

The Financial Times Limited

Registered Number:

227590

Annual Report and Financial Statements

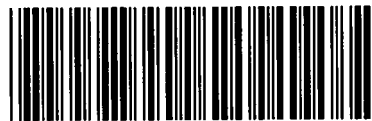
For the Year Ended:

31 December 2017

Registered address:

Number One, Southwark Bridge, London, SE1 9HL

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The Financial Times Limited

STRATEGIC REPORT

The directors present their Strategic Report of The Financial Times Limited (the "Company") for the year ended 31 December 2017.

Business review

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

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

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

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

Key performance indicators

In 2017, the FT's total circulation grew by 8% year-on-year to more than 910,000 (2016: 846,000) across print and online. Digital subscriptions grew by 10% to 714,000 (2016: 647,000). Digital represents more than three-quarters of the FT's total paying audience. A strong year for the business saw 64% growth in branded content revenue year on year. In 2017 FT Live continued to build its events portfolio, growing revenues and launching 15 new events, including the FT Commodities Summit Tokyo, FT Climate Finance and FT US Banking Forum. The Financial Publishing business rebranded as FT Specialist to reflect its transformation into a premium insight and intelligence business, with 85% of revenue now coming from content, digital advertising and events.

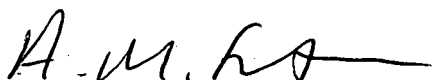
Principal risks and uncertainties

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

Results

The profit for the financial year after taxation was £5,383,000 (2016: profit of £6,064,000).

By order of the board



AM Fortescue
Company Secretary

14 June 2018

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 2017.

Future developments

Whilst we anticipate the external environment to remain challenging in 2018, we expect to benefit from continued growth in digital subscription revenues with print advertising remaining volatile and profits reflecting further actions to accelerate the shift from print to digital.

Going concern

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

Principal risks and uncertainties

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

Dividends

No interim dividends were paid in the year (2016: nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2017 (2016: nil).

Political contributions

No political contributions were made during the year (2016: nil).

Directors

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

FL Barber
C De Bono
JD Lund
H Nomura
JJ Ridding

Directors' insurance

During the year ended 31 December 2017, the Company maintained insurance covering the directors of the Company against liabilities arising in relation to the Company in accordance with Section 233 of the Companies Act 2006.

Capital risk management

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

Price risk

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

Credit risk

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

The Financial Times Limited

DIRECTORS' REPORT (continued)

Liquidity risk

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

Interest risk

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

Employees

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

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. During 2017, employees were provided with information by a variety of methods including the Company's internal communications tools of "Inside FT" and Workplace and regular emails from the Communications team. In addition, the CEO holds employee briefing sessions to update employees. Employees are encouraged to maintain an interest in the financial and economic factors affecting the Financial Times group's performance. We also run an annual employee engagement survey, and in 2017 included specific questions on diversity and inclusion with a view to obtaining feedback from which we can further build initiatives that support our diversity and inclusion objectives.

The Company is an equal opportunities employer.

Disabled persons

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If employees become disabled, the Company will offer to continue employment either in the same role, or an alternative position with appropriate retraining, subject to agreement with the employee and with regard to their particular circumstances.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

The Financial Times Limited

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

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

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

Independent auditor

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


Disclosure of information to auditor

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

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

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

By order of the board


AM Fortescue
Company Secretary
14 June 2018

Company registered number:
227590

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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.

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.

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.

The Financial Times Limited

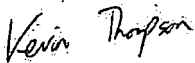
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FINANCIAL TIMES LIMITED (continued)

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.



Kevin Thompson (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 June 2018

The Financial Times Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

31 December 2017

		2017	2016
	Note	£'000	£'000
Continuing operations			
Revenue	3	321,434	310,774
Other income		698	470
Cost of sales		(173,232)	(168,714)
Gross profit		148,900	142,530
Distribution costs		(5,564)	(7,227)
Administrative expenses		(139,367)	(128,699)
Operating profit	4	3,969	6,604
Income from shares in group undertakings		686	0
Profit before interest and taxation		4,655	6,604
Finance income	7	278	276
Finance costs	7	(277)	(651)
Profit before taxation		4,656	6,229
Tax on profit	8	727	(165)
Profit for the financial year		5,383	6,064
Total comprehensive income for the year		5,383	6,064

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

The Financial Times Limited

BALANCE SHEET

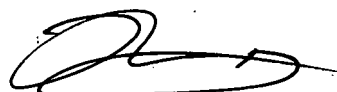
As at:

31 December 2017

		2017	2016
	Note	£'000	£'000
Non current assets			
Intangible assets	9	97,980	96,493
Property, plant and equipment	10	2,541	3,644
Investments	11	9,589	9,511
Deferred tax asset	17	7,523	6,855
		117,633	116,503
Current assets			
Inventory	12	1,534	1,597
Trade and other receivables	13	115,742	100,972
Cash at bank and in hand		17,159	19,856
		134,435	122,425
Trade and other payables: amounts falling due within one year	14	(158,831)	(148,678)
Net current liabilities		(24,396)	(26,253)
Total assets less current liabilities		93,237	90,250
Provisions for liabilities	16	(5,021)	(6,599)
Net assets		88,216	83,651
Capital and reserves			
Called up share capital	18	141,200	141,200
Profit and loss account		(52,984)	(57,549)
Total shareholder's funds		88,216	83,651

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

The financial statements on pages 8 - 41 were approved by the board of directors and authorised for issue on 14 June 2018. They were signed on its behalf by :



JD Lund
Director

Company registered number:
227590

The Financial Times Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended:

31 December 2017

	Profit and loss account	Called up share capital	Total shareholder's funds
	£'000	£'000	£'000
At 1 January 2016	(63,613)	67,000	3,387
Profit for the financial year	6,064	0	6,064
Total comprehensive income for the year	6,064	0	6,064
Issue of share capital	0	74,200	74,200
At 31 December 2016	(57,549)	141,200	83,651
Profit for the financial year	5,383	0	5,383
Actuarial loss on defined benefit pension obligation	(818)	0	(818)
Total comprehensive income for the year	4,565	0	4,565
At 31 December 2017	(52,984)	141,200	88,216

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended:

31 December 2017

1

Accounting policies

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

Basis of preparation

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

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

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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

Consolidation

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of Nikkei Inc. which are publicly available (note 23).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Although the Company is in a net current liabilities position this is largely driven by deferred income, and the directors have assessed that the Company has sufficient cash to service this balance. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Foreign currency translation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

1

Accounting policies (continued)

Revenue recognition

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

Other income

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

Current and deferred income tax

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

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

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

Intangible assets

(a) Goodwill

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

(b) Customer lists and trade names

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

Customer lists - 10 years

Trade names - 10 years

(c) Software

Expenditure on software is capitalised when the Company is able to demonstrate all of the following: the technical feasibility of the resulting asset; the ability and intention to complete the development and use or sell it; how the asset will generate probable future economic benefits; and the ability to measure reliably the expenditure attributable to the asset during its development. Development costs which do not meet these criteria are recognised in the income statement as incurred and are not subsequently capitalised. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life (3 - 5 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

1

Accounting policies (continued)

Tangible fixed assets

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

Freehold buildings 10 - 40 years;

Plant and machinery 5 - 10 years;

Fixtures and fittings 3 - 10 years;

Leasehold buildings - over the period of the lease.

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

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

Impairment of non-financial assets

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

Investment in subsidiaries and associated undertakings

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

Inventory

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

Trade and other receivables

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

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.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

1

Accounting policies (continued)

Pensions

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

Certain employees are members of The Financial Times Overseas Pension Plan, which is a defined benefit scheme. The scheme is unfunded and hence there are no assets to value each year. The liabilities are valued using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period or arising from the passage of time is charged to the profit and loss account. Actuarial gains and losses are recognised in the statement of total comprehensive income. An independent actuarial valuation is performed every three years and this was last performed by Willis Towers Watson as at 31 December 2017.

Leases

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

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

Financial instruments

(a) Loans and receivables

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

(b) Other financial liabilities

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

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

Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:
31 December 2017

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended:
31 December 2017**

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.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £30,000. No impairment loss was recognised during the year in relation to any of the investments.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Revenue

	2017	2016
	£'000	£'000
Continuing operations		
Sale of goods	245,658	242,622
Provision of services	75,776	68,152
Total revenue	321,434	310,774

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

Revenue by geographical market is as follows:

	2017	2016
	£'000	£'000
United Kingdom	142,012	138,104
Rest of Europe	83,649	81,672
North America	50,784	49,568
Asia and Middle East	37,271	34,009
Rest of World	7,718	7,421
Total revenue	321,434	310,774

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 £14,476,000 of barter revenue (2016: £13,386,000) on a gross basis.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

4.

Operating profit

Operating profit is stated after charging/(crediting):

		2017	2016
	Note	£'000	£'000
Staff costs	5	103,722	100,814
Depreciation of property, plant and equipment:			
- owned		1,679	1,892
- held under finance leases		45	66
Operating lease charges		7,316	7,214
Inventory costs		9,302	9,454
Amortisation of intangible assets included in operating expenses:			
- internally generated		16,916	15,338
- other		174	362
Impairment of tangible fixed assets:			
- owned		0	103
Net foreign exchange loss/(gains)		3,700	(1,413)
Fees payable to the Company's auditor:			
- auditing the financial statements of the Company		271	280
- taxation compliance services		10	159
- other assurance services		109	122

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

5

Staff costs

	2017	2016
	£'000	£'000
Staff costs		
Wages and salaries	84,591	81,419
Social security costs	10,849	10,423
Other pension costs	8,282	8,972
	103,722	100,814

Pension costs include £882,000 (2016: £898,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £7,400,000 (2016: £8,074,000) represent the charge for funding of the Financial Times Retirement Plan.

	2017	2016
Average monthly number of persons employed by the Company during the year	Number	Number
Production	831	795
Selling and distribution	201	180
Administration	259	331
	1,291	1,306

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

6

Directors' remuneration

	2017	Restated 2016
	£'000	£'000
Aggregate emoluments	4,689	4,195
Company contributions to money purchase pension schemes	35	38
	4,724	4,233

	2017	2016
	Number directors	Number directors
Directors accruing benefits under money purchase schemes	3	3

	2017	Restated 2016
	£'000	£'000
Highest paid director		
Aggregate emoluments	2,554	2,044
Defined contribution pension scheme - accrued pension at end of year	11	10

2016 figures have been restated to reflect the years the remuneration was receivable by the respective Directors.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

7

Finance income and finance costs

	2017	Restated 2016
	£'000	£'000
Finance income		
Bank interest receivable	28	7
Other interest receivable	0	54
Interest receivable from group companies	250	215
Interest receivable and similar income	278	276

The 2016 numbers have been restated to reflect the allocation of interest receivable from group companies.

	2017	2016
	£'000	£'000
Finance costs		
Finance lease interest	0	2
Interest payable to group companies	190	599
Other interest	30	50
Pension finance expense	57	0
Interest payable and similar charges	277	651

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

8

Tax on profit

	2017	2016
	£'000	£'000
Current tax		
UK corporation tax on profit for the financial year	(296)	(419)
Adjustments in respect of prior years	(240)	(169)
Overseas taxation	477	538
Total current tax	(59)	(50)
Deferred tax		
Origination and reversal of temporary differences	(2,150)	2,873
In respect of provisions	1,274	(2,534)
Change in tax rates	208	(124)
Total deferred tax	(668)	215
Total tax charge / (credit) for the year	(727)	165
UK standard effective rate of corporation tax (%)	19.25	20.00

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

	2017	2016
	£'000	£'000
Profit before taxation	4,656	6,229
Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	896	1,246
Effects of:		
Expenses not deductible for tax purposes	(207)	446
Unprovided deferred taxation in year	(1,445)	(1,772)
Double taxation	477	0
Adjustments in respect of prior periods	(240)	(169)
Losses surrendered as group relief	296	419
Change in tax rates	(208)	(124)
Payment for group relief	(296)	(419)
Foreign tax	0	538
Total tax charge / (credit) for the year	(727)	165

As enacted in Finance (No.2) Act 2015, the UK corporation tax rate reduced from 1 April 2017 to 19%. As a result, the Company's profit for the year is taxed at a statutory rate of 19.25% for the calendar year (2016: 20.00%). As enacted in Finance Act 2016, the UK corporation tax rate will reduce from 1 April 2020 to 17%. As a result, deferred tax is recognised at a blended rate of 18.5%, being the rate at which it is expected to reverse.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

9

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 2017	4,926	415	139,935	15,238	55,399	215,913
Additions	0	0	2,320	16,445	0	18,765
Disposals	0	0	(4,851)	0	0	(4,851)
Transfers	0	0	14,772	(14,772)	0	0
At 31 December 2017	4,926	415	152,176	16,911	55,399	229,827
Amortisation						
At 1 January 2017	4,576	249	114,595	0	0	119,420
Charge for the year	132	42	16,916	0	0	17,090
Disposals	0	0	(4,663)	0	0	(4,663)
At 31 December 2017	4,708	291	126,848	0	0	131,847
Net book value						
At 31 December 2016	350	166	25,340	15,238	55,399	96,493
At 31 December 2017	218	124	25,328	16,911	55,399	97,980

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 2017

10

Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2017	1,906	3,813	23,357	722	29,798
Additions	0	6	654	355	1,015
Disposals	0	0	(13)	(426)	(439)
Transfers	0	0	296	(296)	0
At 31 December 2017	1,906	3,819	24,294	355	30,374
Depreciation					
At 1 January 2017	1,634	3,784	20,736	0	26,154
Charge for the year	195	21	1,463	0	1,679
At 31 December 2017	1,829	3,805	22,199	0	27,833
Net book value					
At 31 December 2016	272	29	2,621	722	3,644
At 31 December 2017	77	14	2,095	355	2,541

The net carrying amount of assets held under finance leases included in fixtures and fittings is £76,000 (2016: £35,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

11

Investments

	2017	2016
	£'000	£'000
Subsidiary undertakings	30	30
Joint ventures	9,559	9,481
	9,589	9,511

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

11a

Investments - subsidiary undertakings

	Total
	£'000
Cost	
At 1 January 2017	7,311
At 31 December 2017	7,311
Provision	
At 1 January 2017	7,281
At 31 December 2017	7,281
Net book value	
At 31 December 2016	30
At 31 December 2017	30

Details of directly held subsidiary undertakings:

				2017	2016
Subsidiary	Registered office address	Class of shares held	Place of incorporation	% held	% held
The Financial Times (Overseas) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (France) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (Japan) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (Spain) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
Financial Times (ASC) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
St. Clements Press (1988) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
FT Labs Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
The Financial Times (M-M UK) Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%
Mandatewire Limited	Number One Southwark Bridge, London, SE1 9HL	Ordinary	England	100%	100%

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

At 31 December 2017

11a

Investments - subsidiary undertakings (continued)

Details of directly held subsidiary undertakings (continued):

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

The Company owns 98% of the issued share capital of Financial Times do Brasil Consultoria Ltda, incorporated in Brazil. Financial Times Group Limited owns the remaining 2% of the issued share capital.

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

11b

Investments - joint ventures

	Total
	£'000
Cost	
At 1 January 2017	9,481
Foreign exchange	78
At 31 December 2017	9,559
Net book value	
At 31 December 2016	9,481
At 31 December 2017	9,559

Details of joint venture undertakings:

			2017	2016
Joint ventures	Registered office address	Place of incorp	% held	% held
Corporate Learning Alliance 1,090,000 "B" shares	Number One Southwark Bridge, London, SE1 9HL	UK	50%	50%

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

11c

Other investments

	2017	2016
	£'000	£'000
Other investments	0	0
	0	0

Details of other investments :

		2017	2016
	Class of shares held	% owned	% owned
NLA Media Access Limited	Ordinary	12.5%	12.5%

As at 31 December 2017, the Company still owned 12.5% of ordinary shares valued at £1.00.

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended:
31 December 2017**

**12
Inventory**

	2017	2016
	£'000	£'000
Raw materials and consumables	1,534	1,597
	1,534	1,597

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Trade and other receivables

	2017	2016
	£'000	£'000
Amounts falling due within one year		
Trade receivables	38,352	37,892
Amounts owed by group undertakings	35,811	35,765
Other taxation	15,245	7,377
Other receivables	5,533	4,661
Prepayments and accrued income	20,047	14,646
Corporation tax	754	631
Total trade and other receivables	115,742	100,972

Amounts owed by group undertakings include loans of: £812,000 attracting interest at 3 month LIBOR rates plus 100 basis points and £3,775,000 attracting interest at 5.5% (2016: £1,372,000 attracting interest at LIBOR plus 100 basis points and £3,578,000 attracting interest at 5.5%). The loans are unsecured and repayable on demand.

The remaining amounts of £31,224,000 (2016: £30,815,000) owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £3,239,000 (2016: £1,369,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Trade and other payables

	2017	2016
	£'000	£'000
Amounts falling due within one year		
Obligations under finance leases (note 15)	0	18
Trade payables	10,218	11,914
Amounts owed to group undertakings	46,709	54,494
Other taxation and social security	12,974	7,932
Other payables	1,711	1,478
Accruals and deferred income	87,219	72,842
	158,831	148,678

Amounts owed to group undertakings include loans of: £17,252,000 attracting interest at rates ranging from 0.73% to 0.92% and £223,000 attracting interest at 3 month LIBOR rates plus 100 basis points (2016: £38,185,000 attracting interest at 1.70% and £194,000 attracting interest at LIBOR plus 100 basis points). The loans are unsecured and repayable on demand.

The remaining amounts of £29,234,000 (2016: £16,115,000) owed to group undertakings are unsecured, interest free and repayable on demand.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

15

Loans and other borrowings

	2017	2016
	£'000	£'000
Finance leases	0	18
	0	18

Future minimum lease payments due:

	2017	2016
	£'000	£'000
Within one year	0	20
In more than one year, but not more than five years	0	0
Total gross payments	0	20
Less finance charges included above	0	(2)
Present value of lease obligations	0	18

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Provisions

	Pensions	Re- organisations	Other Provisions	Total
	£'000	£'000	£'000	£'000
At 1 January 2017	2,001	4,119	479	6,599
Utilised in the year	0	(3,163)	0	(3,163)
Amounts charged to the profit and loss account	179	2,462	0	2,641
Amounts released to the profit and loss account	0	(955)	(101)	(1,056)
At 31 December 2017	2,180	2,463	378	5,021

The reorganisation provision relates to redundancy obligations.

The pension provision relates to a defined benefit scheme for non-journalistic staff and other pension liabilities in connection to the disposal by Pearson in 2015.

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

**For the year ended:
31 December 2017**

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Deferred taxation asset

	Provisions	Total
Asset	£'000	£'000
At 1 January 2017	6,855	6,855
Credited to profit and loss	668	668
At 31 December 2017	7,523	7,523

The deferred tax asset recognised at 31 December 2017 is £7,523,000 (2016: £6,855,000).

A further deferred tax asset of £13,392,000 (2016: £15,400,000) has not been recognised on provisions and losses available to carry forward due to the uncertainty regarding the availability of future taxable profits. The losses will be available to offset against future taxable profits.

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Called up share capital

	2017		2016	
	£'000		£'000	
Total authorised share capital	141,200		141,200	
	2017	2016	2017	2016
Ordinary shares £1 each	Number	Number	£'000	£'000
Allotted, called up and fully paid	141,200,000	141,200,000	141,200	141,200

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

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

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

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Capital and other commitments

	2017	2016
	£'000	£'000
Capital commitments are as follows		
Contracts for future capital expenditure not provided in the financial statements	810	956
	810	956

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

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

	2017	2017	2016	2016
	Land and	Other	Land and	Other
	buildings		buildings	
	£'000	£'000	£'000	£'000
Within one year	3,447	27	7,291	31
Between two and five years	449	62	3,069	61
In over five years	25	0	5	0
	3,921	89	10,365	92

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Retirement benefit schemes

Financial Times Retirement Plan

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

	2017	2016
	£'000	£'000
Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid	7,400	8,074

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Contingent liabilities

Other guarantees and indemnities

The Company has agreed to provide, or arrange the provision of, funds to Financial Times (ASC) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2017, Financial Times (ASC) Limited had net liabilities of £931,000 (2016: £1,235,000).

The Company has agreed to provide, or arrange the provision of, funds to FT Personal Finance Limited, a fellow group subsidiary of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2017, FT Personal Finance Limited had net liabilities of £19,674,000 (2016: £19,750,000).

The Company has agreed to provide, or arrange the provision of, funds to The Financial Times (M-M UK) Limited, a subsidiary undertaking of the Company, sufficient to meet its obligations as they fall due for at least twelve months from the date of signature of their financial statements. At 31 December 2017, The Financial Times (M-M UK) Limited had net liabilities of £1,462,000 (2016: £2,025,000).

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Related party transactions

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

The Financial Times Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2017

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Ultimate parent undertaking

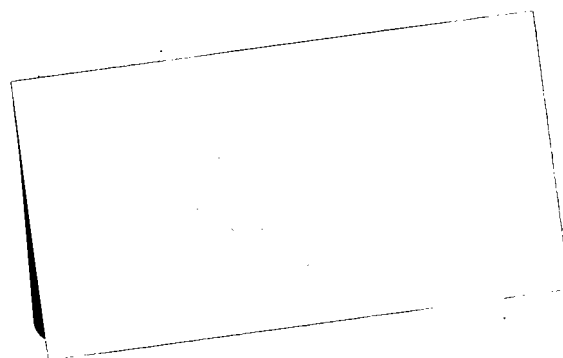
The immediate parent undertaking is Financial Times Group Limited.

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

THESE ACCOUNTS FORM PART OF THE GROUP
ACCOUNTS OF THE FINANCIAL TIMES LTD,
COMPANY NO. 227590

***Nikkei Inc. and
Consolidated Subsidiaries***

***Consolidated Financial Statements
for the Year Ended 31 December 2017,
and Independent Auditor's Report***



CERTIFIED AS A TRUE COPY

SIGNATURE



KAZUHIRO MINEO
DIRECTOR, NIKKEI INC.

DATE

08/05/2018

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 2017, 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 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

28 March 2018

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
31 December 2017

ASSETS	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
CURRENT ASSETS:			
Cash and cash equivalents (Notes 7 and 13)	¥98,952	¥101,476	£650,920
Marketable securities (Notes 3 and 13)	1,000	3,500	6,578
Notes and accounts receivable (Note 13):			
Trade	34,292	33,221	225,578
Unconsolidated subsidiaries and associated companies	579	604	3,807
Other	4,198	2,773	27,616
Allowance for doubtful receivables	(699)	(415)	(4,602)
Inventories (Note 4)	3,266	3,329	21,485
Short-term investments (Notes 5 and 13)	24,991	25,019	164,390
Deferred tax assets (Note 11)	2,115	1,895	13,910
Other current assets	7,110	5,508	46,770
Total current assets	175,804	176,910	1,156,452
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 7)	106,099	104,150	697,930
Buildings and structures (Note 7)	159,534	159,540	1,049,427
Machinery and equipment (Note 7)	72,392	72,540	476,201
Furniture and fixtures	21,706	22,003	142,784
Lease assets	1,489	1,908	9,792
Construction in progress	1,801	2,037	11,846
Total	363,021	362,178	2,387,980
Accumulated depreciation	(205,013)	(204,990)	(1,348,591)
Net property, plant and equipment	158,008	157,188	1,039,389
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 7 and 13)	37,485	36,866	246,577
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 13)	45,737	42,215	300,861
Goodwill	95,276	95,569	626,736
Software	21,003	20,397	138,162
Assets for retirement benefits (Note 8)	8,746	5,789	57,533
Deferred tax assets (Note 11)	16,205	18,537	106,594
Other assets	38,823	40,744	255,385
Total investments and other assets	263,275	260,117	1,731,848
TOTAL	¥597,087	¥594,215	£3,927,689
See notes to consolidated financial statements.			
- 1 -			
LIABILITIES AND EQUITY	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 13)	¥13,371	¥13,292	£87,953
Current portion of long-term debt (Notes 7 and 13)	9,711	9,834	63,877
Notes and accounts payable (Note 7 and 13):			
Trade	13,466	13,703	88,583
Unconsolidated subsidiaries and associated companies	938	1,019	6,171
Other	12,158	12,616	79,975
Income taxes payable	1,967	2,279	12,941
Accrued expenses	13,145	11,197	86,466
Provision for sales returns	1,194	1,281	7,857
Other current liabilities (Notes 9 and 11)	34,325	34,080	225,794
Total current liabilities	100,275	99,301	659,617
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 13)	101,226	110,796	665,868
Deferred tax liabilities for land revaluation	18,681	18,683	122,887
Liability for retirement benefits (Note 8)	62,341	72,481	410,084
Retirement allowance for Directors and Audit & Supervisory Board Members	2,561	2,703	16,848
Other liabilities (Notes 9 and 11)	15,566	16,190	102,397
Total long-term liabilities	200,375	220,853	1,318,084
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Note 10):			
Common stock—authorized, 120,000,000 shares; issued, 25,000,000 shares in 2017 and in 2016	2,500	2,500	16,446
Capital surplus	3	10	22
Retained earnings	286,296	280,219	1,883,278
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	16,679	16,466	109,718
Deferred gain on derivatives under hedge accounting	3	9	22
Land revaluation surplus	9,710	9,699	63,869
Foreign currency translation adjustments	(36,720)	(43,879)	(241,550)
Defined retirement benefit plans	(5,090)	(12,670)	(33,484)
Total	273,381	252,354	1,798,321
Noncontrolling interests	23,056	21,707	151,667
Total equity	296,437	274,061	1,949,988
TOTAL	¥597,087	¥594,215	£3,927,689

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Income Year Ended 31 December 2017

	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
NET SALES (Note 18)	¥358,225	¥358,977	£2,356,432
COST OF SALES	216,104	219,397	1,421,546
Gross profit	142,121	139,580	934,886
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	131,598	129,671	865,666
Operating income	10,523	9,909	69,220
OTHER INCOME (EXPENSES):			
Interest and dividend income	980	883	6,448
Interest expense	(667)	(721)	(4,388)
Loss on sales and disposal of property, plant and equipment	(253)	(265)	(1,667)
Gain on sales of investments in subsidiaries and affiliated companies	552	6	3,631
Foreign exchange loss	(139)	(176)	(912)
Loss on valuation of investment securities	(2,591)	(1,242)	(17,043)
Loss on impairment of long-lived assets (Note 6)	(170)		(1,120)
Equity in earnings of unconsolidated subsidiaries and associated companies	2,037	2,125	13,400
Other—net	249	(233)	1,641
Other income (expenses)—net	(2)	377	(10)
INCOME BEFORE INCOME TAXES	10,521	10,286	69,210
INCOME TAXES (Note 11):			
Current	3,961	4,877	26,054
Deferred	(839)	1,086	(5,518)
Total income taxes	3,122	5,963	20,536
NET INCOME	7,399	4,323	48,674
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	936	544	6,160
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥6,463	¥3,779	£42,514
	Yen		British Pounds
PER SHARE OF COMMON STOCK (Note 2.v):			
Basic net income	¥258.51	¥151.15	£1.70
Cash dividends applicable to the year	15.00	15.00	0.10

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Year Ended 31 December 2017

	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
NET INCOME	¥7,399	¥4,323	£48,674
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	52	(86)	345
Deferred (loss) gain on derivatives under hedge accounting	(9)	13	(58)
Land revaluation surplus		1,001	
Foreign currency translation adjustments	7,220	(31,405)	47,494
Defined retirement benefit plans	7,889	(970)	51,893
Share of other comprehensive income (loss) in associates	435	(280)	2,859
Total other comprehensive income (loss)	15,587	(31,727)	102,533
COMPREHENSIVE INCOME (LOSS)	¥ 22,986	¥ (27,404)	£151,206
TOTAL COMPREHENSIVE INCOME (LOSS)			
ATTRIBUTABLE TO:			
Owners of the parent	¥21,408	¥ (27,968)	£140,826
Noncontrolling interests	1,578	564	10,380

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Equity
Year Ended 31 December 2017

	Thousands		Millions of Yen									
			Accumulated Other Comprehensive Income									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, 1 JANUARY 2016	25,000	¥ 2,500	¥ 5	¥ 276,815	¥ 16,732	¥ 1	¥ 8,698	¥ (12,448)	¥ (11,611)	¥ 280,692	¥ 21,372	¥ 302,064
Net income attributable to owners of the parent				3,779						3,779		3,779
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Change in the parent's ownership interest due to transactions with noncontrolling interests			5							5		5
Net change in the year					(266)	8	1,001	(31,431)	(1,059)	(31,747)	335	(31,412)
BALANCE, 31 DECEMBER 2016	25,000	2,500	10	280,219	16,466	9	9,699	(43,879)	(12,670)	252,354	21,707	274,061
Net income attributable to owners of the parent				6,463						6,463		6,463
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Change in the parent's ownership interest due to transactions with noncontrolling interests			(7)							(7)		(7)
Reversal of revaluation reserve for land				(11)						(11)		(11)
Net change in the year					213	(6)	11	7,159	7,580	14,957	1,349	16,306
BALANCE, 31 DECEMBER 2017	25,000	¥ 2,500	¥ 3	¥ 286,296	¥ 16,679	¥ 3	¥ 9,710	¥ (36,720)	¥ (5,090)	¥ 273,381	¥ 23,056	¥ 296,437

	Thousands of British Pounds (Note1)										
	Accumulated Other Comprehensive Income										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontro- lling Interests	Total Equity
BALANCE, 31 DECEMBER 2016	£ 16,446	£63	£1,843,300	£108,315	£58	£63,800	£(288,633)	£(83,346)	£1,660,003	£142,792	£1,802,795
Net income attributable to owners of the parent			42,514						42,514		42,514
Cash dividends, £0.10 per share			(2,467)						(2,467)		(2,467)
Change in the parent's ownership interest due to transactions with noncontrolling interests		(41)							(41)		(41)
Reversal of revaluation reserve for land			(69)						(69)		(69)
Net change in the year				1,403	(36)	69	47,083	49,862	98,381	8,875	107,256
BALANCE, 31 DECEMBER 2017	£ 16,446	£22	£1,883,278	£109,718	£22	£63,869	£(241,550)	£(33,484)	£1,798,321	£151,667	£1,949,988

See notes to consolidated financial statements.

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Year Ended 31 December 2017

	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥10,521	¥ 10,286	£69,210
Adjustments for:			
Income taxes—paid	(4,602)	(6,039)	(30,270)
Depreciation and amortization	20,134	20,749	132,443
Loss on sales and disposal of property, plant and equipment	253	265	1,667
Loss on impairment of long-lived assets	170		1,120
Gain on sales of investments in subsidiaries and affiliated companies	(552)	(6)	(3,631)
Loss on valuation of investment securities	2,591	1,242	17,043
Amortization of goodwill	5,114	5,221	33,637
Equity in earnings of unconsolidated subsidiaries and associated companies	(2,037)	(2,125)	(13,400)
Changes in assets and liabilities, net of effects:			
(Increase) decrease in notes and accounts receivable	(533)	530	(3,507)
(Decrease) increase in notes and accounts payable	(167)	1,045	(1,100)
Increase (decrease) in liability for employees' retirement benefits	857	(10,721)	5,640
Other—net	(4,648)	4,844	(30,575)
Total adjustments	16,580	15,005	109,067
Net cash provided by operating activities	27,101	25,291	178,277
INVESTING ACTIVITIES:			
Payments into time deposits	(48,429)	(38,408)	(318,568)
Proceeds from withdrawal of time deposits	49,544	39,576	325,907
Purchases of marketable securities	(3,000)	(4,000)	(19,734)
Proceeds from sales of marketable securities	5,498	7,100	36,163
Purchases of property, plant and equipment	(8,460)	(4,507)	(55,649)
Purchases of intangible assets	(10,810)	(9,731)	(71,110)
Purchases of investment securities	(4,636)	(5,277)	(30,493)
Proceeds from sales of investment securities	127	65	837
Purchases of investments in subsidiaries with changes in consolidation scope		(1,345)	
Proceeds from sales of investments in subsidiaries resulting in change in the scope of consolidation	676		4,444
Other—net	(67)	298	(446)
Net cash used in investing activities	(19,557)	(16,229)	(128,649)
FORWARD	¥7,544	¥9,062	£49,628

(Continued)

Nikkei Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Year Ended 31 December 2017

	Millions of Yen		Thousands of British Pounds (Note 1)
	2017	2016	2017
FORWARD	<u>¥7,544</u>	<u>¥9,062</u>	<u>£49,628</u>
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	31,150	16,465	204,906
Repayments of short-term bank loans	(31,282)	(132,865)	(205,772)
Proceeds from long-term bank loans		120,000	
Repayments of long-term bank loans	(9,504)		(62,518)
Dividends paid	(375)	(375)	(2,467)
Other—net	(516)	(552)	(3,400)
Net cash (used in) provided by financing activities	<u>(10,527)</u>	<u>2,673</u>	<u>(69,251)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	370	(1,757)	2,434
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER	89		590
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(2,613)</u>	<u>9,978</u>	<u>(17,189)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>101,476</u>	<u>91,498</u>	<u>667,519</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥98,952</u>	<u>¥ 101,476</u>	<u>£650,920</u>

See notes to consolidated financial statements.

(Concluded)

Nikkei Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended 31 December 2017

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥152.02 to £1, the approximate rate of exchange at 31 December 2017. 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 2017, include the accounts of the Company and its 39 (40 in 2016) 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 13 (12 in 2016) 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.

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- b. **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.
- c. **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—ASBJ Statement No.16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalised development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.
- d. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.
- Cash equivalents include time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition.
- e. **Allowance for doubtful receivables**—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and evaluation of potential losses in the receivables outstanding.
- f. **Inventories**—The Company determines the cost of raw materials by the average cost method and the cost of supplies by the first-in, first-out method.

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

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

- g. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at

amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

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

- i. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- j. Land Revaluation**—Under the “Law of Land Revaluation,” the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as at 31 December 2000. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the declines in value should be removed from the land revaluation excess account and related deferred tax liabilities.
- k. Software**—Software is amortized by the straight-line method based on the length of the period it can be used internally (mainly 5 years).
- l. Goodwill**—Goodwill is amortized by the straight-line method over its estimated useful life determined for each business combination, not exceeding 20 years. In the case it is fairly immaterial, it is expensed immediately in the fiscal year of its occurrence.
- m. Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans.

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

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

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

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

obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

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

- o. Leases*—For a lessee, finance lease transactions are capitalised by recognizing lease assets and lease obligations in the balance sheet.
- p. Provision for sales returns*—Certain consolidated subsidiaries accrue provision for sales returns of books and magazines based on their historical sales returns rate experience.
- q. Retirement allowance for Directors and Audit & Supervisory Board Members*
—Retirement allowance for Directors and Audit & Supervisory Board Members is provided to allocate retirement compensation for directors at an amount that would be required to be paid in accordance with the Company's internal rules as if all eligible officers resign from their positions at the balance sheet date.
- r. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective 1 January 2017. There was no impact from this for the year ended 31 December 2017.

- 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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Current:			
Debt securities and other	¥1,000	¥3,500	£6,578
Total	¥1,000	¥3,500	£6,578
Non-current:			
Equity securities	¥34,943	¥36,058	£229,854
Debt securities and other	2,542	808	16,723
Total	¥37,485	¥36,866	£246,577

The costs and aggregate fair values of marketable and investment securities at 31 December 2017 and 2016, were as follows:

Millions of Yen				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>31 December 2017</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,994	¥22,031	¥(23)	¥29,002
Held-to-maturity	3,200	2	(0)	3,202
<u>31 December 2016</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,298	¥22,071	¥(8)	¥28,361
Held-to-maturity	800	8		808
Thousands of British Pounds				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>31 December 2017</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	£46,004	£144,923	£(151)	£190,776
Held-to-maturity	21,050	16	(3)	21,063

The information for available-for-sale securities which were sold during the years ended 31 December 2017 and 2016, was as follows:

Millions of Yen			
	Proceeds	Realized Gains	Realized Losses
31 December 2017			
Available-for-sale: Equity securities	¥ 72	¥ 56	
Total	¥ 72	¥ 56	
31 December 2016			
Available-for-sale: Equity securities	¥ 12	¥ 6	
Total	¥ 12	¥ 6	
Thousands of British Pounds			
	Proceeds	Realized Gains	Realized Losses
31 December 2017			
Available-for-sale: Equity securities	£ 475	£ 366	
Total	£ 475	£ 366	

The impairment losses on available-for-sale equity securities for the years ended 31 December, 2017 and 2016, were ¥2,591 million (£17,043 thousand) and ¥1,242 million, respectively.

4. INVENTORIES

Inventories at 31 December 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Merchandise	¥ 148	¥ 177	£ 974
Finished products	766	781	5,040
Work in process	1,517	1,497	9,980
Raw materials and supplies	835	874	5,491
Total	¥3,266	¥3,329	£21,485

5. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Time deposits	<u>¥24,991</u>	<u>¥25,019</u>	<u>£164,390</u>
Total	<u>¥24,991</u>	<u>¥25,019</u>	<u>£164,390</u>

6. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

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

Location	Classification by Use	Type of Assets	Millions of Yen	Thousands of British Pounds
			2017	2017
Ashigarashi mogun (Kanagawa)	Idle assets	Buildings and Structures	¥72	£474
		Land	28	184
		Buildings and Structures	9	60
Kobe (Hyogo)	Business assets	Land	60	397
		Furniture and fixtures	1	5

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 its idle assets and assets determined to sell for impairment as of 31 December 2017. As a result, the Group recognized an impairment loss of ¥170 million (£1,120 thousand).

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

No impairment loss was recognized for the year ended 31 December 2016.

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

Short-term bank loans at 31 December 2017 and 2016, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.41% and 0.44% at 31 December 2017 and 2016, 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 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Unsecured loans from banks with average interest rates of 0.29% (2017) and 0.29% (2016)	¥110,496	¥120,000	£726,851
Obligations under finance leases	441	630	2,894
Total	110,937	120,630	729,745
Less current portion	(9,711)	(9,834)	(63,877)
Long-term debt, less current portion	¥101,226	¥110,796	£665,868

Annual maturities of long-term debt, excluding finance leases (see Note 12), at 31 December, 2017, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2018	¥ 9,504	£62,518
2019	9,504	62,518
2020	9,504	62,518
2021	9,504	62,518
2022	9,504	62,518
2023 and thereafter	62,976	414,261
Total	¥110,496	£726,851

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£132 thousand), collateralized notes and accounts payable of ¥100 million (£660 thousand) and collateralized other current liabilities of ¥5,284 million (£34,761 thousand) at 31 December 2017, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£507
Property, plant and equipment—net of accumulated depreciation	9,303	61,198
Investment securities	59	384
Total	¥9,439	£62,089

8. RETIREMENT AND PENSION PLANS

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

a. The changes in defined benefit obligation for the years ended 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Balance at beginning of year	¥186,253	¥201,160	£1,225,188
Current service cost	5,423	5,724	35,672
Interest cost	1,610	1,623	10,591
Actuarial losses	(1,411)	1,582	(9,283)
Benefits paid	(7,666)	(20,671)	(50,426)
Past service cost		121	
Foreign currency translation differences	167	(3,283)	1,101
Others	11	(3)	72
Balance at end of year	¥184,387	¥186,253	£1,212,915

b. The changes in plan assets for the years ended 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Balance at beginning of year	¥122,117	¥119,684	£803,296
Expected return on plan assets	3,569	3,504	23,472
Actuarial losses	6,691	(2,247)	44,013
Contributions from the employer	6,591	6,815	43,356
Benefits paid	(5,800)	(5,627)	(38,152)
Foreign currency translation differences	(5)	(12)	(31)
Others	11	0	73
Balance at end of year	¥133,174	¥122,117	£876,027

- 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 2017 and 2016 was as follows:**

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Funded defined benefit obligation	¥164,967	¥166,528	£1,085,165
Plan assets	(140,254)	(128,609)	(922,601)
Total	24,713	37,919	162,565
Unfunded defined benefit obligation	28,882	28,773	189,986
Net liability arising from defined benefit obligation	¥53,595	¥ 66,692	£352,551
	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Liability for retirement benefits	¥62,341	¥72,481	£410,084
Asset for retirement benefits	(8,746)	(5,789)	(57,533)
Net liability arising from defined benefit obligation	¥53,595	¥66,692	£352,551

- d. **The components of net periodic benefit costs for the years ended 31 December 2017 and 2016, were as follows:**

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Service cost	¥5,423	¥ 5,724	£35,672
Interest cost	1,610	1,603	10,591
Expected return on plan assets	(3,568)	(3,504)	(23,472)
Recognized actuarial losses	3,322	3,643	21,851
Amortization of prior service cost	(310)	(171)	(2,037)
Others	394	687	2,594
Net periodic benefit costs	¥ 6,871	¥ 7,982	£45,199

- e. **Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2017 and 2016, were as follows:**

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Prior service cost	¥(309)	¥(174)	£(2,037)
Actuarial losses (gains)	11,432	(185)	75,207
Total	¥ 11,123	¥(359)	£73,170

- f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2017 and 2016, were as follows:**

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Unrecognized prior service cost	¥1,102	¥ 1,412	£7,251
Unrecognized actuarial gains	(7,694)	(19,128)	(50,611)
Total	¥ (6,592)	¥ (17,716)	£(43,360)

g. Plan assets

(1) Components of plan assets

Plan assets as at 31 December 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	36%	47%
Equity investments	34	34
General accounts	10	11
Cash and cash equivalents	4	3
Others	16	5
Total	100%	100%

Note: Total plan assets at 31 December 2017 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 2017 and 2016, were set forth as follows:**

	2017	2016
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 2017 and 2016**

¥2,162 million (£14,225 thousand) and ¥2,156 million, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Balance at beginning of year	¥2,120	¥1,271	£13,947
Additional provisions associated with the acquisition of property, plant and equipment	27	69	180
Reconciliation associated with changes in accounting estimates	(11)	783	(70)
Reconciliation associated with passage of time	17	16	109
Others	(6)	(19)	(42)
Balance at end of year	¥2,147	¥2,120	£14,124

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 decrease of the asset retirement obligation for the years ended 31 December 2017 by 11 million (£70 thousand).

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional

paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that ordinary shares, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.9% and 33.1% for the years ended 31 December 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Deferred tax assets:			
Liability for retirement benefits	¥18,076	¥ 21,650	£118,903
Excess of depreciation of property, plant and equipment	5,682	5,850	37,378
Tax losses carryforwards	3,482	3,589	22,903
Investment securities	3,741	3,505	24,611
Accrued expenses	1,151	1,075	7,572
Allowance for doubtful receivables	459	389	3,019
Other	6,585	7,169	43,317
Less valuation allowance	(12,667)	(14,414)	(83,325)
Total	¥26,509	¥28,813	£174,378
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 907	¥ 919	£ 5,967
Unrealized gain on available-for-sale securities	6,524	6,518	42,918
Intangible assets	4,676	5,115	30,760
Other	1,970	1,207	12,956
Total	14,077	13,759	92,601
Net deferred tax assets	¥12,432	¥ 15,054	£ 81,777

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended 31 December 2016, is as follows:

	2016
Normal effective statutory tax rate	33.1 %
Expenses not deductible for income tax purposes	3.2
Local inhabitants tax on per capital basis	1.0
Valuation allowance	2.0
Equity in earnings of an associated company	(6.4)
Effect of reduction of income tax rates on deferred tax assets	10.9
Amortization of goodwill	16.8
Lower income tax rates applicable to income in certain foreign countries	(3.0)

Other—net	0.4
Actual effective tax rate	58.0 %

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

12. LEASES

a. Lessee

The Group leases certain machinery, computer equipment, office space and other assets. The minimum rental commitments under non-cancellable operating leases at 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Due within one year	¥431	¥911	£2,838
Due after one year	533	290	3,506
Total	¥964	¥1,201	£6,344

b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Due within one year	¥1,092	¥549	£7,182
Due after one year	5,226	1,452	34,376
Total	¥6,318	¥2,001	£41,558

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group Policy and Risk Management for Financial Instruments

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

b. Fair Values of Financial Instruments

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

(1) Fair value of financial instruments

31 December 2017	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥98,952	¥98,952	
Notes and accounts receivable	39,069	39,069	
Short-term investments	24,991	24,991	
Marketable securities and investment securities	32,202	32,203	¥ 1
Investments in unconsolidated subsidiaries and associated companies	27,987	25,794	(2,193)
Total	¥223,201	¥221,009	¥(2,192)
Short-term bank loans	¥13,371	¥13,371	
Notes and accounts payable	26,562	26,562	
Long-term debt	110,936	110,438	¥(498)
Total	¥150,869	¥150,371	¥(498)
Derivatives	¥ 8	¥ 8	
31 December 2016			
Cash and cash equivalents	¥101,476	¥101,476	
Notes and accounts receivable	36,598	36,598	
Short-term investments	25,019	25,019	
Marketable securities and investment securities	32,061	32,069	¥ 8
Investments in unconsolidated subsidiaries and associated companies	26,462	23,891	(2,571)
Total	¥221,616	¥219,053	¥(2,563)
Short-term bank loans	¥13,292	¥13,292	
Notes and accounts payable	27,338	27,338	
Long-term debt	120,630	120,046	¥ (584)
Total	¥161,260	¥160,676	¥ (584)
Derivatives	¥ 21	¥ 21	

31 December 2017	Thousands of British Pounds		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	£650,920	£ 650,920	
Notes and accounts receivable	257,002	257,002	
Short-term investments	164,390	164,390	
Marketable securities and investment securities	211,826	211,837	£ 11
Investments in unconsolidated subsidiaries and associated companies	184,104	169,676	(14,428)
Total	£1,468,242	£1,453,825	£ (14,417)
Short-term bank loans	£ 87,953	£ 87,953	
Notes and accounts payable	174,729	174,729	
Long-term debt	729,745	726,473	£(3,272)

Total	£ 992,427	£ 989,155	£(3,272)
Derivatives	£ 52	£ 52	

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

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

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

Marketable and Investment Securities

The carrying amounts of marketable and investment securities are measured at the quoted market price of the shares exchanged for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Notes and Accounts Payable and Short-term Bank Loans

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

Long-Term Debt

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

Derivatives

Fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Investment securities that do not have a quoted market price in an active market	¥ 5,941	¥ 7,998	£ 39,079
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	17,225	15,288	113,307
Convertible bonds			
Investments in capital of partnership	342	299	2,251

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

Millions of Yen				
31 December 2017	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 98,952			
Notes and accounts receivable	39,069			
Marketable securities and investment securities:				
Held-to-maturity securities	11,500	¥2,200		
Available-for-sale securities with contractual maturities	293	92	¥189	
Total	¥149,814	¥2,292	¥189	

Thousands of British Pounds				
31 December 2017	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	£ 650,920			
Notes and accounts receivable	257,002			
Marketable securities and investment securities:				
Held-to-maturity securities	75,648	£14,472		
Available-for-sale securities with contractual maturities	1,925	605	£1,245	
Total	£ 985,495	£15,077	£1,245	

14. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Applied

The Group had the following derivative contracts outstanding to which hedge accounting was applied at 31 December 2017 and 2016:

		Millions of Yen		
			Contract Amount Due after One Year	Fair Value
31 December 2017		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥	260	¥ 8
—Forward contract applied for designated transactions	Payables		101	3
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		66,298	¥60,595
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		110,496	100,992
31 December 2016				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥	144	¥21
—Forward contract applied for designated transactions	Payables		57	8
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		72,000	¥66,297
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		120,000	110,496
		Thousands of British Pounds		
			Contract Amount Due after One Year	Fair Value
31 December 2017		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	£	1,710	£53
—Forward contract applied for designated transactions	Payables		667	21
Currency swaps (Japanese yen payment, U.S.\$ receipt)	Long-term debt		436,111	£398,600
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt		726,852	664,334

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 14 is included in that of hedged items.

15. CONTINGENT LIABILITIES

At 31 December 2017, the Group had the following contingent liabilities:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Guarantees and similar items related to bank loans	¥2,378	£15,645

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income for the years ended 31 December 2017 and 2016, were as follows:

	Millions of Yen		Thousands of British Pounds
	2017	2016	2017
Unrealized gain (loss) on available-for-sale securities:			
Amount arising during the year	¥263	¥(636)	£1,734
Reclassification adjustments to profit or loss	(192)	(6)	(1,266)
Amount before income tax effect	71	(642)	468
Income tax effect	(19)	556	(123)
Total	¥52	¥ (86)	£345
Deferred (loss) gain on derivatives under hedge accounting:			
Amount arising during the year	¥(9)	¥13	£(58)
Income tax effect			
Total	¥(9)	¥13	£(58)
Land revaluation surplus:			
Income tax effect		¥1,001	
Total		¥1,001	
Foreign currency translation adjustments:			
Amount arising during the year	¥7,213	¥(31,423)	47,445
Reclassification adjustments to profit	7	18	49
Total	¥7,220	¥(31,405)	£47,494
Defined retirement benefit plans:			
Amount arising during the year	¥8,108	¥ (3,828)	£53,338
Reclassification adjustments to profit	3,015	3,469	19,832
Amount before income tax effect	11,123	(359)	73,170
Income tax effect	(3,234)	(611)	(21,277)
Total	¥7,889	¥ (970)	£51,893
Share of other comprehensive income (loss) in associates:			
Gains (loss) arising during the year	¥483	¥ (286)	£3,175
Reclassification adjustments to profit or loss	(48)	6	(316)
Total	¥435	¥ (280)	£2,859
Total other comprehensive income (loss)	¥15,587	¥ (31,727)	£102,533

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at 31 December 2017, was approved at the Company's shareholders meeting held on 29 March 2018:

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Year-end cash dividends, ¥15.00 (£0.10) per share	¥375	£2,467

18. SEGMENT INFORMATION

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

a. Description of Reportable Segments

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

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

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

Descriptions of reportable segments are stated below.

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

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

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

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

Millions of Yen					
2017					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥352,958	¥5,267	¥358,225		¥358,225
Intersegment sales or transfers	474	3,821	4,295	¥(4,295)	
Total	¥353,432	¥9,088	¥362,520	¥(4,295)	¥358,225
Segment profit	¥7,508	¥3,006	¥10,514	¥9	¥10,523
Other					
Depreciation	18,649	1,485	20,134		20,134
Amortization of goodwill	5,114		5,114		5,114

Millions of Yen					
2016					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥353,217	¥5,760	¥358,977		¥358,977
Intersegment sales or transfers	474	3,568	4,042	¥(4,042)	
Total	¥353,691	¥9,328	¥363,019	¥(4,042)	¥358,977
Segment profit	¥6,463	¥3,438	¥9,901	¥8	¥9,909
Other					
Depreciation	19,559	1,190	20,749		20,749
Amortization of goodwill	5,221		5,221		5,221

Thousands of British Pounds					
2017					
Reportable Segments					
	Media & Information Services	Other Business	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	£2,321,784	£34,648	£2,356,432		£2,356,432
Intersegment sales or transfers	3,120	25,131	28,251	£(28,251)	
Total	£2,324,904	£59,779	£2,384,683	£(28,251)	£2,356,432
Segment profit	£49,387	£19,773	£69,160	£60	£69,220
Other					
Depreciation	122,674	9,769	132,443		132,443
Amortization of goodwill	33,637		33,637		33,637

Notes: 1. Reconciliations of segment profit for the years ended 31 December 2017 and 2016, of ¥9 million (£60 thousand) and ¥8 million, respectively, are intersegment eliminations.

2. Segment profit is reconciled with operating income in the consolidated statement of income.
3. Segment assets and segment liabilities are not disclosed because they are not offered periodically to the Board of Directors and they are not subject to management resource and performance evaluations.

d. Sales by Geographical Areas

Sales by Geographical Areas for the year ended 31 December 2017 and 2016, were as follows:

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

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

Thousands of British Pounds				
2017				
Japan	U.K.	U.S.A.	Other	Total
£1,962,642	£156,386	£100,836	£138,568	£2,356,432

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

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

Loss on impairment of long-lived assets for the year ended 31 December 2017 was as follows. Note that 2016 is not applicable.

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

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	£1,120		£1,120

f. Amortization and balance of goodwill by Reportable Segment

Amortization and balance of goodwill for the years ended 31 December 2017 and 2016, were as follows.

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

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

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Amortization of goodwill	£33,637		£33,637
Goodwill at 31 December 2017	£626,736		£626,736

19. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2017 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
	2017	2017
Total current assets	¥62,240	£409,418
Total non-current assets	54,035	355,449
Total current liabilities	31,645	208,165
Total non-current liabilities	6,186	40,693
Total equity	¥78,444	£516,009

b. Consolidated Statement of income

	Millions of Yen	Thousands of British Pounds
	2017	2017
Operating revenue	¥142,680	£938,559
Income before income taxes	7,094	46,664
Net income	¥4,286	£28,196

Note: 2016 is omitted due to immateriality.