital paid readership represents more than three-quarters of the FT's total circulation. Digital content revenues rose nine per cent year on year, and revenues from content make up 60 percent of the total. Increased income from events, research and advisory services and a robust advertising performance more than offset a slight decline in print revenues.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are reported in the Directors' Report on page 6.

Results

The profit for the financial year after taxation was £1,885,000 (2018: profit of £8,226,000).

Approved and authorised for issue by the board.

DocuSigned by:

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AM Fortescue
Company Secretary

03 December 2020

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 2019.

Future developments

Whilst we anticipate the external environment to remain challenging in 2020 due to the economic impact of the COVID-19 pandemic, we expect to benefit from continued growth in digital subscription revenues with print advertising and events remaining volatile.

Going concern

As detailed below and within Note 1 to the accounts, the directors have made a thorough assessment of the impact of the unfolding COVID-19 pandemic on the Company's ability to continue operating as a going concern. Although the Company has net current liabilities, and we expect to see a reduction in both revenue and profitability, and for cash flow to be negative for the year, we have a reasonable expectation that our cash reserves and the cost saving measures we have introduced mean that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Company has access to the group's newly arranged £100m committed loan facility via its immediate parent company. As such, we continue to adopt the going concern basis of preparation.

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 and COVID-19, are also monitored across the Financial Times group (which includes the Company) and are reported to the Financial Times group management board on a regular basis. Procedures are in place to ensure that any risks specific to the Company are reported to its board.

Dividends

No interim dividends were paid in the year (2018: nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: nil).

Political contributions

No political contributions were made during the year (2018: 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 (resigned 16 January 2020)
C De Bono (resigned 01 January 2019)
R Khalaf Razzouk (appointed 17 January 2020)
JD Lund
M Matsumoto (appointed 26 March 2020)
H Nomura (resigned 26 March 2020)
KM O'Riordan (appointed 01 January 2019)
JJ Ridding

Directors' insurance

During the year ended 31 December 2019, 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.

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DIRECTORS' REPORT (continued)

Post balance sheet events

On 03 March 2020, the Company participated in a loan to equity conversion in its joint venture Headspring Limited ("Headspring"). The Company was allotted 1 B Ordinary Share in the capital of Headspring in exchange for the full release of a debt of €3,272,462.50 (£2,882,719) owed by Headspring to the Company. On 22 September 2020, the Company participated in another loan to equity conversion and was allotted 1 B Ordinary Shares in the capital of Headspring in exchange for the full release of a debt of €2,000,000 (£1,761,804) owed by Headspring to the Company. There was no impact on the Company's share of ownership from either transaction.

On 01 July 2020, the Company exercised the option to acquire 100% of the share capital of Xoomworks Outsourcing (Sofia) Limited (name changed subsequently to The Financial Times (Bulgaria) Limited) for a consideration of €3,665,578 from Xoomworks Limited. The Company holds 1,000 ordinary shares with a par value of 10p each. In 2018, the Company entered an agreement with Xoomworks Limited for the purpose of creating a technology product development centre in Sofia, Bulgaria. In line with the original plan, Xoomworks Limited built and operated the venture over the course of two years.

The impact of COVID-19 in 2020 has been noted above within our discussion of future developments, going concern and principal risks and uncertainties, and is considered a non-adjusting event.

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 believes 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.

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. 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.

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DIRECTORS' REPORT (continued)

Engagement with employees

The Company systematically provides employees with information on matters of concern to them. During the year, this has included the provision of information via the Company's internal communications tool "Inside FT" and various announcement and update channels on the collaboration tool Slack. Weekly emails from the Communications team inform staff of recent and upcoming developments, while a monthly email to all staff from the CEO gives key business performance updates and information about board decisions and strategy. The CEO and Editor also hold employee town hall sessions at least twice a year to update employees, and other management board members hold departmental town halls to provide regular updates for larger teams. In addition to bi-monthly calls with the CEO, the global senior management group convenes on an annual basis to discuss strategic priorities, and to share knowledge and updates from the business.

Employees are encouraged to maintain an interest in the financial and economic factors affecting the Company's and the group's performance. Since March 2019, the Company has published an internal annual report on its performance and that of the FT Group, providing employees with accessible information and context on the evolving nature of the media industry.

The Company's Annual Incentive Plan is variable, formulated on the group's performance, profit, revenue, operating cash flow, paid-for readership, engagement, and a personal performance dimension. The financial targets included are consistent with the annual business plan (agreed with Nikkei) and consistent across scheme members.

The Company has engaged with and consulted employees and their representatives on a regular basis, so that the views of employees can be taken into account in making decisions which are likely to affect their interests. During the year:

Engagement	Outcomes from engagement
<p>Next Generation Board</p> <p>As a result of employee feedback that employees would like more input to decision-making, a proposal to establish a "Next Generation Board" was presented to the management board during 2019 for consideration.</p>	<p>The proposal to establish the Next Generation Board was approved by the management board and it launched in August 2019. Employees from around the business can apply to join the Next Generation Board for a year to reverse mentor the Board and management board and to work on key strategic projects they deem a priority.</p> <p>The objectives of the Next Generation Board are to: achieve closer engagement between the Board and the workforce and to input to decision-making and ways of working; to provide a perspective on matters of importance to employees through reverse mentoring and knowledge sharing; for the Board and management board to consult with over practices and policies; to generate ideas for action around Company priorities.</p>
<p>Diversity and Inclusion</p> <p>The FT has continued to deliver on its commitments to create a more diverse workforce and culture of belonging. In 2019 we furthered plans to engage employees - our engagement survey now reflects questions related to D&I so we can better measure our impact and understand gaps. This in turn provides a key input into the Board's strategy in this area.</p>	<p>The following outcomes have been achieved as a result of this engagement:</p> <ul style="list-style-type: none"> • Increase in female representation at leadership level; • Three female talent development programmes have been established and run annually focusing on networking, external mentoring and presentation skills, enabling a number of women who attended to be promoted. • External partnerships have been established with organisations such as the Journalism Diversity Fund and The Student View, and we continue to work with charities such as the Prince's Trust; • As part of the UK Government scheme we moved from "Disability Committed" (stage 1) to "Disability Confident" (level 2).

The Financial Times Limited**DIRECTORS' REPORT (continued)**

Engagement with employees (continued)	Outcomes from engagement (continued)
	<ul style="list-style-type: none"> • (continued) The Company's work in this area has received external recognition and the Company has won a number of awards including: Personnel Today award for D&I, BPeace Women Forward Award, highly commended at the Business Culture Awards, Employer of the Year at the RNIB See Differently Awards.
Talent Development The Company ran two programmes during 2019, as part of the Board's drive to identify and develop talent to meet business needs, drive engagement and prepare future leaders. These gave employees the opportunity to contribute to meaningful strategic projects and to present to the Board on inter-departmental collaboration.	The Board implemented some key recommendations from these presentations and reports, including new ways of working through establishing cross-functional teams to deliver our strategic subscription goals. This maximised the potential of highly skilled and specialist employees to share knowledge across the business.
Employee Survey The Company runs quarterly surveys to gain insight in to what matters most to our employees. Each management board director receives a dashboard relating to their department so they can act on feedback.	New strategies have been developed to promote employee wellbeing including in relation to financial, social, career and mental health. Sample initiatives include mindfulness workshops, meet-ups and lunches, top tip email campaigns and desk drops, yoga sessions and the provision of a wellbeing space at Bracken House.
Employee networks and representatives In March 2019 the Governance Review Group held an open session with employees including the established networks at the FT: FT Embrace, Proud FT, FT Women, the FT Mental Health Network and Access FT, and with the NUJ, to gather constructive ideas about staff engagement and governance. Editorial & HR management meet regularly with the NUJ to update, discuss and engage with matters relevant to the newsroom. Management also engages with and seeks feedback from Unite on relevant key changes in the business.	The Board has been more proactive about supporting and encouraging our employee representative groups (ERGs). As a result, each employee network now has a management board director as executive sponsor, which has opened up further opportunities and better enables the networks to input into relevant policies and practices. Communications support and capacity building is also provided to the ERGs. Our employee networks have rolled out company wide events, and have become forums for consultation on a range of employee matters.

Engagement with suppliers, customers and others

The board recognises that effective engagement with stakeholders is key in order to successfully deliver its strategy. Engagement with stakeholders and consideration of their respective interests in the Company's decision-making process, took place during the year as illustrated by the following examples:

The Financial Times Limited**DIRECTORS' REPORT (continued)****Engagement with suppliers, customers and others (continued)**

Engagement	Outcome from engagement
<p>Shareholders</p> <p>Our CEO reports to the chairman of Nikkei, the ultimate shareholder, on the overall performance of the Company as set out in an agreed business plan, and on the performance of his own role.</p> <p>Regular (at least quarterly) detailed business reports and other interim updates are provided to the Nikkei chairman for his scrutiny. The FT CEO attends the board of Nikkei as FT representative. The Company is subject to oversight by the audit and supervisory board of Nikkei.</p> <p>Nikkei is also represented on the Company's statutory and management boards.</p>	<p>In 2019 the Company and Nikkei launched a new joint Nikkei/FT Growth Fund. The fund, provided by Nikkei, finances activities to support innovations and ventures that help both Nikkei and FT anticipate and prepare for opportunities and challenges in the fast-changing news media environment.</p> <p>Among the successful submissions made by employees which have been supported by the Fund are editorial initiatives like <i>Tech Scroll Asia</i>, a joint weekly newsletter with Nikkei covering technology trends in Asia; <i>FT Globetrotter</i>, providing insider city guides for the modern business traveller; and <i>Trade Secrets</i>, a daily briefing on global trade, features content from the FT and Nikkei Asian Review.</p>
<p>Customers</p> <p>In 2019, our senior management group, including the Board, interviewed readers to understand their views on our products.</p> <p>Our Customer Research team continuously engages with subscribers to obtain Net Promoter Scores and satisfaction ratings along with open feedback. Feedback forms are also available on FT.com and the FT app for subscribers and anonymous users. Our Customer Care and B2B Customer Success Managers also collect feedback from readers. The results of this engagement are shared with the Board and senior management group.</p> <p>The Board is regularly updated on and discusses how engaged our customers are with our products.</p>	<p>This information is systematically shared with people who need to make decisions and presentations for Board members, as well as by the internal Product Council and Investment Board and Product Managers. It is used to inform decision-making about the opportunities for FT's digital development.</p> <p>For example, during the year, the Board had discussions regarding the Company's audio strategy, taking into consideration customer feedback. A proposed expansion in audio was approved by the management board.</p>
<p>Suppliers</p> <p>FT recognises the importance and benefits of building and managing relationships with its key suppliers. Supplier management at the FT is undertaken in a way which is appropriate based on a number of factors including risk, spend and categorisation of the supplier. For key suppliers we look to ensure that there is a governance structure in place and that the relationships in place between the FT and the key supplier are at the right level. Examples of current supplier management activities undertaken by the Company include the proactive measurement of formal Service Level Agreements, quarterly supplier reviews and annual performance reviews.</p>	<p>Referenced within the Code of Conduct and approved at Board level, our Procurement Policy includes our guiding principles and ensures that, when engaging with our suppliers, an appropriate level of due diligence is conducted, decisions are transparent, and we actively seek to promote competition. Our procurement team have adopted the Chartered Institute of Procurement and Supply Framework thereby ensuring all procurement is conducted in an ethical and sustainable manner. They also work with the business to categorise suppliers and provide a framework within which the performance of key suppliers will be monitored and managed.</p>

The Financial Times Limited**DIRECTORS' REPORT (continued)****Engagement with suppliers, customers and others (continued)**

Engagement	Outcome from engagement
<p>Suppliers (continued)</p> <p>The Company's Code of Conduct sets out the standards we expect including how we ensure we conduct business fairly - our responsibilities around fair dealing and procurement, fair competition and anti bribery and corruption. The Code of Conduct is approved by the Board and all staff are requested by the CEO to certify they have read and understand it on an annual basis. A statement of our Code of Conduct is now published on FT.com.</p> <p>During the year, the Board also approved an updated Modern Slavery Statement, which is published on FT.com.</p>	<p>Additional steps are taken to actively tackle modern slavery through our supply chains. Most new suppliers are now required to complete due diligence, which covers modern slavery, and are informed of the standards we expect of them, including that we do not tolerate any type of forced labour or human rights violations in our supply chain. We have worked with managers in our overseas offices to better understand and manage any slavery risk in their supply chains locally.</p>
<p>Printers & distributors</p> <p>In a volatile marketplace the Board strives to ensure that on-going discussions are maintained with printers and distributors in order to manage costs. Our distribution network is constantly under review to ensure that it remains viable and our COO aims to ensure that every print site is visited at least once per year. Any major issues are taken forward to the board with the CEO and CFO often having to sign off due to the size of contracts with printers and distributors.</p>	<p>The Board has taken strategic decisions regarding volatility in the print supply chain, taking into consideration any reduction in print circulation and the impact on advertising, our subscribers and other suppliers in the chain.</p>
<p>Technology</p> <p>Our Chief Production & Information Officer and Chief Technical Officers meet with key suppliers periodically with any issues taken to the Board for their consideration.</p>	<p>The Board agreed that regular visits by senior management and Board to our key technology supplier in Bulgaria should be encouraged. This decision has further enhanced the relationship with the supplier, their understanding of the FT business and therefore their ability to support and engage with the Company.</p>
<p>Payment Policy</p> <p>The Board understands the importance of the Group's procurement and prompt payment processes. Our suppliers are kept regularly informed regarding their onboarding progress and any outstanding invoices. The FT Group companies publish payment performance practices every six months and are keen to ensure suppliers are paid in accordance with their terms.</p>	<p>At the end of 2019, the Company had a payment performance of 90% <30 days overdue.</p>

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.

The Financial Times Limited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

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 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.

DocuSigned by:



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AM Fortescue

Company Secretary

03 December 2020

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 of The Financial Times Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 22.

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
03 December 2020

The Financial Times Limited**STATEMENT OF COMPREHENSIVE INCOME****For the year ended:****31 December 2019**

		2019	2018
			(Restated)
Continuing operations	Note	£'000	£'000
Revenue	3	344,967	332,248
Other income		1,047	736
Cost of sales		(181,737)	(178,182)
Gross profit		164,277	154,802
Distribution costs		(14,122)	(13,115)
Administrative expenses		(149,483)	(134,402)
Operating profit	4	672	7,285
Income from shares in group undertakings		299	631
Profit before interest and taxation		971	7,916
Finance income	7	935	413
Finance costs	7	(6,478)	(171)
Profit before taxation		(4,572)	8,158
Tax on (Loss)/Profit	8	6,457	68
Profit for the financial year		1,885	8,226
Total comprehensive income for the year		1,885	8,226

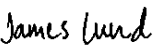
The notes on pages 19 to 50 form an integral part of these financial statements.

The Financial Times Limited**BALANCE SHEET****As at:****31 December 2019**

		2019	2018
	Note	£'000	£'000
Non current assets			
Intangible assets	9	103,179	103,916
Property, plant and equipment	10	245,346	4,327
Investments	11	17,626	10,689
Deferred tax asset	16	14,122	7,682
		380,273	126,614
Current assets			
Inventory	12	1,283	1,221
Trade and other receivables	13	115,543	104,868
Cash at bank and in hand		13,507	18,324
		130,333	124,413
Trade and other payables: amounts falling due within one year	14	(173,527)	(150,671)
Net current liabilities		(43,194)	(26,258)
Total assets less current liabilities		337,079	100,356
Trade and other payables: amounts falling due after more than one year	14	(229,646)	-
Provisions for liabilities	15	(9,448)	(3,914)
Net assets		97,985	96,442
Capital and reserves			
Called up share capital	17	141,200	141,200
Profit and loss account		(43,215)	(44,758)
Total shareholder's funds		97,985	96,442

The notes on pages 19 to 50 form an integral part of these financial statements.

The financial statements on pages 16 - 50 were approved by the board of directors and authorised for issue on 03 December 2020. They were signed on its behalf by:

DocuSigned by:

DD3E68D186D242D.
JD Lund
Director

Company registered number:
00227590

The Financial Times Limited**STATEMENT OF CHANGES IN EQUITY**

For the year ended:

31 December 2019

	Profit and loss account	Called up share capital	Total shareholder's funds
	£'000	£'000	£'000
At 1 January 2018	(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
Profit for the financial year	1,885	-	1,885
Total comprehensive income for the year	1,885	-	1,885
Actuarial loss on defined benefit pension obligation	(342)	-	(342)
At 31 December 2019	(43,215)	141,200	97,985

The notes on pages 19 to 50 form an integral part of these financial statements.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2019

1

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 16 which has been adopted on 01 January 2019 using the modified retrospective approach.

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, United Kingdom, EC4M 9BT.

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.

Beyond the adoption of IFRS 16 as noted above, no other updates or amendments to accounting standards have had a material impact on these financial statements.

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 22).

Going concern

The directors have made a thorough assessment of the impact of the unfolding COVID-19 pandemic on the Company's ability to continue operating as a going concern. Although the Company has net current liabilities, and we expect to see a reduction in both revenue and profitability, and for cash flow to be negative for the year, we have a reasonable expectation that our cash reserves and the cost saving measures we have introduced mean that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements.

This assessment was based on a cash flow forecast using management's latest assumptions, taking into account the adverse trading conditions as a result of COVID-19. The cash flow forecast has been stress tested in order to model management's most pessimistic view, including deteriorating cash collection assumptions, and the results show sufficient headroom to give the directors comfort that the Company has the ability to meet its financial obligations as they fall due. The assessment takes account of the fact that the Company has access, via an intercompany loan agreement, to a newly committed 2-year £100m loan facility that has been agreed by its immediate parent company with an external lender. As such, we continue to adopt the going concern basis of preparation.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

1

Accounting policies (continued)

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.

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.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

1

Accounting policies (continued)

Intangible assets (continued)

(b) Customer lists and trade names

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

Customer lists - 10 years

Trade names - 10 years

(c) Software

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

Right of use assets - 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.

Other fixed investments

Other fixed investments are held at fair value.

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

1

Accounting policies (continued)

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.

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 are accounted for in line with IFRS 16 which was adopted as of 01 January 2019. The adoption of IFRS 16 was made under the modified retrospective approach and therefore no restatement of prior periods has been made.

Contracts with third parties for specified assets, the use of which the Company controls over a period of greater than one year and for a value in excess of £5,000, are accounted for as right of use assets which are depreciated over the shorter of the useful life of the asset or the lease term. A corresponding lease liability is recognised, unwinding over the term of the lease payments, and taking into account interest accruing on the liability.

Lease liabilities are recognised as the present value of the expected lease payments over the life of the lease, discounted using either the interest rate implicit in the lease, or in its absence the incremental borrowing rate determined by reference to the nature of the asset, the term of the lease and economic environment within which the asset is used. Right of use assets are recognised at an amount equal to the lease liability, plus any initial direct costs associated with the asset and inclusive of any estimate for the costs associated with restoration or dismantling the asset. Any subsequent lease modifications following initial recognition are taken into account when measuring the lease liability and the right of use asset.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****1****Accounting policies (continued)****Leases (continued)**

Contracts with third parties for specified assets that are for a duration of less than one year or less than £5,000 are accounted for as operating leases, with the expense charged to the profit and loss account on a systematic basis over the term of the lease.

For leases that existed on the date of application of IFRS 16, the Company has applied the modified retrospective approach. As a result, the Company has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity as of 1 January 2019. On transition to IFRS 16, the Company recognised an additional £367,000 of right-of-use assets and £367,000 of lease liabilities:

	£'000
Operating lease commitment as at 31 December 2018	
Discounted using the incremental borrowing rate as at 1 January 2019	367
Right of use asset recognised as at 1 January 2019	367

Where the Company acts as a lessor or a sub-lessor, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Where the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The present value of the lease payments receivable are disclosed within trade and other receivables. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises income from lease payments received under finance leases within 'other interest receivable'. The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

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.

The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

(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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

1

Accounting policies (continued)

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.

Restatement of prior years

It was determined within the Company's allocation of transfer pricing income and expense that revenue amounts had been combined with cost amounts which resulted in an overall netting of revenue and costs. This change has been applied retrospectively and listed below:

Revenue of £323,599,000 in 2018 has been revised upwards to £332,248,000. Distribution costs of £4,466,000 in 2018 have been revised upwards to £13,115,000. These have been reanalysed on the face of the profit and loss account to more fairly reflect the nature of the revenue and costs.

Note 3 Turnover has changed as follows: Provision of Services of £74,469,000 in 2018 has been revised upwards to £83,118,000, Revenue from North America of £56,372,000 in 2018 has been revised upwards to £60,432,000, Revenue from Asia and Middle East of £34,579,000 in 2018 has been revised upwards to £39,168,000, and Revenue earned at a point in time of £156,914,000 in 2018 has been revised upwards to £165,563,000.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

2

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 2019 amounted to £20,801,000 (2018: £19,323,000). 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 2019

2

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.

Carrying value of goodwill

Goodwill represents the single cash generating unit comprising the entire operations of the Company. The carrying value of goodwill has been subject to annual impairment testing. The directors have reviewed an impairment model which looks at the present value of the cash flows of the cash generating unit and are satisfied that the carrying value is supported by this assessment.

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****3****Revenue**

	2019	2018 (Restated)
	£'000	£'000
Continuing operations		
Sale of goods	265,967	249,130
Provision of services	79,000	83,118
Total revenue	344,967	332,248

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 £16,823,000 of barter revenue (2018: £15,361,000) on a gross basis.

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

	2019	2018 (Restated)
	£'000	£'000
United Kingdom	152,822	142,038
Rest of Europe	77,954	82,399
North America	65,442	60,432
Asia and Middle East	43,590	39,168
Rest of World	5,159	8,211
Total revenue	344,967	332,248

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

	2019	2018
	£'000	£'000
Revenue recognised that was included in the deferred income balance at the beginning of the period	57,899	54,625

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:

	2019	2018 (Restated)
	£'000	£'000
Revenue earned at a point in time	183,983	165,563
Revenue earned over a period of time	160,984	166,685
Total revenue	344,967	332,248

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****4****Operating profit**

Operating profit is stated after charging/(crediting):

		2019	2018
	Note	£'000	£'000
Staff costs	5	105,219	104,374
Depreciation of property, plant and equipment:	10		
- owned		2,320	1,239
- right of use assets		10,278	-
Inventory costs		8,699	9,090
Rent expense for leased assets within short-term or low value exemption under IFRS 16		3,265	7,341
Amortisation of intangible assets included in operating expenses:	9		
- internally generated		22,540	18,976
- other		109	177
Impairment of tangible fixed assets:			
- owned	10	249	-
Net foreign exchange gains		(788)	(307)
Fees payable to the Company's auditor:			
- auditing the financial statements of the Company		338	292
- other assurance services		158	137

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****5****Staff costs**

	2019	2018
	£'000	£'000
Staff costs		
Wages and salaries	84,109	84,578
Social security costs	11,605	11,077
Other pension costs	9,505	8,719
	105,219	104,374

Pension costs include £859,000 (2018: £889,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £8,646,000 (2018: £7,830,000) represent the charge for funding of the Financial Times Retirement Plan.

	2019	2018
Average monthly number of persons employed by the Company during the year	Number	Number
Production	842	830
Selling and distribution	228	201
Administration	270	266
	1,340	1,297

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****6****Directors' remuneration**

	2019	2018
	£'000	£'000
Aggregate emoluments	4,163	3,294
Compensation for loss of office	502	-
Company contributions to money purchase pension schemes	30	30
	4,695	3,324

	2019	2018
	Number directors	Number directors
Directors accruing benefits under money purchase schemes	3	3

	2019	2018
Highest paid director	£'000	£'000
Aggregate emoluments	1,411	1,693
Compensation for loss of office	502	-
Defined contribution pension scheme - accrued pension at end of year	10	10
	1,923	1,703

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****7****Finance income and finance costs**

	2019	2018
	£'000	£'000
Finance income		
Bank interest receivable	34	71
Other interest receivable	203	-
Interest receivable from group companies	698	342
Interest receivable and similar income	935	413

Other interest receivable relates to interest income on sub-leased assets that have been accounted in accordance with IFRS 16. See note 13 for further details.

	2019	2018
	£'000	£'000
Finance costs		
Lease liability interest (see note 14)	5,038	-
Interest payable to group companies	1,219	71
Other interest	84	43
Pension finance expense	57	57
Unwinding provision	80	-
Interest payable and similar charges	6,478	171

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

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Tax on profit

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on profit for the financial year	(197)	(272)
Adjustments in respect of prior years	(156)	(103)
Overseas taxation	336	466
Total current tax	(17)	91
Deferred tax		
Origination and reversal of temporary differences	(6,440)	(159)
Total deferred tax	(6,440)	(159)
Total tax (credit) for the year	(6,457)	(68)
UK standard effective rate of corporation tax (%)	19.00	19.00

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

	2019	2018
	£'000	£'000
(Loss)/profit before taxation	(4,572)	8,158
Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	(869)	1,550
Effects of:		
Expenses not deductible for tax purposes	266	260
Previously unprovided deferred tax now being recognised	(5,655)	(1,848)
Higher tax rates on overseas earnings	336	466
Adjustments in respect of prior periods	(156)	(104)
Losses surrendered as group relief	(197)	(272)
Change in tax rates	(323)	(272)
Payment for group relief	197	272
Tax exempt dividend income	(56)	(120)
Total tax (credit) for the year	(6,457)	(68)

The Company's profit for the year has been taxed at a statutory rate of 19.00% for the calendar year (2018: 19.00%). As enacted in Finance Act 2016, the UK corporation tax rate was expected to reduce from 1 April 2020 to 17%. As a result, deferred tax is recognised at a blended rate of 17.08% being the rate at which it was expected to reverse. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

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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 2019	4,926	415	189,526	4,650	55,399	254,916
Additions	-	-	3,395	18,517	-	21,912
Transfers	-	-	17,694	(17,694)	-	-
At 31 December 2019	4,926	415	210,615	5,473	55,399	276,828
Accumulated amortisation and impairment						
At 1 January 2019	4,843	333	145,824	-	-	151,000
Charge for the year	79	30	22,540	-	-	22,649
At 31 December 2019	4,922	363	168,364	-	-	173,649
Net book value						
At 31 December 2018	83	82	43,702	4,650	55,399	103,916
At 31 December 2019	4	52	42,251	5,473	55,399	103,179

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 2019

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Property, plant and equipment

	Right of use assets	Leasehold improvements	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2019	-	-	1,906	3,884	24,769	2,840	33,399
Change in accounting policy	367	-	-	-	-	-	367
Additions	243,427	1,061	-	1,205	4,340	3,215	253,248
Disposals	-	-	(120)	(2,752)	(7,632)	-	(10,504)
Transfers	-	659	-	(75)	5,411	(5,995)	-
At 31 December 2019	243,794	1,720	1,786	2,262	26,888	60	276,510
Accumulated depreciation							
At 1 January 2019	-	-	1,872	3,821	23,379	-	29,072
Charge for the year	10,278	78	34	31	2,177	-	12,598
Disposals	-	-	(88)	(2,650)	(7,519)	-	(10,257)
Impairment	-	-	(32)	(103)	(114)	-	(249)
At 31 December 2019	10,278	78	1,786	1,099	17,923	-	31,164
Net book value							
At 31 December 2018	-	-	34	63	1,390	2,840	4,327
At 31 December 2019	233,516	1,642	-	1,163	8,965	60	245,346

The Company leases commercial and editorial office space which has been included within the right of use assets for the first time upon adoption of IFRS 16.

Additions to right of use assets in 2019 represents the Company's right to use office space having signed a 25 year lease for the Company's new global head office.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

11			
Investments			
	2019	2018	
	£'000	£'000	
Subsidiary undertakings	30	30	
Associates and joint ventures	13,204	10,659	
Other investments	4,392	-	
	17,626	10,689	

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

11a

Investments - subsidiary undertakings

	Total
	£'000
Cost	
At 1 January 2019	7,311
At 31 December 2019	7,311
Provision	
At 1 January 2019	7,281
At 31 December 2019	7,281
Net book value	
At 31 December 2018	30
At 31 December 2019	30

Details of directly held subsidiary undertakings:

				2019	2018
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	Ordinary	England	100%	100%
The Financial Times (France) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
The Financial Times (Japan) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
The Financial Times (Spain) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
Financial Times (ASC) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
St. Clements Press (1988) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****At 31 December 2019****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	Ordinary	England	100%	100%
Mandatewire Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
FT Labs Limited	Bracken House, 1 Friday Street, London EC4M 9BT	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	Ordinary	England	100%	100%
The Financial News Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	100%	100%
The Financial Times (Switzerland) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	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%	90%

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 2019****11b****Investments - associates and joint ventures**

	Total
	£'000
Cost	
At 1 January 2019	10,659
Additions	2,545
At 31 December 2019	13,204
Net book value	
At 31 December 2018	10,659
At 31 December 2019	13,204

Details of associate undertakings:

			2019	2018
Associate	Registered office address	Place of incorp	% held	% held
Sifted (EU) Limited	20-22 Wenlock Road, London, England, N1 7GU	UK	28.03%	25.70%

Details of joint venture undertakings:

			2019	2018
Joint ventures	Registered office address	Place of incorp	% held	% held
Headspring Limited	Bracken House, 1 Friday Street, London EC4M 9BT	UK	50%	50%

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

On 23 July 2019, the Company subscribed for further shares in Sifted (EU) Limited in the form of 18,479 B-3 Preferred Shares. 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 increased overall from 25.7% to 28.03%.

On 15 August 2019, the Company participated in a loan to equity conversion in Headspring Limited ("Headspring"). The Company was allotted 1 B Ordinary Share in the capital of Headspring in exchange for the full release of a debt of £2,034,000 owed by Headspring to the Company

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****11c****Other investments**

	2019	2018
	£'000	£'000
Other investments	4,392	-
	4,392	-

Details of other investments :

		2019	2018
	Class of shares held	% owned	% owned
NLA Media Access Limited	Ordinary	12.5%	12.5%
The Business of Fashion Limited	Ordinary	7.89%	0.0%

As at 31 December 2019, the Company still owned 12.5% of ordinary shares in NLA Media Access Limited valued at £1.00 each.

On 13 August 2019, the Company made a 7.89% equity investment in The Business of Fashion Limited.

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 2019

12			
Inventory			
		2019	2018
		£'000	£'000
Raw materials and consumables		1,283	1,221
		1,283	1,221

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019**

13		
Trade and other receivables		
	2019	2018
	£'000	£'000
Amounts falling due within one year		
Trade receivables	36,958	39,811
Amounts owed by group undertakings:		
- immediate parent	731	570
- fellow group entities	50,323	40,020
Other taxation	4,959	3,813
Other receivables	2,159	1,421
Prepayments and accrued income	10,679	18,619
Corporation tax	775	614
Lease receivable	8,959	-
Total trade and other receivables	115,543	104,868

Amounts owed by group undertakings include loans of: £3,992,000 attracting interest at 5.75%, £3,039,000 attracting interest at 2.26%, £2,002,000 attracting interest at 1.16%, €1,507,000 attracting interest at 1.50% and £15,976,000 attracting interest at 3 month LIBOR rates (2018: £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). The loans are unsecured and repayable on demand.

The remaining amounts of £24,390,000 (2018: £29,812,000) owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £2,229,000 (2018: £2,657,000).

The lease receivable balance relates to the sub-lease of office floor space to two tenants. As at 31 December 2019, the cash received in relation to the sub-lease of office floor space amounted to £214,000.

Lease receivable maturity analysis - contractual undiscounted cash flows:

	2019	2018
	£'000	£'000
Within one year	515	-
Between one and five years	2,058	-
In over five years	9,690	-
Total	12,263	-

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

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Trade and other payables

	2019	2018
	£'000	£'000
Amounts falling due within one year		
Lease liability	15,043	-
Trade payables	1,957	6,318
Amounts owed to group undertakings:		
- fellow group entities	67,281	47,837
Other taxation and social security	2,038	2,074
Other payables	1,988	2,690
Accruals and deferred income	85,220	91,472
	173,527	150,671
Amounts falling due after more than one year		
Lease liability	229,646	-
Total trade and other payables	229,646	-

Amounts owed to group undertakings include loans of £638,020 attracting interest at 3 month LIBOR rates plus 100 basis point and £34,629,000 (2018: £280,000 attracting interest at 1.16% and £292,000 attracting interest at 3 month LIBOR rates plus 100 basis points). The loans are unsecured and repayable on demand.

The remaining amounts of £32,014,000 (2018: £47,545,000) owed to group undertakings are unsecured, interest free and repayable on demand.

Lease liabilities represent the discounted amounts payable in respect of its contractual right to use commercial and editorial office space. The future lease payments have been discounted at the incremental borrowing rate applicable to each lease at the date of initial application of IFRS 16, 01 January 2019. Based on the characteristics of each lease the incremental borrowing rates have been estimated at between 1.273% to 2.583%. There are no variable lease payments, extension or termination options, residual value guarantees, restrictive covenants or sale and leaseback transactions that need to be accounted for.

As at 31 December 2019, the lease cash payments made during the year amounted to £7,057,000.

Lease liability maturity analysis - contractual undiscounted cash flows:

	2019	2018
	£'000	£'000
Within one year	15,043	-
Between one and five years	60,171	-
In over five years	250,608	-
Total	325,822	-

Lease liabilities included in the balance sheet as at 31 December 2019:

	2019	2018
	£'000	£'000
Current liability	15,043	-
Non-current liability	229,646	-
Total lease liabilities	244,689	-

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2019****15****Provisions**

	Pensions	Re- organisations	Other Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2019	2,392	964	558	3,914
Utilised in the year	-	(964)	-	(964)
Amounts charged to the profit and loss account	342	-	155	497
Amounts released to the profit and loss account	(61)	-	(389)	(450)
Amounts charged to property, plant and equipment			6,451	6,451
At 31 December 2019	2,673	-	6,775	9,448

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 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 2019****16****Deferred taxation asset**

		Total
Asset	£'000	£'000
At 1 January 2019	7,682	7,682
Credited to profit and loss	9,030	9,030
Charged to profit and loss	(2,590)	(2,590)
At 31 December 2019	14,122	14,122

The deferred tax asset recognised at 31 December 2019 is £14,122,000 (2018: £7,682,000) and made up of the following temporary differences:

	Pensions	Other timing differences	Accelerated capital allowances	Intangible fixed assets	Unrelieved tax losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	2,590	2,375	1,337	1,380	-	7,682
Credited to profit and loss	-	570	413	3,804	4,243	9,030
Charged to profit and loss	(2,590)	-	-	-	-	(2,590)
At 31 December 2019	-	2,945	1,750	5,184	4,243	14,122

A further net deferred tax asset of £4,773,000 (2018: £10,741,000) 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 2019****17****Called up share capital**

	2019	2018
	£'000	£'000
Total authorised share capital	141,200	141,200

	2019	2018	2019	2018
	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 2019

18		
Capital and other commitments	2019	2018
	£'000	£'000
Capital commitments are as follows		
Contracts for future capital expenditure not provided in the financial statements	685	3,054
	685	3,054

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

The Financial Times Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended:

31 December 2019**19****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.

	2019	2018
	£'000	£'000
Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid	8,646	7,830

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 2019

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Post balance sheet events

On 03 March 2020, the Company participated in a loan to equity conversion in its joint venture Headspring Limited ("Headspring"). The Company was allotted 1 B Ordinary Share in the capital of Headspring in exchange for the full release of a debt of €3,272,462.50 owed by Headspring to the Company. On 22 September 2020, the Company participated in another loan to equity conversion and was allotted 1 B Ordinary Shares in the capital of Headspring in exchange for the full release of a debt of €2,000,000 owed by Headspring to the Company.

On 01 July 2020 the Company exercised the option to acquire 100% of the share capital of Xoomworks Outsourcing (Sofia) Limited (name changed subsequently to The Financial Times (Bulgaria) Limited) for consideration of €3,665,578 from Xoomworks Limited. The Company holds 1,000 ordinary shares with a par value of 10p each. In 2018 the Company entered an agreement with Xoomworks Limited for the purpose of creating a technology product development centre in Sofia, Bulgaria. In line with the original plan, Xoomworks Limited built and operated the venture over the course of two years.

As at 31 December 2019, China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan which has now been identified as coronavirus (or COVID-19). However, this only came to light in early 2020, and therefore the emergence of COVID-19 is a non-adjusting event and there is no impact on the Company's financial statements for the year ended 31 December 2019. As detailed in the Directors' report and within Note 1 to the accounts, the directors have made a thorough assessment of the impact of the unfolding COVID-19 pandemic on the Company's ability to continue operating as a going concern. While we expect to see a reduction in profitability and to be cash flow negative for the year, we have a reasonable expectation that our cash reserves and the cost saving measures we have put in place mean that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements. As such, we continue to adopt the going concern basis of preparation.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

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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 £28,000 (2018: £16,000) to Sifted (EU) Limited, an associate of the Company. At the year end there were no amounts receivable from Sifted (EU) Limited (2018: £nil).

During the year the Company provided services to a value of £897,000 (2018: £823,000) to Headspring Limited, a joint venture of the Company. At the period end amounts receivable from Headspring Limited totalled £25,000 (2018: £75,000). In addition, the Company has advanced a loan to Headspring Limited, with amounts receivable at the period end totalling £2,327,000 (2018: £1,795,000).

During the year the Company provided services to a value of £120,000 to Business of Fashion Limited, an investment of the Company. At the period end amounts receivable from Business of Fashion Limited was nil.

During the year the Company provided services to a value of £267,000 (2018: £271,000) to NLA Media Access Limited, an investment of the Company. At the period end amounts receivable from NLA Media Access Limited was £97,000 (2018: £51,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2019

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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 LIMITED
COMPANY NO: 00227590

**Nikkei Inc. and
Consolidated Subsidiaries**

*Consolidated Financial Statements
for the Year Ended 31 December, 2019,
and Independent Auditor's Report*

CERTIFIED AS A TRUE COPY

SIGNATURE

森田 勝久

KATSUHISA MORITA
DIRECTOR, NIKKEI INC.

DATE

16 / 6 / 2020

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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, 2019, 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, 2019, 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.



25 March, 2020

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
31 December 2019

ASSETS	Millions of Yen		Thousands of British Pounds (Note 1)	
	2019	2018	2019	2018
CURRENT ASSETS:				
Cash and cash equivalents (Notes 8 and 15)	¥97,607	¥109,373	£680,283	£83,304
Marketable securities (Notes 4 and 15)	1,304	1,000	9,086	79,535
Notes and accounts receivable (Note 15):				
Trade	32,557	31,638	226,910	81,472
Unconsolidated subsidiaries and associated companies	607	546	4,230	5,813
Other	2,685	3,395	18,716	91,218
Inventories (Note 5)	2,984	3,266	20,800	24,091
Short-term investments (Notes 6 and 15)	18,472	23,718	128,740	83,271
Other current assets	8,111	5,294	56,528	6,385
Allowance for doubtful receivables	(3,752)	(530)	(26,149)	214,083
Total current assets	160,575	177,700	1,119,144	669,172
PROPERTY, PLANT AND EQUIPMENT:				
Land (Note 8)	103,914	104,131	724,242	571,397
Buildings and structures (Note 8)	166,730	159,068	1,162,042	237,475
Machinery and equipment (Note 8)	71,021	69,571	494,989	129,712
Furniture and fixtures	22,225	21,225	154,896	404,883
Lease assets	989	1,085	6,888	20,424
Rights-of-use assets (Note 3)	37,218		259,398	138,142
Construction in progress	2,322	9,248	16,186	
Total	404,419	364,328	2,818,641	
Accumulated depreciation	(206,839)	(204,048)	(1,441,582)	
Net property, plant and equipment (Note 20)	197,580	160,280	1,377,059	1,502,033
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Notes 4, 8 and 15)	36,398	32,969	253,680	17,424
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 15)				2,122
Goodwill	44,780	42,360	312,099	109,911
Software	80,985	83,473	564,433	10
Assets for retirement benefits (Note 9)	23,700	23,591	165,183	(0)
Deferred tax assets (Note 12)	19,320	6,817	64,972	10,800
Other assets	33,310	20,506	134,654	(307,286)
Total investments and other assets	247,815	31,552	232,154	(27,739)
		241,268	1,727,175	1,879,745
				172,428
				2,052,173
TOTAL	¥605,970	¥579,248	£4,223,378	£4,223,378

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Income Year Ended 31 December 2019

	Millions of Yen		Thousands of British Pounds (Note 1)
	2019	2018	2019
NET SALES (Note 20)	¥356,884	¥355,286	£2,487,343
COST OF SALES	210,430	210,111	1,466,618
Gross profit	146,454	145,175	1,020,725
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	132,169	132,202	921,162
Operating income	14,285	12,973	99,563
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,104	1,173	7,693
Interest expense	(1,233)	(616)	(8,594)
Loss on sales and disposal of property, plant and equipment	(294)	(173)	(2,049)
Gain on sales of investment securities	1,697	1,845	11,830
Loss on sales of investments in subsidiaries and affiliated companies		(239)	
Foreign exchange loss	(321)	(168)	(2,238)
Loss on valuation of investment securities	(736)	(957)	(5,127)
Loss on impairment of long-lived assets (Note 7)		(2,099)	
Equity in earnings of unconsolidated subsidiaries and associated companies	115	1,469	802
Other—net (Note 13)	(4,408)	(296)	(30,728)
Other income (expenses)—net	(4,076)	(61)	(28,411)
INCOME BEFORE INCOME TAXES	10,209	12,912	71,152
INCOME TAXES (Note 12):			
Current	6,872	7,081	47,898
Deferred	(1,742)	(674)	(12,142)
Total income taxes	5,130	6,407	35,756
NET INCOME	5,079	6,505	35,396
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,518	1,343	10,580
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥3,561	¥5,162	£24,816
	Yen		British Pounds
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥142.42	¥206.47	£0.99
Cash dividends applicable to the year	15.00	15.00	0.10

See notes to consolidated financial statement

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Year Ended 31 December 2019

	Millions of Yen		Thousands of British Pounds (Note 1)
	<u>2019</u>	<u>2018</u>	<u>2019</u>
NET INCOME	¥5,079	¥6,505	£35,396
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	1,168	(2,307)	8,144
Deferred gain (loss) on derivatives under hedge accounting	2	(6)	17
Foreign currency translation adjustments	2,251	(9,574)	15,690
Defined retirement benefit plans	5,553	(4,589)	38,695
Share of other comprehensive (loss) income in associates	(593)	315	(4,131)
Total other comprehensive income (loss)	<u>8,381</u>	<u>(16,161)</u>	<u>58,415</u>
COMPREHENSIVE INCOME (LOSS)	<u>¥13,460</u>	<u>¥(9,656)</u>	<u>93,811</u>
TOTAL COMPREHENSIVE INCOME (LOSS)			
ATTRIBUTABLE TO:			
Owners of the parent	¥11,608	¥(10,056)	£80,905
Noncontrolling interests	1,852	400	12,906

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity
Year Ended 31 December 2019

	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	Noncont rolling Interests	Total Equity
BALANCE, 1 JANUARY 2018		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)
Change in the parent's ownership interest due to transactions with noncontrolling interests													
Capital transactions with noncontrolling shareholders				301	(2,474)						301		301
Change in scope of consolidation					141						(2,474)		(2,474)
Change in scope of equity method					(54)						141		141
Reversal of revaluation reserve for land					(1,090)						(54)		(54)
Net change in the year						(1,387)	(3)	1,090	(9,620)	(4,207)	(1,090)	(158)	(1,090)
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
Cumulative effect of accounting change (Note 3)					(279)						(279)		(279)
BALANCE, 1 JANUARY 2019 (as restated)		25,000	2,500	304	287,327	15,292	(0)	10,800	(46,340)	(9,297)	260,586	22,898	283,484
Net income attributable to owners of the parent					3,561						3,561		3,561
Cash dividends, ¥15.00 per share					(375)						(375)		(375)
Capital transactions with noncontrolling shareholders					(2,112)						(2,112)		(2,112)
Reversal of revaluation reserve for land					111						111		111
Net change in the year						478	1	(112)	2,251	5,317	7,935	1,842	9,777
BALANCE, 31 DECEMBER 2019		25,000	¥2,500	¥304	¥288,512	¥15,770	¥1	¥10,688	¥(44,089)	¥(3,980)	¥269,706	¥24,740	¥294,446
Thousands of British Pounds (Note 1)													
		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	Noncont rolling Interests	Total Equity
BALANCE, 31 DECEMBER 2018			£17,424	£2,122	£2,004,500	£106,583	£(0)	£75,266	£(322,976)	£(64,801)	£1,818,118	£159,592	£1,977,710
Cumulative effect of accounting change (Note 3)					(1,942)						(1,942)		(1,942)
BALANCE, 1 JANUARY 2019 (as restated)			17,424	2,122	2,002,558	106,583	(0)	75,266	(322,976)	(64,801)	1,816,716	159,592	1,975,768
Net income attributable to owners of the parent					24,816						24,816		24,816
Cash dividends, £0.10 per share					(2,614)						(2,614)		(2,614)
Capital transactions with noncontrolling shareholders					(14,723)						(14,723)		(14,723)
Reversal of revaluation reserve for land					778						778		778
Net change in the year						3,328	10	(778)	15,690	37,062	55,312	12,836	68,148
BALANCE, 31 DECEMBER 2019			£17,424	£2,122	£2,010,815	£109,911	£10	£74,488	£(307,286)	£(27,739)	£1,879,745	£172,428	£2,052,173

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Year Ended 31 December 2019

	Thousands of British Pounds (Note 1)		
	Millions of Yen		
	2019	2018	
		2019	
OPERATING ACTIVITIES:			
Income before income taxes	¥10,209	¥12,912	£71,152
Adjustments for:			
Income taxes—paid	(9,483)	(3,364)	(66,092)
Depreciation and amortization	21,440	19,699	149,430
Loss on sales and disposal of property, plant and equipment	294	173	2,049
Loss on impairment of long-lived assets		2,099	
Gain on sales of investments securities	(1,697)	(1,606)	(11,830)
Loss on valuation of investment securities	736	957	5,127
Amortization of goodwill	5,109	5,413	35,609
Equity in earnings of unconsolidated subsidiaries and associated companies	(115)	(1,469)	(802)
Changes in assets and liabilities, net of effects:			
(Increase) decrease in notes and accounts receivable	(822)	1,978	(5,731)
Increase (decrease) in notes and accounts payable	509	(2,271)	3,548
Increase (decrease) in liability for employees' retirement benefits	263	(2,760)	1,833
Other—net	(855)	8,286	(5,958)
Total adjustments	15,379	27,135	107,183
Net cash provided by operating activities	25,588	40,047	178,335
INVESTING ACTIVITIES:			
Payments into time deposits	(41,640)	(44,485)	(290,215)
Proceeds from withdrawal of time deposits	46,890	45,566	326,805
Purchases of marketable securities	(1,000)	(1,000)	(6,970)
Proceeds from sales of marketable securities	1,000	3,000	6,970
Purchases of property, plant and equipment	(10,340)	(10,326)	(72,067)
Purchases of intangible assets	(11,948)	(11,040)	(83,271)
Purchases of investment securities	(6,335)	(729)	(44,156)
Proceeds from sales of investment securities	2,110	5,289	14,707
Purchases of investments in subsidiaries resulting in change in the scope of consolidation	(1,212)	(696)	(8,448)
Payments for sales of investments in subsidiaries resulting in change in the scope of consolidation		(83)	
Other—net	(670)	(306)	(4,670)
Net cash used in investing activities	(23,145)	(14,810)	(161,315)
FORWARD	¥2,443	¥25,237	£17,020

(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Year Ended 31 December 2019

	Millions of Yen		Thousands of British Pounds (Note 1)
	2019	2018	2019
FORWARD	<u>¥2,443</u>	<u>¥25,237</u>	<u>£17,020</u>
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	30,222	25,474	210,636
Repayments of short-term bank loans	(27,740)	(29,245)	(193,335)
Repayments of long-term bank loans	(9,504)	(9,504)	(66,239)
Payments due to the abolition of the intracompany deposit system	(5,295)		(36,904)
Dividends paid	(375)	(375)	(2,614)
Other—net	<u>(1,626)</u>	<u>(448)</u>	<u>(11,338)</u>
Net cash used in financing activities	<u>(14,318)</u>	<u>(14,098)</u>	<u>(99,794)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	109	(718)	772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,766)	10,421	(82,002)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>109,373</u>	<u>98,952</u>	<u>762,285</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥97,607</u>	<u>¥109,373</u>	<u>£680,283</u>

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2019

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 2018 consolidated financial statements to conform to the classifications used in 2019.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikkei Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥143.48 to £1, the approximate rate of exchange at 31 December 2019. 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 2019, include the accounts of the Company and its 39 (39 in 2018) 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 (11 in 2018) 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

forementioned 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 50 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. Depreciation of right-of-use assets is the straight-line method.

- 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.

On 16 February 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after 1 April 2018. Nikkei Inc. and its consolidated subsidiaries retrospectively applied the revised accounting standard effective 1 January 2019.

As a result, in the consolidated balance sheet at 31 December 2018, ¥2,159 million (£15,047 thousand) of ¥2,287 million (£15,940 thousand) of "Deferred tax assets" under "Current assets" was reclassified to "Deferred tax assets" under "Investments and other assets.", ¥128 million (£892 thousand) is offset by "Deferred tax liabilities" of "Long-term liabilities". In addition, deferred tax assets and deferred tax liabilities of the same taxpayer are offset, and total assets are reduced by ¥128 million (£892 thousand) compared to the time before the change went into effect.

- 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.

3. ACCOUNTING CHANGE

- 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 applied this accounting standard from the beginning of the annual period beginning on 1 January, 2019. In applying this accounting standard, the cumulative effect of retroactive adjustment is recognized at the time of application. As a result, assets at 1 January 2019 increased by ¥3,934 million(£27,421 thousand), liabilities increased by ¥4,213 million(£29,363 thousand), and retained earnings decreased by ¥279 million(£1,942 thousand). The increase in assets was due to right of use assets, and the increase in liabilities was due to an increase in lease liabilities. As a result of this change, operating income increased by ¥494 million(£ 3,443 thousand) and income before income taxes decreased by ¥298 million(£ 2,077 thousand) for the year ended 31 December 2019.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Current:			
Debt securities and other	¥1,304	¥1,000	£9,086
Total	¥1,304	¥1,000	£9,086
Non-current:			
Equity securities	¥35,895	¥32,692	£250,172
Debt securities and other	503	277	3,508
Total	¥36,398	¥32,969	£253,680

The costs and aggregate fair values of marketable and investment securities at 31 December 2019 and 2018, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,862	¥21,748	¥(649)	¥29,961
Held-to-maturity	1,506		(1)	1,505
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
	Thousands of British Pounds			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	£61,763	£151,576	£(4,525)	£208,814
Held-to-maturity	10,491		(5)	10,486

The information for available-for-sale securities which were sold during the years ended 31 December 2019 and 2018, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2019</u>			
Available-for-sale: Equity securities	¥ 2,087	¥ 1,730	32
Total	¥ 2,087	¥ 1,730	32
<u>31 December 2018</u>			
Available-for-sale: Equity securities	¥ 2,744	¥ 1,845	
Total	¥ 2,744	¥ 1,845	
	Thousands of British Pounds		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2019</u>			
Available-for-sale: Equity securities	£ 14,546	£ 12,055	225
Total	£ 14,546	£ 12,055	225

The impairment losses on available-for-sale equity securities for the years ended 31 December, 2019 and 2018, were ¥736million (£5,127 thousand) and ¥957million, respectively.

5. INVENTORIES

Inventories at 31 December 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Merchandise	¥ 108	¥ 121	£ 757
Finished products	540	845	3,761
Work in process	1,553	1,528	10,827
Raw materials and supplies	783	772	5,455
Total	¥2,984	¥3,266	£20,800

6. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Time deposits	<u>¥18,472</u>	<u>¥23,718</u>	<u>£128,740</u>
Total	<u>¥18,472</u>	<u>¥23,718</u>	<u>£128,740</u>

7. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

Impairment loss for the year ended 31 December 2018, 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

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.

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

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

Short-term bank loans at 31 December 2019 and 2018, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.69% and 0.42% at 31 December 2019 and 2018, 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 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Unsecured loans from banks with average interest rates of 0.29% (2019) and 0.29% (2018)	¥91,488	¥100,992	£637,636
Lease liabilities	35,981	376	250,771
Total	127,469	101,368	888,407
Less current portion	(11,412)	(9,643)	(79,535)
Long-term debt, less current portion	<u>¥116,057</u>	<u>¥91,725</u>	<u>£808,872</u>

Annual maturities of long-term bank loans, at 31 December 2019, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2020	¥ 9,504	£66,239
2021	9,504	66,239
2022	9,504	66,239
2023	9,504	66,239
2024	9,504	66,239
2025 and thereafter	43,968	306,441
Total	<u>¥91,488</u>	<u>£637,636</u>

Annual maturities of lease liabilities, at 31 December 2019, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2020	¥ 1,908	£13,296
2021	1,907	13,288
2022	1,724	12,020
2023	1,673	11,659
2024	1,660	11,573
2025 and thereafter	27,109	188,935
Total	<u>¥35,981</u>	<u>£250,771</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£139 thousand), collateralized notes and accounts payable of ¥114 million (£791 thousand) at 31 December 2019, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£537
Property, plant and equipment—net of accumulated depreciation	8,992	62,670
Investment securities	74	514
Total	<u>¥9,143</u>	<u>£63,721</u>

9. 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 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Balance at beginning of year	¥183,226	¥184,387	£1,277,012
Current service cost	5,144	5,221	35,852
Interest cost	1,520	1,540	10,596
Actuarial gains (losses)	2,737	(222)	19,077
Benefits paid	(8,069)	(7,522)	(56,240)
Foreign currency translation differences	(40)	(138)	(278)
Others	104	(40)	725
Balance at end of year	<u>¥184,622</u>	<u>¥183,226</u>	<u>£1,286,744</u>

b. The changes in plan assets for the years ended 31 December 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Balance at beginning of year	¥127,388	¥133,174	£887,845
Expected return on plan assets	3,721	3,908	25,934
Actuarial losses	7,600	(9,949)	52,969
Contributions from the employer	5,738	6,005	39,991
Benefits paid	(6,043)	(5,742)	(42,115)
Foreign currency translation differences	2	(8)	14
Others	(0)	(0)	(0)
Balance at end of year	<u>¥138,406</u>	<u>¥127,388</u>	<u>£964,638</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 2019 and 2018 was as follows:*

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Funded defined benefit obligation	¥163,150	¥162,383	£1,137,091
Plan assets	(145,888)	(134,252)	(1,016,780)
Total	17,262	28,131	120,311
Unfunded defined benefit obligation	31,509	30,577	219,600
Net liability arising from defined benefit obligation	¥48,771	¥ 58,708	£339,911
	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Liability for retirement benefits	¥58,093	¥65,525	£404,883
Asset for retirement benefits	(9,322)	(6,817)	(64,972)
Net liability arising from defined benefit obligation	¥48,771	¥58,708	£339,911

- d. *The components of net periodic benefit costs for the years ended 31 December 2019 and 2018, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Service cost	¥5,144	¥ 5,221	£35,852
Interest cost	1,520	1,541	10,596
Expected return on plan assets	(3,721)	(3,909)	(25,934)
Recognized actuarial losses	3,129	3,952	21,810
Amortization of prior service cost	(333)	(353)	(2,320)
Others	497	1,099	3,455
Net periodic benefit costs	¥ 6,236	¥ 7,551	£43,459

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2019 and 2018, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Prior service cost	¥(333)	¥(353)	£(2,321)
Actuarial losses (gains)	8,057	(5,766)	56,158
Total	¥7,724	¥ (6,119)	£53,837

- f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2019 and 2018, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Unrecognized prior service cost	¥416	¥ 749	£2,901
Unrecognized actuarial gains	(5,403)	(13,460)	(37,658)
Total	¥ (4,987)	¥ (12,711)	£(34,757)

g. Plan assets

(1) Components of plan assets

Plan assets as at 31 December 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	36%	38%
Equity investments	32	30
General accounts	10	11
Cash and cash equivalents	4	3
Others	18	18
Total	100%	100%

Note: Total plan assets at 31 December 2019 and 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 2019 and 2018, were set forth as follows:*

	2019	2018
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 2019 and 2018*

¥2,208 million (£15,390 thousand) and ¥2,288 million, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Balance at beginning of year	¥2,220	¥2,147	£15,475
Additional provisions associated with the acquisition of property, plant and equipment	1,039	36	7,244
Changes in accounting estimates	290	136	2,020
Reconciliation associated with passage of time	51	17	351
Others	(189)	(116)	(1,314)
Balance at end of year	<u>¥3,411</u>	<u>¥2,220</u>	<u>£23,776</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 2019 by 290 million (£2,020 thousand).

11. 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.

12. 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 30.6% and 30.8% for the years ended 31 December 2019 and 2018, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Deferred tax assets:			
Liability for retirement benefits	¥17,673	¥20,258	£123,174
Excess of depreciation of property, plant and equipment	6,032	5,929	42,042
Tax losses carryforwards	2,524	2,675	17,588
Investment securities	1,843	1,771	12,847
Accrued expenses	1,054	993	7,348
Allowance for doubtful receivables	418	464	2,911
Other	7,284	6,630	50,764
Total of tax loss carryforwards and temporary differences	36,828	38,720	256,674
Less valuation allowance for tax loss carryforwards	(1,290)		(8,991)
Less valuation allowance for temporary differences	(7,723)		(53,820)
Total valuation allowance	(9,013)	(10,703)	(62,811)
Deferred tax assets	¥27,815	¥28,017	£193,863
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 880	¥ 936	£ 6,132
Unrealized gain on available-for-sale securities	6,317	5,629	44,025
Intangible assets	3,574	3,969	24,909
Other	2,439	1,753	17,004
Deferred tax liabilities	13,210	12,287	92,070
Net deferred tax assets	¥14,605	¥15,730	£101,793

Valuation allowance decreased by ¥1,690 million (£11,790 thousand) compared to 31 December 2018. The decrease was mainly due to the revision of recoverability of deferred tax assets and the expiration of tax loss carryforwards at consolidated subsidiaries.

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets at 31 December 2019, was as follows:

31 December, 2019	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	¥183	¥4	¥64	¥360	¥10	¥1,903	¥2,524
Less valuation allowances for tax loss carryforwards	(163)	(4)	(64)	(360)	(10)	(689)	(1,290)
Net deferred tax assets relating to tax loss carryforwards	20	0	0	0	0	1,214	1,234

31 December, 2019	Thousands of British Pounds						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	£1,274	£29	£443	£2,513	£71	£13,258	£17,588
Less valuation allowances for tax loss carryforwards	(1,134)	(29)	(443)	(2,513)	(71)	(4,801)	(8,991)
Net deferred tax assets relating to tax loss carryforwards	140	0	0	0	0	8,457	8,597

The tax loss carryforward for which this deferred tax asset has been recorded is determined to be recoverable based on the expected future taxable income, and no valuation allowance has been recognized.

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 2019 and 2018, is as follows:

	2019	2018
Normal effective statutory tax rate	30.6 %	30.8 %
Expenses not deductible for income tax purposes	3.2	1.8
Local inhabitants tax on per capital basis	1.0	0.8
Valuation allowance	(9.8)	3.3
Equity in earnings of an associated company	(0.3)	(3.5)
Expired tax losses carryforwards	7.2	1.5
Amortization of goodwill	17.6	15.6
Other—net	0.8	(0.7)
Actual effective tax rate	50.3 %	49.6 %

13. OTHER INCOME (EXPENSES)—NET

An estimated loss of ¥ 3,250 million (£ 22,651 thousand) was due to an incident regarding fund transfers at a US subsidiary.

14. 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 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Due within one year	¥337	¥401	£2,345
Due after one year	201	139	1,402
Total	¥538	¥540	£3,747

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Due within one year	¥657	¥895	£4,584
Due after one year	3,736	4,331	26,038
Total	¥4,393	¥5,226	£30,622

15. 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

31 December 2019	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥97,607	¥97,607	
Notes and accounts receivable	35,849	35,849	
Short-term investments	18,472	18,472	
Marketable securities and investment securities	31,466	31,465	¥ (1)
Investments in unconsolidated subsidiaries and associated companies	25,645	22,393	(3,252)
Total	¥209,039	¥205,786	¥(3,253)
Short-term bank loans	¥11,953	¥11,953	
Notes and accounts payable	25,612	25,612	
Long-term bank loans	91,488	91,776	¥288
Long-term lease liabilities	34,073	34,897	¥824
Total	¥163,126	¥164,238	¥1,112
Derivatives	¥ 3	¥ 3	
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 2019	Thousands of British Pounds		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	£680,283	£680,283	
Notes and accounts receivable	249,856	249,856	
Short-term investments	128,740	128,740	
Marketable securities and investment securities	219,305	219,300	£ (5)

Investments in unconsolidated subsidiaries and associated companies	178,741	156,072	(22,669)
Total	<u>£1,456,925</u>	<u>£1,434,251</u>	<u>£ (22,674)</u>
Short-term bank loans	£ 83,304	£ 83,304	
Notes and accounts payable	178,503	178,503	
Long-term bank loans	637,636	639,643	£2,007
Long-term lease liabilities	237,475	243,220	5,745
Total	<u>£ 1,136,918</u>	<u>£ 1,144,670</u>	<u>£7,752</u>
Derivatives	£ 24	£ 24	

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

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

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

Marketable and Investment Securities

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

Notes and Accounts Payable and Short-term Bank Loans

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

Long-term bank loans and Long-term lease liabilities

The fair values of long-term bank loans and long-term lease liabilities 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 or leasing transactions.

Derivatives

Fair value information for derivatives is included in Note 16

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

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Investment securities that do not have a quoted market price in an active market	¥ 5,934	¥ 5,105	£ 41,358
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	19,020	16,616	132,565
Investments in capital of partnership	302	277	2,102

(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 2019				
Cash and cash equivalents	¥ 97,607			
Notes and accounts receivable	35,849			
Marketable securities and investment securities:				
Held-to-maturity securities	15,300	¥200		
Available-for-sale securities with contractual maturities		140	¥100	
Total	¥148,756	¥340	¥100	

	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 2019				
Cash and cash equivalents	£ 680,283			
Notes and accounts receivable	249,856			
Marketable securities and investment securities:				
Held-to-maturity securities	106,636	£1,394		
Available-for-sale securities with contractual maturities		£974	£700	
Total	£1,036,775	£2,368	£700	

16. 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 2019 and 2018:

		Millions of Yen		
			Contract Amount Due after One Year	Fair Value
31 December 2019		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥	166	¥ 3
—Forward contract applied for designated transactions	Payables		21	0
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		54,893	¥49,190
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		91,488	81,984
31 December 2018				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥	173	¥ (0)
—Forward contract applied for designated transactions	Payables		22	(0)
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		60,595	¥54,893
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		100,992	91,488

		Thousands of British Pounds		
			Contract Amount Due after One Year	Fair Value
31 December 2019		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	£	1,159	£24
—Forward contract applied for designated transactions	Payables		148	3
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		382,582	£342,838
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		637,636	571,397

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 15 is included in that of hedged items.

17. CONTINGENT LIABILITIES

At 31 December 2019, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of British Pounds
Guarantees and similar items related to bank loans	¥1,646	£11,472

18. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended 31 December 2019 and 2018, were as follows:

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥2,677	¥(1,147)	£18,655
Reclassification adjustments to loss	(830)	(2,063)	(5,783)
Amount before income tax effect	1,847	(3,210)	12,872
Income tax effect	(679)	903	(4,728)
Total	¥1,168	¥(2,307)	£8,144
Deferred profit (loss) on derivatives under hedge accounting:			
Amount arising during the year	¥2	¥(6)	£17
Total	¥2	¥(6)	£17
Foreign currency translation adjustments:			
Amount arising during the year	¥2,251	¥(9,446)	£15,690
Reclassification adjustments to loss		(128)	
Total	¥2,251	¥(9,574)	£15,690
Defined retirement benefit plans:			
Amount arising during the year	¥4,910	¥(9,728)	£34,223
Reclassification adjustments to profit	2,814	3,608	19,614
Amount before income tax effect	7,724	(6,120)	53,837
Income tax effect	(2,172)	1,531	(15,142)
Total	¥5,552	¥(4,589)	£38,695
Share of other comprehensive (loss) income in associates:			
Gains arising during the year	£(600)	¥780	£(4,178)
Reclassification adjustments to profit or loss	7	(465)	47
Total	¥(593)	¥315	(4,131)
Total other comprehensive income (loss)	¥8,381	¥(16,161)	£58,415

19. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2019, was approved at the Company's shareholders meeting held on 26 March 2020

	Millions of Yen	Thousands of British Pounds
Year-end cash dividends, ¥15.00 (£0.10) per share	¥375	£2,614

20. 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					
2019					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥351,707	¥5,177	¥356,884		¥356,884
Intersegment sales or transfers	523	4,129	4,652	¥(4,652)	
Total	¥352,230	¥9,306	¥361,536	¥(4,652)	¥356,884
Segment profit	¥11,363	¥2,915	¥14,277	¥8	¥14,285
Other					
Depreciation	20,324	1,116	21,440		21,440
Amortization of goodwill	5,109		5,109		5,109

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

Thousands of British Pounds					
2019					
Reportable Segments			Reconciliations	Consolidated	
Media & Information Services	Other Business	Total			
Sales:					
Sales to external customers	£2,451,260	£36,083	£2,487,343		£2,487,343
Intersegment sales or transfers	3,648	28,772	32,420	£(32,420)	
Total	£2,454,908	£64,855	£2,519,763	£(32,420)	£2,487,343
Segment profit	£79,194	£20,313	£99,507	£56	£99,563
Other					
Depreciation	141,651	7,779	149,430		149,430
Amortization of goodwill	35,609		35,609		35,609

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2019 and 2018, of ¥8 million (£56 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 2019 and 2018, were as follows:

Millions of Yen				
2019				
Japan	U.K.	U.S.A.	Other	Total
¥294,439	¥22,860	¥16,355	¥23,230	¥356,884

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

Thousands of British Pounds				
2019				
Japan	U.K.	U.S.A.	Other	Total
£2,052,127	£159,322	£113,986	£161,908	£2,487,343

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

e. Property, plant and equipment by Geographical Area

Property, plant and equipment by Geographical Areas for the year ended 31 December 2019 were as follows:

Millions of Yen				
2019				
Japan	U.K.	U.S.A.	Other	Total
¥154,597	¥36,783	¥2,938	¥3,262	¥197,580

Thousands of British Pounds				
2019				
Japan	U.K.	U.S.A.	Other	Total
£1,077,485	£256,366	£20,474	£22,734	£1,377,059

Note: Information for the year ended 31 December 2018 was omitted as the amount of property, plant and equipment located in Japan as of year ended 31 December 2018 exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheet.

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

Loss on impairment of long-lived assets for the year ended 31 December 2018, were as follows. Note that 2019 is not applicable.

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

g. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2019 and 2018, were as follows.

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,109		¥5,109
Goodwill at 31 December 2019	¥80,985		¥80,985

	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

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Amortization of goodwill	£35,609		£35,609
Goodwill at 31 December 2019	£564,433		£564,433

21. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2019 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
	2019	2018	2019
Total current assets	¥71,481	¥67,040	£498,198
Total non-current assets	56,989	55,842	397,191
Total current liabilities	36,505	32,876	254,430
Total non-current liabilities	6,240	6,078	43,488
Total equity	¥85,725	¥83,928	£597,471

b. Consolidated Statement of income

	Millions of Yen		Thousands of British Pounds
	2019	2018	2019
Operating revenue	¥149,229	¥147,104	£1,040,070
Income before income taxes	6,041	9,454	42,100
Net income	¥3,234	¥6,058	£22,542