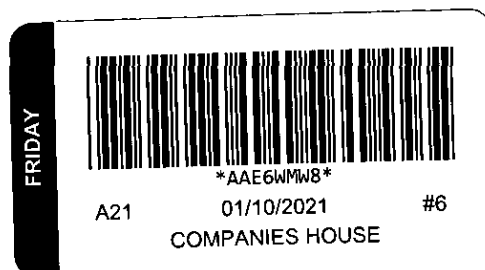


**The Financial Times Limited**

Registered Number: 00227590

Annual Report and Financial Statements  
For the Year Ended: 31 December 2020

Registered address:  
Bracken House, 1 Friday Street, London EC4M 9BT



## **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 2020.

#### **Principal activities**

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

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

#### **Business review**

2020 has clearly been a challenging environment in which to operate as a result of the COVID-19 pandemic, and consequently both revenue and operating profit have been adversely impacted in the year. This is discussed in further detail in the key performance indicators and results sections below.

#### **Section 172 Statement**

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

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

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

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

The directors continue to ensure that the brand values, which are reflective of the Company's desire to maintain a reputation for high standards of business conduct, are applied throughout the Company. They are:

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

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

## The Financial Times Limited

### Section 172 Statement (continued)

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

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

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

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

On appointment to the Board, new directors are provided with training and guidance on their duties, and formal appointment letters are issued to directors joining the Board and Management Board which reflect their statutory duties.

The Board's decision making is appropriately informed by s.172 factors, which are actively considered and referenced in board minutes and aided by the inclusion of these factors in board papers to the extent relevant. A proforma document has been developed in order to provide guidance to senior managers on the preparation of board papers to aid the Board in identifying the relevant stakeholder considerations in its decision making.

The Company's approach to the COVID-19 pandemic has been considered and discussed by the Management Board throughout the year. The Management Board considered the impact on the business of different scenarios that could arise. In considering crisis response measures, decisions were made to best protect the long term sustainability of the Company and to protect employees. A decision was made in April 2020 to implement temporary pay reductions for FT leadership, the suspension of the annual bonus scheme and a reduction in pension contributions. In May 2020, it was decided to implement temporary pay cuts from 1 July for employees earning over a certain salary threshold, with an associated cut in working hours.

The Company consulted with employee representatives to ensure these temporary cost-saving proposals were reasonable and proportionate. Once the impact of the pandemic on the Company was more certain, a decision was made by the Management Board to repay the deductions to relevant employees. Decisions were also made by the Management Board to protect the interests of Company employees by supporting and providing guidance around working at home, topping up salaries for those on furlough, offering mental health support, and encouraging all staff to introduce flexibility to their working patterns if it helped address the challenges of working from home.

When the impact of the pandemic on the business was more certain, the Management Board made a decision to re-pay any money that the Company received under the Coronavirus Job Retention Scheme in the UK. This is reflective of the Board's desire to conduct business ethically.

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

## The Financial Times Limited

### Section 172 Statement (continued)

Section 172 (1) factors	Matter
<p>a) the likely consequences of any decision in the long term; and f) the need to act fairly as between members of the company.</p>	<p>The Board formally considers, approves and adopts strategic and operating plans and budgets annually as appropriate. During the year the Consolidated Strategic Plan for 2021-2026 was reviewed and discussed with Nikkei management prior to its formal approval and adoption. The Management Board is regularly updated on, and actively monitors and proactively responds to, the Company's progress against those plans.</p>
<p>a) the likely consequences of any decision in the long term; and b) the interests of the company's employees; and c) the need to foster the company's business relationships with suppliers.</p>	<p>In June 2020 the Company completed the acquisition of a technology and development hub in Sofia, Bulgaria. Originally created to support core FT platforms, the Sofia operation became indispensable to a much wider range of products and services, including the digital subscriptions business, newspaper distribution and many FT Specialist titles. This entity is incorporated in England and Wales, with a branch registered in Bulgaria and was renamed The Financial Times (Bulgaria) Limited on acquisition by FT. In approving this acquisition the Board had full regard to the interests of the employees of both the Company and of the Bulgaria team, actively supporting a commitment to a 'one team' principle and an enhanced programme of engagement in product and technology.</p>
<p>b) the interests of the company's employees;</p>	<p>The Management Board has engaged with and consulted employees and their representatives on a regular basis, to enable the Board to have regard to their interests when making decisions. A detailed summary of this is covered in the Directors' Report under Engagement with Employees.</p> <p>As a result of this engagement the following decisions were taken by the Company:</p> <ul style="list-style-type: none"> <li>- UK employees were advised to work at home prior to the lockdown commencing to ensure their safety;</li> <li>- Assistance was provided to help employees to work at home including equipment, flexible working, and support;</li> <li>- Additional support was introduced for those with dependents such as working parents.</li> </ul>
<p>c) the need to foster the Company's business relationships with suppliers, customers and others;</p>	<p>The Board recognises the importance of maintaining good working relationships with the Company's suppliers, customers and others and that effective engagement with these stakeholders is key in order to successfully deliver the Company's strategy. A detailed summary of this is covered in the directors' report under the section titled Engagement with suppliers, customers and others.</p>
<p>d) the impact of the Company's operations on the community and the environment; and e) the desirability of the Company maintaining a reputation for high standards of business conduct;</p>	<p>Reflective of the Board's consideration of the Company's impact on the community and the desire to maintain high standards of business conduct, the Company's New Agenda messaging continued throughout 2020. During a year when business and political leaders faced an unprecedented set of challenges, the Company urged its readers to lead 'without example', promoting an ethical approach to business.</p>

## The Financial Times Limited

### Section 172 Statement (continued)

Section 172 (1) factors	Matter
<p>d) the impact of the Company's operations on the community and the environment;</p>	<p>During the year, the Company has donated advertising space in the Financial Times newspaper to organisations working in areas that benefit the environment and the wider community.</p> <p>For example, advertising space was donated to <i>Fourth Sector Group</i> to promote their "Building a Better Economy" hackathon. This brought together innovators, experts and organisations from around the world to find real, tangible ways to "build better" towards an inclusive and sustainable economy that puts the well-being of people and the planet first.</p> <p>Additionally donations of advertising space were provided to <i>Race to Net Zero</i> - a global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth; and</p> <p><i>Chapter Zero</i> - set up in 2019 by a group of non-executive directors (NEDs) who recognised that they have a role in making sure their businesses respond to the risks and opportunities created by climate change. Chapter Zero is a community of NEDs who are equipped, ready and prepared to act.</p>
<p>d) the impact of the Company's operations on the community and the environment.</p>	<p>In November 2020, following discussion by the Management Board, the Company announced the launch of a Financial Literacy and Inclusion Campaign dedicated to promoting and expanding financial literacy and inclusion around the world.</p>
<p>f) the need to act fairly as between members of the Company.</p>	<p>The Company is wholly owned by Financial Times Group Ltd, which is wholly owned by Nikkei, Inc., a privately owned Japanese registered company. The Company's CEO reports to the Chairman of Nikkei on the overall performance of the Group and Company as set out in regular detailed business reports. Nikkei is represented on the Company's statutory and management boards and the Company is subject to oversight by the audit and supervisory boards of Nikkei.</p>
<p>a) the likely consequences of any decision in the long term; and c) the need to foster the Company's business relationships with suppliers, customers and others.</p>	<p>During the year, the Management Board approved the establishment of a new subscriptions strategy, focusing around four complementary pillars. Subsequently launched in 2021, this strategy takes account of long term transformational trends. In approving this strategy, the Management Board had particular regard to the long term interests of the Company and our relationship with our customers.</p>

## The Financial Times Limited

### Key performance indicators

KPIs	2020	2019	Change
Paying readers (all formats)	1,102,000	1,090,000	12,000
Paying readers (digital subscriptions)	960,000	916,000	44,000
Revenue (£)	£ 319,789,000	£ 344,967,000	(£ 25,178,000)
Operating (loss)/profit (£)	(£ 20,905,000)	£ 672,000	(£ 21,577,000)

In 2020, the FT reached a record of 1,102,000 paying readers across print and digital formats (2019: 1,090,000). Digital subscriptions grew by five per cent to 960,000 (2019: 916,000), while digital subscription revenues rose 16 per cent year on year. Despite the pandemic, income from digital events, research and advisory services and a very robust advertising performance, especially in digital advertising, acted as a counter to reduced print circulation. Sales of branded content increased by 31 per cent year-on-year. Despite a variety of cost saving initiatives, the impact of the pandemic on the top line could not be offset within operating costs and resulted in an operating loss during the year.

### Principal risks and uncertainties

The principal risk and uncertainties for the Company are reported in the Director's Report on page 6.

### Results

The loss for the financial year after taxation was £34,435,000 (2019: profit of £1,885,000). The main drivers in the reduction in profitability were the adverse impact of the COVID-19 pandemic on key revenue streams including print circulation, print advertising and live events, as well as the recognition of an impairment charge against the carrying value of investments.

Approved and authorised for issue by the board.

DocuSigned by:

*Alison Fortescue*

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AM Fortescue

Company Secretary

29 September 2021

## **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 2020.

#### **Future developments**

Whilst we anticipate the external environment to remain challenging in 2021 due to continued uncertainty related to the impact of COVID-19, we hope to see a stabilisation in trading conditions as the rest of the year continues, aided by the global vaccination programmes. We expect our strong digital subscription model to drive further growth opportunities and hope that conditions will allow for a return to more in-person events.

#### **Going concern**

As detailed below and within Note 1 to the accounts, the directors have made a thorough assessment of the impact of the continuing COVID 19 pandemic on the Company's ability to continue operating as a going concern. Although the Company has net current liabilities, we have a reasonable expectation that our cash reserves and funding facilities, combined with our latest performance expectations, mean that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Company has access to the group's two-year £100m committed loan facility via its immediate parent company. As such, we continue to adopt the going concern basis of preparation.

#### **Principal risks and uncertainties**

The Company operates in a challenging sector, with both structural and cyclical changes at work, with the resultant revenue implications for both print and digital business models, and as such the Company has procedures in place to make the directors aware of the various risks to the Company's business. To mitigate these risks the Company adheres to comprehensive legal guidelines and processes and has a strong communications team operating throughout the business. Risks, including economic uncertainty arising from the COVID-19 pandemic and the realignment of trading relationships with EU member states following the UK's exit from the European Union, are also monitored across the Financial Times group (which includes the Company) and reported to the Management Board on a regular basis. Procedures are in place to ensure that any risks specific to the Company are reported to its Board.

#### **Dividends**

No interim dividends were paid in the year (2019: nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: nil).

#### **Political contributions**

No political contributions were made during the year (2019: nil).

#### **Directors**

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

FL Barber (resigned 16 January 2020)  
R Khalaf Razzouk (appointed 17 January 2020)  
JD Lund  
M Matsumoto (appointed 26 March 2020)  
H Nomura (resigned 26 March 2020)  
KM O'Riordan  
JJ Ridding

#### **Directors' insurance**

During the year ended 31 December 2020, 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.

## **The Financial Times Limited**

### **DIRECTORS' REPORT (continued)**

#### **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.

#### **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 is exposed to cash flow interest rate risk in respect of its variable rate intra-company loans. The Company monitors the interest rate exposure and currently the exposure is not hedged.

#### **Employees**

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

#### **Disabled persons**

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

#### **Engagement with employees**

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



## The Financial Times Limited

### DIRECTORS' REPORT (continued)

#### Engagement with employees (continued)

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

The Company's Annual Incentive Plan is variable, formulated on Company performance, profit, revenue, cash conversion, engagement, and a personal performance dimension. The financial targets included are consistent with the annual business plan agreed with Nikkei and consistent across scheme members.

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

Engagement with Employees	Outcomes from engagement
<p><b>Keeping staff informed and engaged throughout the COVID-19 crisis</b></p> <p>From Monday, 16 March 2020, the FT Group moved to remote working at scale in response to the COVID-19 crisis. The Company kept employees informed through regular all-staff updates, virtual town halls with the CEO and editor, and via a support hub on our intranet, Inside FT.</p>	<p><b>Rolling out virtual employee wellbeing initiatives and other support mechanisms</b></p> <p>The remote wellbeing support available to FT Global employees was shared widely throughout 2020. It highlighted the support available under the 5 pillars of wellbeing at the FT: mental, physical, financial, career and social. This was included in regular all-staff updates, as well as emails from the CEO and board members. Flexible working and mental health support were quickly established as priorities, as well as guidance for people managers to enable them to support their teams in the challenging circumstances.</p> <p>While working remotely, employees had access to 100 livestream events, from business updates to workplace diversity to wellbeing sessions.</p> <p>The Company arranged livestream sessions and shared content aimed at empowering employees to look after their wellbeing - both mental and physical. It promoted existing support available through employee benefits, occupational health, physio and HR, as well as creating new content which was relevant for working from home on scale. The Learning &amp; Talent team also offered training sessions on productivity, resilience, working and managing in remote teams.</p>
<p>A staff survey was conducted mid-year to ensure that employee preferences on home vs. office working were being captured, and also to help understand any concerns around employee wellbeing.</p>	<p>The results of the staff survey were used to inform board-level decisions around future ways of working. The Company received a 8.9/10 score in the survey for the statement <i>"I have received regular and helpful communication from FT regarding the COVID-19 pandemic."</i></p> <p>The Company has established a hybrid working taskforce in order to evolve plans for our future footprint and post-pandemic ways of working. This taskforce has a nominated employee representative from each department and welcomes ideas from all employees.</p>

**The Financial Times Limited**

**DIRECTORS' REPORT (continued)**

Engagement with employees (continued)	Outcomes from engagement (continued)
	<p>The steps taken to inform staff helped to embed the business goals across the business and to help staff understand new concepts that are part of our strategy.</p> <p>Staff were able to raise questions at the town halls through an online platform, which were directly addressed by the CEO and Management Board.</p>
<p><b>Giving employees more opportunities to participate in shaping culture and policy through the Next Generation Board</b></p> <p>The Next Generation Board (NGB) is a group of 14 emerging leaders who represent different business areas and interests across the FT. Each NGB member is paired with a member of the Management Board to provide reverse mentoring and exchange feedback and ideas.</p>	<p>One of the principal aims of the NGB is to offer diverse groups within the FT more opportunities to participate in shaping company culture and policy. To do this, the NGB members are focused on driving actions across 3 core workstreams.</p> <p><i>Sustainability:</i> In 2020, the group helped define the FT's environmental sustainability objectives, which included a full carbon audit. Following the audit and as part of a wider taskforce, the NGB helped set the Company's strategy which resulted in 2021 in the FT's commitment to reach net zero emissions by 2050 and limit warming to 1.5C by 2030.</p> <p><i>Diversity &amp; Inclusion:</i> In 2020, the group introduced a company-wide leave allowance to recognise time spent on employee network initiatives, hosted a series of global listening sessions for staff to hear about one another's experiences and perspectives, and partnered with senior leaders to form the FT's first Global D&amp;I Taskforce. The Taskforce works to align the FT's equity &amp; inclusion strategy departmentally, to develop policies that are representative of employee perspectives at all levels.</p> <p><i>Staff Development &amp; Wellbeing:</i> In 2020, the group set out with an objective to demonstrate that the FT can be a great place for long-term career development by encouraging mobility across the Company. In 2020 FT Collaborate was born. This initiative offers opportunities for staff to gain valuable experience with colleagues across the wider company on projects to which they would not usually have access, on a short-term and informal basis. Several projects have already been completed with results enhanced via this broader outreach, and with overwhelmingly positive feedback from participants and host managers.</p>

## The Financial Times Limited

## DIRECTORS' REPORT (continued)

Engagement with employees (continued)	Outcomes from engagement (continued)
<p><b>Diversity and inclusion ("D&amp;I")</b></p> <p>An extended Management Board meeting was held during the year to identify areas where diversity and inclusion can be improved at the Company. A comprehensive D&amp;I strategy has been formulated and while the Board recognises that tangible progress is being made in areas like gender diversity, not enough meaningful progress has been made in relation to racial diversity.</p>	<p>In 2020, the FT established a company-wide task force (the "D&amp;I Taskforce") on diversity and inclusion, set ambitious goals for change and published its first annual workplace diversity report</p> <p>With monthly meetings chaired by our CEO, the D&amp;I Taskforce had the following remit:</p> <ul style="list-style-type: none"> <li>- To champion the D&amp;I agenda: bringing visibility to D&amp;I issues, ensuring their prominence in business goals and keeping the Company up to speed with best practice;</li> <li>- To promote accountability: reviewing our strategy and goals, monitoring data and sharing performance outcomes with staff;</li> <li>- To drive change: addressing barriers to success, directing focus and investment as needed.</li> </ul> <p>The D&amp;I Taskforce will support the Global Head of Diversity and Inclusion in delivering the comprehensive set of goals we have already established, building on the good work underway in areas like gender equality and representation. It will also help accelerate our efforts to be more inclusive in other areas: an early focus will be on expanding and supporting our black workforce alongside other underrepresented groups.</p> <p>In addition, quarterly, the chairs of our employee networks and other diversity champions join group meetings, keeping their priorities on the table. Each internal employee network is also now represented by a Management Board member who acts as their champion and works to give visibility to that group.</p> <p>Published during the year, UK gender pay gap figures showed that the median gap had reduced from 18.4 to 15.9 per cent. This is due to an increase in the number of women in senior roles, with our senior management group now being 50 per cent female/ male. The Board recognises that we still have work to do on pay and on the bonus gap, where the historical underrepresentation of women in the most senior roles shows up. The gap should continue to close in years ahead with more women leaders in place across the organisation.</p> <p>And for the first time, in the same report, we shared our UK ethnicity pay gap, which stood at 9.6 per cent. This is due to the relatively low number of non-white senior leaders in the organisation, something the Board aims to address as a priority.</p> <p>FT also committed to using our unique convening power to create forums where best practice in workplace diversity and anti-racism strategies are shared with influential business leaders.</p> <p>Our employee networks, including FT Embrace, have played a crucial role in channelling ideas and opinions so far.</p>

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

<b>Engagement with employees (continued)</b>	<b>Outcomes from engagement (continued)</b>
<b>Engagement with recognised trade unions</b>  Editorial & HR management meet regularly with the NUJ to update, discuss and engage with matters relevant to the newsroom. Management also engages with and seeks feedback from Unite on relevant key changes in the business.	FT management meets regularly with NUJ representatives to take into account the views of the employees they represent and which are likely to affect their interests and/or terms and conditions of employment. This includes updates on business performance, annual pay negotiations, workforce planning and the impact of the COVID-19 pandemic.  Job security was secured through the use of a small scale voluntary redundancy programme in the newsroom, and COVID-19 measures were introduced effectively. Furlough arrangements were not offered to our Editorial staff due to the need to retain journalistic independence from Government. Annual pay negotiations were conducted and reached agreement early in 2021. Resource planning, trainee and freelance arrangements as well as the long term impact of COVID-19 on ways of working are ongoing discussions.

**Engagement with suppliers, customers and others**

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

<b>Engagement</b>	<b>Outcome from engagement</b>
<b>Shareholders</b>  The CEO reports to the chairman of Nikkei, the ultimate shareholder, on the overall performance of the Company as set out in an agreed business plan, and on the performance of his own role.  Regular (at least quarterly) detailed business reports and other interim updates are provided to the Nikkei chairman for his scrutiny. The FT CEO attends the board of Nikkei as FT representative. The Company is subject to oversight by the audit and supervisory board of Nikkei.  Nikkei is also represented on the Company's Board and Management Board.  During 2020 and in response to the pandemic, the CEO and CFO attended more regular (at least fortnightly) meetings with Nikkei's senior management to update them on the impact of COVID-19 on the business which included scenario planning, rolling forecasting and discussions around furloughing and other cost saving initiatives.	Initially launched in 2019, the Company and Nikkei continued to strengthen collaboration in 2020 through the Nikkei/FTGrowth Fund. The fund, provided by Nikkei, continued to finance activities to support innovations and ventures that help both Nikkei and FT anticipate and prepare for opportunities and challenges in the fast-changing news media environment.  During the year the fund focused on continuing support for editorial initiatives such as FT Globetrotter; Trade Secrets; and #techAsia (re-branded from Tech Scroll Asia). New submissions made by employees and supported include FT Scoreboard, a weekly briefing on the business of sport; and development of our API technology to provide automatic delivery of content via a copyright cleared feed in order to enhance republishing, increase brand awareness and develop technology to the benefit of the wider FT and Nikkei.

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

<b>Engagement (continued)</b>	<b>Outcome from engagement</b>
<p><b>Customers</b></p> <p>During 2020, our senior management group, including the Board, again interviewed readers to understand their views on our products and services.</p> <p>Our Customer Research team continuously engages with subscribers to obtain Net Promoter Scores and satisfaction ratings along with open feedback. Feedback forms are also available on FT.com and the FT app for subscribers and anonymous users. Our Customer Care, B2B Customer Success Managers and FT Live also collect feedback from readers. The results of this engagement and feedback are shared with the Board and senior management group.</p> <p>Additionally, there are a number of bespoke research projects conducted for our editorial and customer engagement teams.</p> <p>The Management Board is regularly updated on and discusses how engaged our customers are with our products. Engaged readership is closely monitored as it is deemed to be a key metric that drives the success of our business.</p>	<p>This information is systematically shared with people who need to make decisions and presentations for Board members, as well as by the internal Product Council and Investment Board and Product Managers. It is used to inform decision-making about the opportunities for FT's digital development.</p> <p>During the year there were a number of customers who were directly impacted by the pandemic and we arranged extension of credit terms and payment plans to support them through those challenging times.</p>
<p><b>Suppliers</b></p> <p>FT continues to recognise the importance and benefits of building and managing relationships with its key suppliers. Supplier management at the FT is undertaken in a way which is appropriate based on a number of factors including risk, spend and categorization of the supplier. Strategic and critical suppliers are identified jointly between the procurement team and the respective business owner either as a result of a new sourcing activity or as part of an ongoing review exercise where factors such as criticality of service, spend, contract term and overall relationship are key in determining how we categorise our supply base.</p> <p>The Company's Code of Conduct sets out the standards we expect including how we ensure we conduct business fairly - our responsibilities around fair dealing and procurement, fair competition and anti bribery and corruption. The Code of Conduct is approved by the Board and all staff are requested by the CEO to certify they have read and understand it on an annual basis. A statement of our Code of Conduct is now published on FT.com.</p> <p>During the year, the Board also approved an updated Modern Slavery Statement, which is published on FT.com.</p>	<p>During 2020 we formalised the governance structure around our strategic and critical suppliers enabling visibility and engagement across the business and up to Board level of these supplier Service Level Agreements, quarterly supplier business updates and annual reviews. We also undertook a proactive approach to ensuring that, on an operational level, we were aware of and managing any immediate risks our suppliers were facing due to the challenges of COVID-19 and supported them as appropriate for example by providing additional furlough top up support.</p> <p>Additional steps are taken to actively tackle modern slavery through our supply chains. Most new suppliers are now required to complete due diligence, which covers modern slavery, and are informed of the standards we expect of them, including that we do not tolerate any type of forced labour or human rights violations in our supply chain. We have worked with managers in our overseas offices to better understand and manage any slavery risk in their supply chains locally.</p>

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

Engagement (continued)	Outcome from engagement
<p><b>Printers &amp; distributors</b></p> <p>In a volatile marketplace the Management Board strives to ensure that on-going discussions are maintained with printers and distributors in order to manage costs. Our distribution network is constantly under review to ensure that it remains viable and our COO aims to ensure that every print site is visited at least once per year. Any major issues are taken forward to the Management Board.</p> <p>Visits to print sites were curtailed in 2020 due to the impact of the global pandemic. Efforts were therefore made to maintain engagement through regular video calls.</p> <p>Bulk copy was also heavily impacted by COVID-19 and this impact was proactively discussed with local printers and distributors.</p> <p>Decisions around maintaining print copy are also weighed against the desire to maintain a global reputation.</p> <p>Print site contracts are mainly renewed on an annual basis and all are actively considered and approved at Management Board level.</p> <p><b>Technology</b></p> <p>Our Chief Production &amp; Information Officer and Chief Technical Officers meet with key suppliers periodically with any issues taken to the Board for their consideration.</p>	<p>The Board has taken strategic decisions regarding volatility in the print supply chain, taking into consideration any reduction in print circulation and the impact on advertising, our subscribers and other suppliers in the chain.</p> <p>Following the completion of the acquisition of a technology and development hub in Sofia, the original supplier has remained a key technology supplier to the Company and wider FT group with a number of its employees remaining on-site to work alongside FT's own employees. The Board agreed that a key element of approving the acquisition and the transition planning would be to maintain a high level of engagement between FT and the supplier. As a result, the acquisition and subsequent integration has proven to be hugely successful and it now supports a wide range of our products and services.</p> <p>During the year the Company made a number of new strategic supplier appointments and, with our commitment to sustained relationships with existing suppliers, the Company recommitted to a long term service provider for web services. We also made significant improvements in other relationships as part of our 'Transform mission' in order to improve our fundamental Customer Relationship Management capabilities. We meet with these important partners at least quarterly for a business review.</p>

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

<b>Engagement (continued)</b>	<b>Outcome from engagement</b>
<b>Payment Policy</b>  The Board understands the importance of the Group's procurement and prompt payment processes, particularly in 2020 when many were adversely impacted by the global pandemic. Our suppliers are kept regularly informed regarding their onboarding progress and any outstanding invoices. The FT Group companies publish payment performance practices every six months and are keen to ensure suppliers are paid in accordance with their terms.	At the end of 2020, the Company had a payment performance of 90% <30 days overdue.
<b>Banks</b>  Our CFO ensures that we are engaged with our banking partners and ensures that our finance function meets regularly with financial institutions who provide key banking services.	Our banking partners obtain a greater understanding of Company performance, operations and requirements.

**Streamlined Energy and Carbon Reporting**

The Company is committed to reducing our carbon emissions. Subsequent to 31 December 2020, we confirmed our commitment to reducing our Group emissions to 'net zero' by 2050 or sooner.

This report sets out information we are required to report in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

	<b>Current Year Reporting 2020</b>
<b>Energy consumption used to calculate emissions:/kWh</b>	3,893,190
<b>Emissions from combustion of gas tCO<sub>2</sub>e (Scope 1)</b>	195
<b>Fuel oil</b>	7
<b>Emissions from combustion of fuel for transport purposes (Scope 1)</b>	0
<b>Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)</b>	1
<b>Emissions from purchased electricity (Scope 2, location-based)</b>	8.5
<b>Total gross CO<sub>2</sub>e based on above</b>	211
<b>Intensity ratio: tCO<sub>2</sub>e per total £m sales revenue</b>	0.66

## **The Financial Times Limited**

### **DIRECTORS' REPORT (continued)**

#### **Streamlined Energy and Carbon Reporting (continued)**

##### Methodology

Energy consumption used to calculate emissions: kWh

Sum of all emissions in kwh using 2020 UK Government GHG Conversion Factors for Company Reporting factors.

##### **Electricity**

Quantified consumption readings from automatic metering, invoices and manual meter reads from each property supply. Where there are estimates our energy management team has projected (pro-rata extrapolation) the consumption using the previous year performance. From October 2019 the Company switched 98% of its electricity to renewables, and is targeting 100% in 2022.

##### **Gas**

On-site meter readings are taken to measure units, cubic Meters are then converted to KWh using regional supplier factors.

##### **Fuel oil**

Fuel oil is measured in litres and then converted to KWh (using factor 11.89 from the emissions factors for the reporting year in question).

##### **Travel**

Employees driving their own vehicle without a monetary allowance, have not been required to disclose their vehicle type, fuel type or efficiency so this has been converted to kgCO<sub>2</sub>e by using 'average unknown car fuel' and then to kWh using 'average car unknown'.

##### Base year reporting

Both 2019 and 2020 cannot be deemed as normal years in terms of energy consumption. In 2019 the Company was responsible for running two head office sites, running down one as it commissioned the other, which led to a spike in energy use in 2019. Due to the impact of the COVID-19 pandemic, the opposite effect occurred in 2020, with the majority of staff working from home leading to a 20-30% drop in energy use.

##### Energy Efficiency Action

The Company moved into a newly refurbished headquarters in 2019 and had influence over the selection and design of the plant and fittings; where possible energy efficient equipment was used. This included LED lighting controlled by Passive Infrared Sensors (PIR) and luminescence, Variable Speed Drives (VSD's) and an intelligent Building Management Systems (BMS).

During 2019 an Energy Savings Opportunity Scheme (ESOS) report was completed. The key recommendations listed below were implemented in 2020, and are expected to yield a 1MW saving over 5 years:

- Optimise BMS control settings;
- Install kitchen hood extract controls; and
- Power management to workstations to support positive energy behaviours.

During the year, the Company commissioned a Global Carbon footprint over all three scopes. Following discussion, the Management Board agreed in 2021 to commit to the 'Business Ambition for 1.5 °C' campaign of the Science Based Targets initiative (SBTi).



## **The Financial Times Limited**

### **DIRECTORS' REPORT (continued)**

#### **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 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

#### **Independent auditor**

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

#### **Disclosure of information to auditor**

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

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

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

Approved and authorised for issue by the board.

DocuSigned by:

*Alison Fortescue*

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AM Fortescue

Company Secretary

29 September 2021

Company registered number:

00227590

## **The Financial Times Limited**

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

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of The Financial Times Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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 which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 22.

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

##### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

## The Financial Times Limited

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and the Data Protection Act 2018; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

We have also performed specific procedures to respond to the presumed significant risk of material misstatement within revenue, pinpointing this to the cut-off assertion for advertisement revenue. The procedures performed included tracing a sample of journals posted pre and post year end to supporting evidence and performing analytical procedures using third party data.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

## **The Financial Times Limited**

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

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

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

##### **Matters on which we are required to report by exception**

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

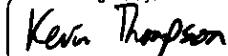
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

##### **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.

DocuSigned by:



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Kevin Thompson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP,

Statutory Auditor

London, United Kingdom

Date: 30 September 2021

**The Financial Times Limited****STATEMENT OF COMPREHENSIVE INCOME**

For the year ended:

**31 December 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Continuing operations			
Revenue	3	319,789	344,967
Other income		970	1,047
Cost of sales		(169,560)	(181,737)
<b>Gross profit</b>		<b>151,199</b>	<b>164,277</b>
Distribution costs		(11,981)	(14,122)
Administrative expenses		(160,123)	(149,483)
<b>Operating (loss)/profit</b>	4	<b>(20,905)</b>	<b>672</b>
Income from shares in group undertakings		1	299
Impairment of investment		(8,070)	-
<b>(Loss)/profit before interest and taxation</b>		<b>(28,974)</b>	<b>971</b>
Finance income	7	779	935
Finance costs	7	(6,340)	(6,478)
<b>Loss before taxation</b>		<b>(34,535)</b>	<b>(4,572)</b>
Tax on loss	8	100	6,457
<b>(Loss)/profit for the financial year</b>		<b>(34,435)</b>	<b>1,885</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(34,435)</b>	<b>1,885</b>

The notes on pages 23 to 54 form an integral part of these financial statements.

**The Financial Times Limited****BALANCE SHEET****As at:****31 December 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Non current assets</b>			
Intangible assets	9	<b>94,734</b>	103,179
Property, plant and equipment	10	<b>232,165</b>	245,346
Investments	11	<b>17,598</b>	17,626
Deferred tax asset	16	<b>14,122</b>	14,122
		<b>358,619</b>	380,273
<b>Current assets</b>			
Inventory	12	<b>1,445</b>	1,283
Trade and other receivables	13	<b>127,568</b>	115,543
Cash at bank and in hand		<b>16,686</b>	13,507
		<b>145,699</b>	130,333
Trade and other payables: amounts falling due within one year	14	<b>(203,931)</b>	(173,527)
<b>Net current liabilities</b>		<b>(58,232)</b>	(43,194)
<b>Total assets less current liabilities</b>		<b>300,387</b>	337,079
Trade and other payables: amounts falling due after more than one year	14	<b>(220,404)</b>	(229,646)
Provisions for liabilities	15	<b>(17,084)</b>	(9,448)
<b>Net assets</b>		<b>62,899</b>	97,985
<b>Capital and reserves</b>			
Called up share capital	17	<b>141,200</b>	141,200
Profit and loss account		<b>(78,301)</b>	(43,215)
<b>Total shareholder's funds</b>		<b>62,899</b>	97,985

The notes on pages 23 to 54 form an integral part of these financial statements.

The financial statements on pages 20 to 54 were approved by the board of directors and authorised for issue on 29 September 2021. They were signed on its behalf by:

DocuSigned by:

*James Lund*

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JD Lund

Director

Company registered number:

00227590

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

For the year ended:

**31 December 2020**

	Profit and loss account	Called up share capital	Total shareholder's funds
	£'000	£'000	£'000
At 1 January 2019	(44,758)	141,200	96,442
Profit for the financial year	1,885	-	1,885
Total comprehensive income for the year	1,885	-	1,885
Actuarial loss on defined benefit pension obligation	(342)	-	(342)
<b>At 31 December 2019</b>	<b>(43,215)</b>	<b>141,200</b>	<b>97,985</b>
Loss for the financial year	(34,435)	-	(34,435)
<b>Total comprehensive expense for the year</b>	<b>(34,435)</b>	<b>-</b>	<b>(34,435)</b>
Actuarial loss on defined benefit pension obligation	(651)	-	(651)
<b>At 31 December 2020</b>	<b>(78,301)</b>	<b>141,200</b>	<b>62,899</b>

The notes on pages 23 to 54 form an integral part of these financial statements.

## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended:**

**31 December 2020**

#### **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 and is registered in England, at the offices in Bracken House, 1 Friday Street, London, United Kingdom, EC4M 9BT.

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

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

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

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

No other updates or amendments to accounting standards have had a material impact on these financial statements.

#### **Consolidation**

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of Nikkei Inc. which are publicly available (note 22).

#### **Going concern**

The directors have made a thorough assessment of the impact of the COVID-19 pandemic on the Company's ability to continue operating as a going concern. Although the Company has net current liabilities, and the operating performance of the Company was adversely impacted by COVID-19 from both a profitability and cash flow perspective during 2020, we have seen a strong rebound in 2021 and have a clear expectation that we will have adequate resources to meet our commitments as they fall due for a period of at least 12 months from the date of approval of the financial statements.

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



## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

#### **1**

#### **Accounting policies (continued)**

##### **Foreign currency translation**

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

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

##### **Revenue recognition**

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

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

##### **Other income**

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

##### **Current and deferred income tax**

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

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

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

##### **Intangible assets**

###### **(a) Goodwill**

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

## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

#### **1**

#### **Accounting policies (continued)**

##### **Intangible assets (continued)**

##### **(b) Customer lists and trade names**

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

Customer lists - 10 years

Trade names - 10 years

##### **(c) Software**

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

##### **Tangible fixed assets**

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

Freehold buildings 10 - 40 years;

Plant and machinery 5 - 10 years;

Fixtures and fittings 3 - 10 years;

Leasehold buildings - over the period of the lease;

Right of use assets - over the period of the lease.

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

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

##### **Impairment of non-financial assets**

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

##### **Investment in subsidiaries and associated undertakings**

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

##### **Other fixed investments**

Other fixed investments are held at fair value.

##### **Inventory**

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

## The Financial Times Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2020

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#### Accounting policies (continued)

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provisions for bad and doubtful debts and anticipated future sales returns. In line with IFRS 9, provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses.

##### Cash and cash equivalents

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

##### Trade and other payables

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

##### Provisions

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

##### Pensions

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

Certain employees are members of The Financial Times Overseas Pension Plan, which is a defined benefit scheme. The scheme is unfunded and hence there are no assets to value each year. The liabilities are valued using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period or arising from the passage of time is charged to the profit and loss account. Actuarial gains and losses are recognised in the statement of total comprehensive income. An independent actuarial valuation is performed every three years and this was last performed by Willis Towers Watson as at 31 December 2020.

##### Leases

Leases are accounted for in line with IFRS 16 which was adopted as of 01 January 2019.

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

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

## The Financial Times Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2020

#### 1

#### Accounting policies (continued)

##### Leases (continued)

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

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

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

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

##### Financial instruments

###### (a) Financial assets at amortised cost

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

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

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

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

###### (b) Other financial liabilities

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

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

##### 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.

**The Financial Times Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

**1**

**Accounting policies (continued)**

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

#### **2**

#### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

#### ***Critical judgements in applying the Company's accounting policies***

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

#### **Capitalisation of employee costs**

Amounts capitalised as software in intangible fixed assets include the total cost of any external products or services and employee costs directly attributable to the development of the software. Employment costs capitalised as software in 2020 amounted to £17,334,000 (2019: £20,801,000). Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

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

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

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

#### **Deferred tax assets and liabilities**

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

## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

#### **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 £3,343,000. No impairment loss was recognised during the year in relation to any of the investments.

#### **Impairment of investments in associates/joint ventures**

Determining whether the Company's investments in associates/joint ventures 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 associates/joint ventures at the balance sheet date was £9,863,000. An impairment loss was recognised during the year of £8,070,000 in relation to the Company's investment in Headspring Limited. This was determined via a discounted cash flow analysis using the latest forecasts available to management as well as a discount rate and a growth rate that were deemed appropriate for the purpose of the assessment. A sensitivity analysis was also carried out which considered the underlying cash flow forecasts themselves, the discount rate and the growth rates assumed. Further detail is given in note 11b Investments - associates and joint ventures.

#### **Carrying value of goodwill**

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

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****3****Revenue**

	2020	2019
	£'000	£'000
Continuing operations		
Sale of goods	238,068	265,967
Provision of services	81,721	79,000
<b>Total revenue</b>	<b>319,789</b>	<b>344,967</b>

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

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

The Company treats invoices to agents in the United Kingdom as United Kingdom turnover, regardless of the country of residence of the customer. The Company has recognised £10,276,000 of barter revenue (2019: £16,823,000) on a gross basis.

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

	2020	2019
	£'000	£'000
United Kingdom	140,924	152,822
Rest of Europe	69,336	77,954
North America	66,640	65,442
Asia and Middle East	37,904	43,590
Rest of World	4,985	5,159
<b>Total revenue</b>	<b>319,789</b>	<b>344,967</b>

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

	2020	2019
	£'000	£'000
<b>Revenue recognised that was included in the deferred income balance at the beginning of the period</b>	<b>58,506</b>	<b>57,899</b>

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

	2020	2019
	£'000	£'000
Revenue earned at a point in time	110,814	183,983
Revenue earned over a period of time	208,975	160,984
<b>Total revenue</b>	<b>319,789</b>	<b>344,967</b>



**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****4****Operating loss**

Operating profit is stated after charging/(crediting):

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Staff costs	5	<b>120,005</b>	105,219
Depreciation of property, plant and equipment:	10		
- owned		<b>2,564</b>	2,320
- right of use assets		<b>11,589</b>	10,278
Inventory costs		<b>5,685</b>	8,699
Rent expense for leased assets within short-term or low value exemption under IFRS 16		<b>167</b>	3,265
Amortisation of intangible assets included in operating expenses:	9		
- internally generated		<b>22,510</b>	22,540
- other		<b>15</b>	109
Impairment of intangible fixed assets:			
- internally generated	9	<b>4,341</b>	-
Impairment of tangible fixed assets:			
- owned	10	<b>24</b>	249
Net foreign exchange loss/(gains)		<b>93</b>	(788)
Fees payable to the Company's auditor:			
- auditing the financial statements of the Company		<b>362</b>	338
- other assurance services		<b>116</b>	158

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****5****Staff costs**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs</b>		
Wages and salaries	<b>97,000</b>	84,109
Social security costs	<b>12,748</b>	11,605
Other pension costs	<b>10,257</b>	9,505
	<b>120,005</b>	105,219

Pension costs include £767,000 (2019: £859,000) representing the Company's contributions to employees' personal pension schemes. The remaining amounts of £9,490,000 (2019: £8,646,000) represent the charge for funding of the Financial Times Retirement Plan.

	<b>2020</b>	<b>2019</b>
<b>Average monthly number of persons employed by the Company during the year</b>	<b>Number</b>	<b>Number</b>
Production	<b>872</b>	842
Selling and distribution	<b>184</b>	228
Administration	<b>292</b>	270
	<b>1,348</b>	1,340

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****6****Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>3,533</b>	4,163
Compensation for loss of office	-	502
Company contributions to money purchase pension schemes	<b>30</b>	30
	<b>3,563</b>	4,695

	<b>2020</b>	<b>2019</b>
	<b>Number directors</b>	<b>Number directors</b>
Directors accruing benefits under money purchase schemes	<b>3</b>	3

	<b>2020</b>	<b>2019</b>
<b>Highest paid director</b>	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>1,373</b>	1,411
Compensation for loss of office	-	502
Defined contribution pension scheme - accrued pension at end of year	-	10
	<b>1,373</b>	1,923

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****7****Finance income and finance costs**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Finance income</b>		
Bank interest receivable	32	34
Other interest receivable	339	203
Interest receivable from group companies	408	698
<b>Interest receivable and similar income</b>	<b>779</b>	<b>935</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Finance costs</b>		
Lease liability interest (see note 14)	5,283	5,038
Interest payable to group companies	631	1,219
Other interest	266	84
Pension finance expense	54	57
Unwinding provision	106	80
<b>Interest payable and similar charges</b>	<b>6,340</b>	<b>6,478</b>

## The Financial Times Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2020

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## Tax on loss

	2020	2019
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on loss for the financial year	(140)	(197)
Adjustments in respect of prior years	(19)	(156)
Overseas taxation	59	336
<b>Total current tax</b>	<b>(100)</b>	<b>(17)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	(6,440)
<b>Total deferred tax</b>	<b>-</b>	<b>(6,440)</b>
<b>Total tax (credit) for the year</b>	<b>(100)</b>	<b>(6,457)</b>
<b>UK standard effective rate of corporation tax (%)</b>	<b>19.00</b>	<b>19.00</b>

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

	2020	2019
	£'000	£'000
<b>Loss before taxation</b>	<b>(34,535)</b>	<b>(4,572)</b>
Tax on loss at standard UK corporation tax rate of 19.00% (2019: 19.00%)	(6,562)	(869)
Effects of:		
Expenses not deductible for tax purposes	237	266
Previously unprovided deferred tax now being recognised	-	(5,655)
Unprovided deferred tax arising in the year	4,649	-
Higher tax rates on overseas earnings	59	336
Adjustments in respect of prior periods	(19)	(156)
Losses surrendered as group relief	(140)	(197)
Change in tax rates	-	(323)
Payment for group relief	140	197
Impairment of intangibles	3	-
Impairment of investment	1,533	-
Tax exempt dividend income	-	(56)
<b>Total tax (credit) for the year</b>	<b>(100)</b>	<b>(6,457)</b>

The Company's profit for the year has been taxed at a statutory rate of 19.00% for the calendar year (2019: 19.00%). It was announced in the 2021 Budget that the corporation tax rate will increase to 25% from 1 April 2023. This change received Royal Assent on 10 June 2021.

## The Financial Times Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2020

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## Intangible fixed assets

	Acquired customer lists	Acquired trade names	Software	Software under development	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January 2019	4,926	415	210,615	5,473	55,399	276,828
Additions	-	-	2,110	16,311	-	18,421
Disposals	-	-	(21,897)	-	-	(21,897)
Transfers	-	-	20,630	(20,630)	-	-
<b>At 31 December 2020</b>	<b>4,926</b>	<b>415</b>	<b>211,458</b>	<b>1,154</b>	<b>55,399</b>	<b>273,352</b>
<b>Accumulated amortisation and impairment</b>						
At 1 January 2019	4,922	363	168,364	-	-	173,649
Charge for the year	4	15	22,506	-	-	22,525
Disposals	-	-	(21,897)	-	-	(21,897)
Impairment	-	-	4,341	-	-	4,341
<b>At 31 December 2020</b>	<b>4,926</b>	<b>378</b>	<b>173,314</b>	<b>-</b>	<b>-</b>	<b>178,618</b>
<b>Net book value</b>						
At 31 December 2019	4	52	42,251	5,473	55,399	103,179
<b>At 31 December 2020</b>	<b>-</b>	<b>37</b>	<b>38,144</b>	<b>1,154</b>	<b>55,399</b>	<b>94,734</b>

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 2020****10****Property, plant and equipment**

	<b>Right of use assets</b>	<b>Leasehold improvements</b>	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>							
At 1 January 2020	243,794	1720	1,786	2,262	26,888	60	276,510
Additions	95	30	-	7	561	253	946
Disposals	-	-	(1,676)	(280)	(4,924)	-	(6,880)
Transfers	-	-	-	9	258	(267)	-
<b>At 31 December 2020</b>	<b>243,889</b>	<b>1,750</b>	<b>110</b>	<b>1,998</b>	<b>22,783</b>	<b>46</b>	<b>270,576</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	10,278	78	1,786	1,099	17,923	-	31,164
Charge for the year	11,589	110	-	170	2,284	-	14,153
Disposals	-	-	(1,676)	(280)	(4,926)	-	(6,882)
Impairment	-	-	-	-	(24)	-	(24)
<b>At 31 December 2020</b>	<b>21,867</b>	<b>188</b>	<b>110</b>	<b>989</b>	<b>15,257</b>	<b>-</b>	<b>38,411</b>
<b>Net book value</b>							
At 31 December 2019	233,516	1642	-	1,163	8,965	60	245,346
<b>At 31 December 2020</b>	<b>222,022</b>	<b>1,562</b>	<b>-</b>	<b>1,009</b>	<b>7,526</b>	<b>46</b>	<b>232,165</b>

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****11****Investments**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Subsidiary undertakings	<b>3,343</b>	30
Associates and joint ventures	<b>9,863</b>	13,204
Other investments	<b>4,392</b>	4,392
	<b>17,598</b>	17,626



**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****11a****Investments - subsidiary undertakings**

	<b>Total</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2020	7,311
<b>At 31 December 2020</b>	<b>10,624</b>
<b>Provision</b>	
At 1 January 2020	7,281
<b>At 31 December 2020</b>	<b>7,281</b>
<b>Net book value</b>	
At 31 December 2019	30
<b>At 31 December 2020</b>	<b>3,343</b>

On 01 July 2020, the Company exercised the option to acquire 100% of the share capital of Xoomworks Outsourcing (Sofia) Limited (name changed subsequently to The Financial Times (Bulgaria) Limited) for a consideration of €3,666,000 from Xoomworks Limited. The Company holds 1,000 ordinary shares with a par value of 10p each. In 2018, the Company entered an agreement with Xoomworks Limited for the purpose of creating a technology product development centre in Sofia, Bulgaria. In line with the original plan, Xoomworks Limited built and operated the venture over the course of two years prior to the sale to the Company.

Details of directly held subsidiary undertakings:

				<b>2020</b>	2019
<b>Subsidiary</b>	<b>Registered office address</b>	<b>Class of shares held</b>	<b>Place of incorporation</b>	<b>% held</b>	<b>% held</b>
The Financial Times (Overseas) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial Times (France) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial Times (Japan) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial Times (Spain) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
Financial Times (ASC) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
St. Clements Press (1988) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial Times (Bulgaria) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	0%
The Financial Times (M-M UK) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
Mandatewire Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****11a****Investments - subsidiary undertakings (continued)**

Details of directly held subsidiary undertakings (continued):

FT Labs Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
FDI Intelligence Limited	Centrepoin 6th Floor, 24 Ormeau Avenue, Belfast, BT2 8HS	Ordinary	Northern Ireland	<b>100%</b>	100%
Exec-Appointments Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial News Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
The Financial Times (Switzerland) Limited	Bracken House, 1 Friday Street, London EC4M 9BT	Ordinary	England	<b>100%</b>	100%
Financial Times do Brasil Consultoria Ltda	Avenida Paulista, 2073, Ed. Horsa 1, sala 1206, Sao Paulo, CEP 01311-940, Brazil	Ordinary	Brazil	<b>90%</b>	90%

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

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

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****11b****Investments - associates and joint ventures**

	<b>Total</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 2020	13,204
Additions	4,729
Impairment	(8,070)
<b>At 31 December 2020</b>	<b>9,863</b>
<b>Net book value</b>	
At 31 December 2019	13,204
<b>At 31 December 2020</b>	<b>9,863</b>

Details of associate undertakings:

			<b>2020</b>	2019
<b>Associate</b>	<b>Registered office address</b>	<b>Place of incorp</b>	<b>% held</b>	<b>% held</b>
Sifted (EU) Limited	20-22 Wenlock Road, London, England, N1 7GU	UK	<b>28.03%</b>	28.03%

Details of joint venture undertakings:

			<b>2020</b>	2019
<b>Joint ventures</b>	<b>Registered office address</b>	<b>Place of incorp</b>	<b>% held</b>	<b>% held</b>
Headspring Limited	Bracken House, 1 Friday Street, London EC4M 9BT	UK	<b>50%</b>	50%

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

On 03 March 2020, the Company participated in a loan to equity conversion in its joint venture Headspring Limited ("Headspring"). The Company was allotted 1 B Ordinary Share in the capital of Headspring in exchange for the full release of a debt of €3,272,000 (£2,883,000) owed by Headspring to the Company. On 22 September 2020, the Company participated in another loan to equity conversion and was allotted 1 B Ordinary Shares in the capital of Headspring in exchange for the full release of a debt of €2,000,000 (£1,762,000) owed by Headspring to the Company. There was no impact on the Company's share of ownership from either transaction.

Following an impairment review exercise the Company recognised an impairment of £8,070,000 (2019: £nil) against its investment in Headspring Limited. This was determined by reference to the latest available five-year cash flow forecasts for Headspring which were then discounted to a present value using a 13% discount rate and a 2% growth rate. The results were then subject to a sensitivity analysis which looked to determine the impact of changes to the underlying cash flow assumptions, discount rate and growth rates. The most sensitive of these elements was the underlying cash flows that have been forecasted by the business; a reduction in the expected cash flows by 25% would result in an additional impairment of £2,169,000. Following that analysis, management concluded that the impairment of £8,070,000 was appropriate in light of the data presented, given the robust forecast process adopted by management and the justifiable expectations of an improvement in the economic environment due to reducing levels of uncertainty arising from the COVID-19 pandemic.

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****11c****Other investments**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other investments	<b>4,392</b>	4,392
	<b>4,392</b>	4,392

**Details of other investments :**

		<b>2020</b>	<b>2019</b>
	<b>Class of shares held</b>	<b>% owned</b>	<b>% owned</b>
NLA Media Access Limited	Ordinary	<b>12.5%</b>	12.5%
The Business of Fashion Limited	Ordinary	<b>7.89%</b>	7.89%

As at 31 December 2020, the Company still owned 12.5% of ordinary shares in NLA Media Access Limited valued at £1.00 each.

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

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

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

For the year ended:

**31 December 2020****12****Inventory**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	<b>1,445</b>	<b>1,283</b>
	<b>1,445</b>	<b>1,283</b>

## The Financial Times Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended:

31 December 2020

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## Trade and other receivables

	2020	2019
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade receivables	40,063	36,958
Amounts owed by group undertakings:		
- immediate parent	759	731
- fellow group entities	56,699	50,323
Other taxation	4,966	4,959
Other receivables	1,381	2,159
Prepayments and accrued income	13,747	10,679
Corporation tax	761	775
Lease receivable	9,192	8,959
<b>Total trade and other receivables</b>	<b>127,568</b>	<b>115,543</b>

Amounts owed by group undertakings include loans of: £12,389,000 attracting interest at 1.05%, £2,653,000 attracting interest at 5.10%, £1,500,000 attracting interest at 1.50%, £753,000 attracting interest at 1.561% and £16,903,000 attracting interest at 3 month LIBOR rates (2019: £3,992,000 attracting interest at 5.75%, £3,039,000 attracting interest at 2.26%, £2,002,000 attracting interest at 1.16%, £1,507,000 attracting interest at 1.50% and £15,976,000 attracting interest at 3 month LIBOR rates). The loans are unsecured and repayable on demand.

The remaining amounts of £22,538,000 (2019: £24,390,000) owed by group undertakings are unsecured, interest free and repayable on demand.

Trade debtors are stated after provisions for impairment of £2,712,000 (2019: £2,229,000).

The lease receivable balance relates to the sub-lease of office floor space to two tenants. For the year ended 31 December 2020, the cash received in relation to the sub-lease of office floor space amounted to £514,000 (2019: £214,000).

Lease receivable maturity analysis - contractual undiscounted cash flows:

	2020	2019
	£'000	£'000
Within one year	515	515
Between one and five years	2,058	2,058
In over five years	9,176	9,690
<b>Total</b>	<b>11,749</b>	<b>12,263</b>

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

For the year ended:

**31 December 2020****14****Trade and other payables**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Amounts falling due within one year</b>		
Lease liability	<b>15,043</b>	15,043
Trade payables	<b>2,808</b>	1,957
Amounts owed to group undertakings:		
- fellow group entities	<b>82,422</b>	67,281
Other taxation and social security	<b>3,065</b>	2,038
Other payables	<b>581</b>	1,988
Accruals and deferred income	<b>100,012</b>	85,220
	<b>203,931</b>	173,527
<b>Amounts falling due after more than one year</b>		
Lease liability	<b>220,404</b>	229,646
<b>Total trade and other payables</b>	<b>220,404</b>	229,646

Amounts owed to group undertakings include loans of £52,732,000 attracting interest at 0.73% (2019: £638,000 attracting interest at 3 month LIBOR rates plus 100 basis points and £34,629,000 attracting interest at 2.31%). The loans are unsecured and repayable on demand.

The remaining amounts of £29,690,000 (2019: £32,014,000) owed to group undertakings are unsecured, interest free and repayable on demand.

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

As at 31 December 2020, the lease cash payments made during the year amounted to £14,662,000.

Lease liability maturity analysis - contractual undiscounted cash flows:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Within one year	<b>15,043</b>	15,043
Between one and five years	<b>60,171</b>	60,171
In over five years	<b>235,566</b>	250,608
<b>Total</b>	<b>310,780</b>	325,822

Lease liabilities included in the balance sheet as at 31 December 2020:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Current liability	<b>15,043</b>	15,043
Non-current liability	<b>220,404</b>	229,646
<b>Total lease liabilities</b>	<b>235,447</b>	244,689

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****15****Provisions**

	<b>Pensions</b>	<b>Re- organisations</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	2,673	-	6,775	9,448
Amounts charged to the profit and loss account	232	4,728	2,180	7,140
Amounts released to the profit and loss account	-	-	(155)	(155)
<b>At 31 December 2020</b>	<b>3,556</b>	<b>4,728</b>	<b>8,800</b>	<b>17,084</b>

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

The reorganisation provision relates to redundancy obligations.

Other provisions relate primarily to dilapidations and amounts due in respect of US sales tax.

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

The US sales tax provision reflects estimated US sales tax liabilities that have arisen following the Wayfair ruling which results in sales taxes being levied on digital services.



**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****16****Deferred taxation asset**

		<b>Total</b>
<b>Asset</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	14,122	14,122
Credited to profit and loss	3,208	3,208
Charged to profit and loss	(3,208)	(3,208)
<b>At 31 December 2020</b>	<b>14,122</b>	<b>14,122</b>

The deferred tax asset recognised at 31 December 2020 is £14,122,000 (2019: £14,122,000) and made up of the following temporary differences:

	<b>Other timing differences</b>	<b>Accelerated capital allowances</b>	<b>Intangible fixed assets</b>	<b>Unrelieved tax losses</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	2,945	1,750	5,184	4,243	14,122
Credited to profit and loss	1,138	893	1,177	-	3,208
Charged to profit and loss	-	-	-	(3,208)	(3,208)
<b>At 31 December 2020</b>	<b>4,083</b>	<b>2,643</b>	<b>6,361</b>	<b>1,035</b>	<b>14,122</b>

A further net deferred tax asset of £13,151,000 (2019: £4,773,000) has not been recognised on provisions, capital allowances, goodwill and losses available to carry forward due to the uncertainty regarding the availability of future taxable profits. The losses will be available to offset against future taxable profits which are forecast to arise based on management's latest assessment of the strategic plans.

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

For the year ended:

**31 December 2020****17****Called up share capital**

	<b>2020</b>		<b>2019</b>	
	<b>£'000</b>		<b>£'000</b>	
<b>Total authorised share capital</b>	<b>141,200</b>		<b>141,200</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Ordinary shares £1 each</b>	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
Allotted, called up and fully paid	<b>141,200,000</b>	<b>141,200,000</b>	<b>141,200</b>	<b>141,200</b>

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****18****Capital and other commitments**

	<b>2020</b>	<b>2019</b>
Capital commitments are as follows	<b>£'000</b>	<b>£'000</b>
Contracts for future capital expenditure not provided in the financial statements	<b>516</b>	<b>685</b>
	<b>516</b>	<b>685</b>

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

**The Financial Times Limited****NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended:****31 December 2020****19****Retirement benefit schemes****Financial Times Retirement Plan**

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Profit and loss charge for the Company in respect of its participation in the schemes representing regular contributions paid	<b>9,490</b>	8,646

Accrued pension payments at 31 December 2020 totalled £2,885,000 (2019: £1,162,000).

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

**The Financial Times Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

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**Post balance sheet events**

The Company has considered the impact that the change in corporation tax rate, which was substantively enacted in May 2021, has on the cash flows used to determine the recoverable amount of goodwill and investments. We concluded that this represents a non adjusting post balance sheet event, which does not have a material impact on the carrying value of those assets.

## **The Financial Times Limited**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

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#### **Related party transactions**

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

During the year the Company provided services with a value of £118,000 (2019: £28,000) to Sifted (EU) Limited, an associated company. At the year end amounts receivable from Sifted (EU) Limited were £nil (2019: £nil).

During the year the Company provided services to a value of £699,000 (2019: £897,000) to Headspring Limited, a joint venture of the Company. At the period end amounts receivable from Headspring Limited totalled £64,000 (2019: £25,000). In addition, the Company has advanced a loan to Headspring Limited, with amounts receivable at the period end totalling £448,000 (2019: £2,327,000).

During the year the Company provided services to a value of £100,000 (2019: £120,000) to Business of Fashion Limited, an investment of the Company. At the period end amounts receivable from Business of Fashion Limited was nil (2019: £nil).

During the year the Company provided services to a value of £69,000 (2019: £267,000) to NLA Media Access Limited, an investment of the Company. At the period end amounts receivable from NLA Media Access Limited was £113,000 (2019: £97,000).

**The Financial Times Limited**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended:**

**31 December 2020**

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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.

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

**Nikkei Inc. and  
Consolidated Subsidiaries**

*Consolidated Financial Statements  
for the Year Ended 31 December, 2020,  
and Independent Auditor's Report*

CERTIFIED AS A TRUE COPY

SIGNATURE

森田 勝久

KATSUHISA MORITA  
DIRECTOR, NIKKEI INC.

DATE

28 / 5 / 2021



COMPANIES HOUSE

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY

No. 227590



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nikkei Inc.:

### Opinion

We have audited the consolidated financial statements of Nikkei Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December, 2020, and its consolidated financial performance and its consolidated 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in Japan 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 consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

24 March, 2021

**Nikkei Inc. and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
**31 December 2020**

ASSETS	Millions of Yen		Thousands of British Pounds (Note 1)	
	2020	2019	2020	2019
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 8 and 16)	¥106,766	¥97,607	£763,326	£71,977
Marketable securities (Notes 4 and 16)	200	1,304	1,431	82,597
Notes and accounts receivable (Note 16):				
Trade	30,754	32,557	219,879	79,992
Unconsolidated subsidiaries and associated companies	484	607	3,462	5,661
Other	3,141	2,685	22,458	107,853
Inventories (Note 5)	2,473	2,984	17,677	14,905
Short-term investments (Notes 6 and 16)	11,827	18,472	84,554	85,377
Other current assets	8,805	8,111	62,947	6,708
Allowance for doubtful receivables	(2,860)	(3,752)	(20,447)	231,955
Total current assets	161,590	160,575	1,155,287	687,025
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land (Note 8)	101,626	103,914	726,573	518,195
Buildings and structures (Note 8)	164,636	166,730	1,177,065	227,772
Machinery and equipment (Note 8)	65,427	71,021	467,770	132,879
Furniture and fixtures	20,569	22,225	147,061	389,092
Lease assets	986	989	7,047	18,920
Rights-of-use assets	36,608	37,218	261,729	112,828
Construction in progress	618	2,322	4,422	
Total	390,470	404,419	2,791,667	
Accumulated depreciation	(201,208)	(206,839)	(1,438,540)	
Net property, plant and equipment (Note 21)	189,262	197,580	1,353,127	1,399,686
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities (Notes 4, 8 and 16)	34,066	36,398	243,554	17,874
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 16)	43,295	44,780	309,538	2,176
Goodwill	73,245	80,985	523,664	2,070,457
Software	26,515	23,700	189,569	101,728
Assets for retirement benefits (Note 9)	10,469	9,322	74,848	(7)
Deferred tax assets (Note 12)	17,868	19,320	127,749	77,483
Other assets	29,620	33,310	211,770	(341,965)
Total investments and other assets	235,078	247,815	1,680,692	(8,856)
<b>TOTAL</b>	<b>¥585,930</b>	<b>¥605,970</b>	<b>£4,189,106</b>	<b>£4,189,106</b>

See notes to consolidated financial statements.

# Nikkei Inc. and Consolidated Subsidiaries

## Consolidated Statements of Income Year Ended 31 December 2020

	Millions of Yen		Thousands of British Pounds (Note 1)
	2020	2019	2020
NET SALES (Note 21)	¥330,800	¥356,884	£2,365,056
COST OF SALES	192,753	210,430	1,378,088
Gross profit	138,047	146,454	986,968
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	129,566	132,169	926,332
Operating income	8,481	14,285	60,636
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,094	1,104	7,823
Interest expense	(1,277)	(1,233)	(9,133)
Gain (loss) on sales and disposal of property, plant and Equipment	228	(294)	1,629
(Loss) gain on sales of investment securities	(445)	1,697	(3,184)
Foreign exchange loss	(435)	(321)	(3,107)
Loss on valuation of investment securities	(2,783)	(736)	(19,896)
Loss on impairment of long-lived assets (Note 7)	(1,157)		(8,273)
Business restructuring expenses (Note 13)	(1,017)		(7,274)
Equity in earnings of unconsolidated subsidiaries and associated companies	361	115	2,580
Other—net (Note 14)	4,397	(4,408)	31,441
Other income (expenses)—net	(1,034)	(4,076)	(7,394)
INCOME BEFORE INCOME TAXES	7,447	10,209	53,242
INCOME TAXES (Note 12):			
Current	3,765	6,872	26,917
Deferred	1,082	(1,742)	7,733
Total income taxes	4,847	5,130	34,650
NET INCOME	2,600	5,079	18,592
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,213	1,518	8,677
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥1,387	¥3,561	£9,915
PER SHARE OF COMMON STOCK (Note 2.v):	Yen		British Pounds
Basic net income	¥55.47	¥142.42	£0.40
Cash dividends applicable to the year	15.00	15.00	0.11
See notes to consolidated financial statement			

**Nikkei Inc. and Consolidated Subsidiaries**

**Consolidated Statements of Comprehensive Income**  
**Year Ended 31 December 2020**

	Millions of Yen		Thousands of British Pounds (Note 1)
	2020	2019	2020
NET INCOME	¥2,600	¥5,079	£18,592
OTHER COMPREHENSIVE (LOSS) INCOME (Note 19):			
Unrealized (loss) gain on available-for-sale securities	(1,221)	1,168	(8,732)
Deferred (loss) gain on derivatives under hedge accounting	(4)	2	(29)
Foreign currency translation adjustments	(3,741)	2,251	(26,748)
Defined retirement benefit plans	2,686	5,553	19,209
Share of other comprehensive loss in associates	(110)	(593)	(787)
Total other comprehensive (loss) income	(2,390)	8,381	(17,087)
COMPREHENSIVE INCOME	¥210	¥13,460	1,505
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the parent	¥ (1,157)	¥11,608	£ (8,271)
Noncontrolling interests	1,367	1,852	9,776

See notes to consolidated financial statements.

**Nikkei Inc. and Consolidated Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Year Ended 31 December 2020**

	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 (Loss) Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests
BALANCE, 1 JANUARY 2019	25,000	¥ 2,500	¥304	¥287,606	¥15,292	¥(0)	¥10,800	¥ (46,340)	¥ (9,297)	¥260,865	¥22,898	¥ 283,763
Cumulative effect of accounting change				(279)						(279)		(279)
BALANCE, 1 JANUARY 2019 (as restated)	25,000	¥ 2,500	¥304	¥287,327	¥15,292	¥ (0)	¥10,800	¥ (46,340)	¥ (9,297)	¥260,586	¥22,898	¥ 283,484
Net income attributable to owners of the parent				3,561						3,561		3,561
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Capital transactions with noncontrolling shareholders				(2,112)						(2,112)		(2,112)
Reversal of revaluation reserve for land				111						111		111
Net change in the year					478		(112)	2,251	5,317	7,935	1,842	9,777
BALANCE, 31 DECEMBER 2019	25,000	¥ 2,500	¥304	¥288,512	¥15,770	¥1	¥10,688	¥ (44,089)	¥ (3,980)	¥269,706	¥24,740	¥ 294,446
Net income attributable to owners of the parent				1,387						1,387		1,387
Cash dividends, ¥15.00 per share				(375)						(375)		(375)
Capital transactions with noncontrolling shareholders				221						221		221
Reversal of revaluation reserve for land				(150)						(150)		(150)
Net change in the year					(1,541)	(2)	150	(3,742)	2,741	(2,394)	927	(1,467)
BALANCE, 31 DECEMBER 2020	25,000	¥ 2,500	¥304	¥289,595	¥14,229	¥ (1)	¥10,838	¥ (47,831)	¥ (1,239)	¥268,395	¥25,667	¥ 294,062

	Thousands of British Pounds (Note 1)											
	Accumulated Other Comprehensive Income											Total Equity
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests		
BALANCE, 31 DECEMBER 2019	£17,874	£2,176	£2,062,713	£112,748	£11	£76,410	£(315,217)	£(28,454)	£1,928,261	£176,878	£2,105,139	
Net income attributable to owners of the parent			9,915						9,915		9,915	
Cash dividends, £0.10 per share			(2,681)						(2,681)		(2,681)	
Capital transactions with noncontrolling shareholders			1,581						1,581		1,581	
Reversal of revaluation reserve for land			(1,071)						(1,071)		(1,071)	
Net change in the year				(11,020)	(18)	1,073	(26,748)	19,598	(17,115)	6,627	(10,488)	
BALANCE, 31 DECEMBER 2020	£17,874	£2,176	£2,070,457	£101,728	£(7)	£77,483	£(341,965)	£(8,856)	£1,918,890	£183,505	£2,102,395	

See notes to consolidated financial statements

## Nikkei Inc. and Consolidated Subsidiaries

### Consolidated Statements of Cash Flows Year Ended 31 December 2020

	Millions of Yen		Thousands of British Pounds (Note 1)
	2020	2019	2020
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥7,447	¥10,209	£53,242
Adjustments for:			
Income taxes—paid	(5,867)	(9,483)	(41,946)
Depreciation and amortization	22,151	21,440	158,367
(Gain) loss on sales and disposal of property, plant and equipment	(228)	294	(1,629)
Loss on impairment of long-lived assets	1,157		8,273
Loss (gain) on sales of investment securities	445	(1,697)	3,184
Loss on valuation of investment securities	2,783	736	19,896
Amortization of goodwill	5,009	5,109	35,812
Equity in earnings of unconsolidated subsidiaries and associated companies	(361)	(115)	(2,580)
Changes in assets and liabilities, net of effects:			
Decrease (increase) in notes and accounts receivable	1,753	(822)	12,534
(Decrease) increase in notes and accounts payable	(1,097)	509	(7,844)
Increase in liability for employees' retirement benefits	301	263	2,150
Other—net	(496)	(855)	(3,548)
Total adjustments	25,550	15,379	182,669
Net cash provided by operating activities	32,997	25,588	235,911
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits	(28,134)	(41,640)	(201,142)
Proceeds from withdrawal of time deposits	34,733	46,890	248,322
Purchases of marketable securities		(1,000)	
Proceeds from sales of marketable securities	1,304	1,000	9,321
Purchases of property, plant and equipment	(2,934)	(10,340)	(20,976)
Purchases of intangible assets	(13,737)	(11,948)	(98,212)
Purchases of investment securities	(528)	(6,335)	(3,777)
Proceeds from sales of investment securities	143	2,110	1,021
Purchases of investments in subsidiaries resulting in change in the scope of consolidation		(1,212)	
Proceeds from sales of investments in subsidiaries resulting in change in the scope of consolidation	366		2,614
Other—net	854	(670)	6,114
Net cash used in investing activities	(7,933)	(23,145)	(56,715)
<b>FORWARD</b>	¥25,064	¥2,443	£179,196

(Continued)



**Nikkei Inc. and Consolidated Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Year Ended 31 December 2020**

	Millions of Yen		Thousands of British Pounds (Note 1)
	2020	2019	2020
FORWARD	¥25,064	¥2,443	£179,196
FINANCING ACTIVITIES:			
Proceeds from short-term bank loans	32,053	30,222	229,161
Repayments of short-term bank loans	(33,806)	(27,740)	(241,694)
Repayments of long-term bank loans	(9,504)	(9,504)	(67,949)
Payments due to the abolition of the intracompany deposit system		(5,295)	
Dividends paid	(375)	(375)	(2,681)
Other—net	(3,937)	(1,626)	(28,144)
Net cash used in financing activities	(15,569)	(14,318)	(111,307)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(336)	109	(2,404)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,159	(11,766)	65,485
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,607	109,373	697,841
CASH AND CASH EQUIVALENTS, END OF YEAR	¥106,766	¥97,607	£763,326

See notes to consolidated financial statements.

(Concluded)

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## Nikkei Inc. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements Year Ended 31 December 2020

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#### 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 2019 consolidated financial statements to conform to the classifications used in 2020.

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 ¥139.87 to £1, the approximate rate of exchange at 31 December 2020. 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 2020, include the accounts of the Company and its 38 (39 in 2019) significant subsidiaries (together, the "Group"). Financial Times Group Limited, which consolidates all of its subsidiaries, is counted as one company.

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

Investments in 11 (11 in 2019) 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

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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 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment.

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

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

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

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

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

- n. Asset Retirement Obligations*—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction,

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development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

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

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives transactions are recognized in the

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consolidated statement of income, and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

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

w. **New Accounting Pronouncements**

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, 31 March 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 31 March 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 31 March 2020)

(1) Outline

The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

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

(2) Effective date

Effective from annual periods beginning on or after 1 January 2022.

(3) Effects of the application of the standards

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, 4 July 2019)

- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, 4 July 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4 July 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, 4 July 2019)
- Implementation Guidance on Disclosures of Fair Value of Financial Instruments (ASBJ Guidance No. 19, 31 March 2020)

(1) Outline

Under the circumstances that IASB and FASB have similar detailed guidance regarding fair value measurements, IFRS 13-Fair Value Measurement-in IFRS and Topic 820 in the Accounting Standards Codification-Fair Value Measurement-in U.S. GAAP, ASBJ has made efforts to make the Japanese standards consistent with international accounting standards mainly regarding the guidance and disclosure of the fair value of financial instruments and has published.

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically adopted all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan up to now.

(2) Effective date

Effective from annual periods beginning on or after 1 January 2022.

(3) Effects of the application of the standards

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, 31 March 2020)

(1) Outline

“Sources of estimation uncertainty” (the “Source”) is required to be disclosed under IAS 1 “Presentation of Financial Statements”, paragraph 125, which was issued by IASB in 2003. Comment providers requested ASBJ to include an additional requirement for disclosure of the Source in notes to the financial statements, which are useful for the users of the financial statements prepared under accounting principles generally accepted in Japan.

As a result, ASBJ developed “Accounting Standard for Disclosures of Accounting Estimates” (the “Disclosure Standard”) and published it.

When ASBJ developed this Disclosure Standard, a basic policy was set up, which is that each note to the financial statements should not be described in detail, but only the principle (purpose of disclosure) should be provided. Specific contents of this principle should be determined by reference to the Company’s purpose of the disclosure. The Disclosure Standard has been developed referring to IAS 1, paragraph 125.

(2) Effective date

Effective from the end of the fiscal year ending 31 December 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, 31 March 2020)

(1) Outline

In considering of the improvement of information given in the note of “accounting principles and procedures in cases where directly relevant accounting standards are not available”, the

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ASBJ implemented necessary amendments and issued as the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections”. In the improvement of information given in the note of “accounting principles and procedures in cases where directly relevant accounting standards are not available”, the prescriptions of 1-2 of Annotations on the Corporate Accounting Principles are to be maintained so that the previous practices where the prescriptions of relevant Accounting Standards and Implementation Guidance were specified would not be affected.

(2) Effective date

Effective from the end of the fiscal year ending 31 December 2021.

**3. ADDITIONAL INFORMATION**

• The Effect of COVID-19

The effect of COVID-19 to the economy and corporate activities is extensive. Under the circumstances, the Company made accounting estimates used in its assessment of impairment of fixed assets and recoverability of deferred tax assets, based on the assumption that overall business environment may show gradual recovery in and after the fiscal year ending 31 December 2021.

Due to the difficulties of accurately forecasting when the virus will end and the impact of the spread of COVID-19, delays in the recovery longer than estimated above may influence the Group’s financial position and operating results in the next fiscal year.



#### 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as at 31 December 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Current:			
Debt securities and other	¥200	¥1,304	£1,431
Total	¥200	¥1,304	£1,431
Non-current:			
Equity securities	¥33,797	¥35,895	£241,635
Debt securities and other	269	503	1,919
Total	¥34,066	¥36,398	£243,554

The costs and aggregate fair values of marketable and investment securities at 31 December 2020 and 2019, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	¥9,041	¥19,980	¥(930)	¥28,091
Held-to-maturity	200		(0)	200
31 December 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,862	¥21,748	¥(649)	¥29,961
Held-to-maturity	1,506		(1)	1,505
	Thousands of British Pounds			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
31 December 2020				
Securities classified as:				
Available-for-sale:				
Equity securities	£64,635	£142,848	£(6,645)	£200,838
Held-to-maturity	1,431		(0)	1,431

The information for available-for-sale securities which were sold during the years ended 31 December 2020 and 2019, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2020</u>			
Available-for-sale:			
Equity securities	¥ 126	¥ 4	¥ 0
Total	¥ 126	¥ 4	¥ 0
<u>31 December 2019</u>			
Available-for-sale:			
Equity securities	¥ 2,087	¥ 1,730	¥ 32
Total	¥ 2,087	¥ 1,730	¥ 32
	Thousands of British Pounds		
	Proceeds	Realized Gains	Realized Losses
<u>31 December 2020</u>			
Available-for-sale:			
Equity securities	£ 899	£ 27	£ 1
Total	£ 899	£ 27	£ 1

The impairment losses on available-for-sale equity securities for the years ended 31 December 2020 and 2019, were ¥2,783million (£19,896 thousand) and ¥736million, respectively.

## 5. INVENTORIES

Inventories at 31 December 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Merchandise	¥ 41	¥ 108	£ 296
Finished products	449	540	3,210
Work in process	1,187	1,553	8,488
Raw materials and supplies	796	783	5,683
Total	<u>¥2,473</u>	<u>¥2,984</u>	<u>£17,677</u>

## 6. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Time deposits	<u>¥11,827</u>	<u>¥18,472</u>	<u>£84,554</u>
Total	<u>¥11,827</u>	<u>¥18,472</u>	<u>£84,554</u>

## 7. LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

Impairment loss for the year ended 31 December 2020, consisted of the following:

Location	Classification by Use	Type of Assets	Millions of Yen	Thousands of British Pounds
			2020	2020
Tachikawa (Tokyo)	Business assets	Buildings and Structures	¥388	£2,777
		Machine	115	819
		Land	651	4,656
		Furniture and Fixtures	3	21

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 for impairment, assets expected to be idle due to the reorganization of printing plants for impairment as of 31 December 2020. As a result, the Group recognized an impairment loss of ¥1,157 million (£8,273 thousand).

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

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

Short-term bank loans at 31 December 2020 and 2019, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term bank loans were 0.47% and 0.69% at 31 December 2020 and 2019, 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 2020 and 2019, consisted of the following:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Unsecured loans from banks with average interest rates of 0.29% (2020) and 0.29% (2019)	¥81,984	¥91,488	£586,144
Lease liabilities	33,907	35,981	242,420
Total	115,891	127,469	828,564
Less current portion	(11,553)	(11,412)	(82,597)
Long-term debt, less current portion	<u>¥104,338</u>	<u>¥116,057</u>	<u>£745,967</u>

Annual maturities of long-term bank loans, at 31 December 2020, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2021	¥ 9,504	£67,949
2022	9,504	67,949
2023	9,504	67,949
2024	9,504	67,949
2025	9,504	67,949
2026 and thereafter	34,464	246,399
Total	<u>¥81,984</u>	<u>£586,144</u>

Annual maturities of lease liabilities, at 31 December 2020, were as follows:

Year Ending 31 December	Millions of Yen	Thousands of British Pounds
2021	¥ 2,049	£14,648
2022	1,968	14,071
2023	1,819	13,001
2024	1,739	12,430
2025	1,668	11,927
2026 and thereafter	24,664	176,343
Total	<u>¥33,907</u>	<u>£242,420</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥20 million (£143 thousand), collateralized notes and accounts payable of ¥130 million (£931 thousand) at 31 December 2020, were as follows:

	Millions of Yen	Thousands of British Pounds
Cash and cash equivalents	¥77	£551
Property, plant and equipment – net of accumulated depreciation	15,706	112,289
Investment securities	70	500
Total	<u>¥15,853</u>	<u>£113,340</u>

## 9. RETIREMENT AND PENSION PLANS

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

*a. The changes in defined benefit obligation for the years ended 31 December 2020 and 2019, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Balance at beginning of year	¥184,622	¥183,226	£1,319,961
Current service cost	5,019	5,144	35,880
Interest cost	1,519	1,520	10,860
Actuarial gains	1,585	2,737	11,330
Benefits paid	(8,834)	(8,069)	(63,158)
Foreign currency translation differences	37	(40)	265
Others	14	104	98
Balance at end of year	<u>¥183,962</u>	<u>¥184,622</u>	<u>£1,315,236</u>

*b. The changes in plan assets for the years ended 31 December 2020 and 2019, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Balance at beginning of year	¥138,407	¥127,388	£989,538
Expected return on plan assets	4,060	3,721	29,027
Actuarial gains	887	7,600	6,343
Contributions from the employer	5,686	5,738	40,653
Benefits paid	(6,385)	(6,043)	(45,653)
Foreign currency translation differences	0	2	0
Others	0	(0)	0
Balance at end of year	<u>¥142,655</u>	<u>¥138,406</u>	<u>£1,019,908</u>

- c. *Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as at 31 December 2020 and 2019 was as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Funded defined benefit obligation	¥163,496	¥163,150	£1,168,917
Plan assets	(150,420)	(145,888)	(1,075,432)
Total	13,076	17,262	93,485
Unfunded defined benefit obligation	30,877	31,509	220,759
Net liability arising from defined benefit obligation	¥43,953	¥48,771	£314,244
	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Liability for retirement benefits	¥54,422	¥58,093	£389,092
Asset for retirement benefits	(10,469)	(9,322)	(74,848)
Net liability arising from defined benefit obligation	¥43,953	¥48,771	£314,244

- d. *The components of net periodic benefit costs for the years ended 31 December 2020 and 2019, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Service cost	¥5,019	¥5,144	£35,880
Interest cost	1,519	1,520	10,860
Expected return on plan assets	(4,060)	(3,721)	(29,027)
Recognized actuarial losses	4,919	3,129	35,168
Amortization of prior service cost	(333)	(333)	(2,380)
Others	679	497	4,860
Net periodic benefit costs	¥ 7,743	¥ 6,236	£55,361

- e. *Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended 31 December 2020 and 2019, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Prior service cost	¥(333)	¥(333)	£(2,380)
Actuarial losses	4,245	8,057	30,346
Total	¥3,912	¥7,724	£27,966

- f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at 31 December 2020 and 2019, were as follows:*

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Unrecognized prior service cost	¥83	¥416	£595
Unrecognized actuarial gains	(1,158)	(5,403)	(8,283)
Total	¥ (1,075)	¥ (4,987)	£(7,688)

- g. Plan assets*

(1) Components of plan assets

Plan assets as at 31 December 2020 and 2019, consisted of the following:

	2020	2019
Debt investments	38%	36%
Equity investments	31	32
General accounts	10	10
Cash and cash equivalents	5	4
Others	16	18
Total	100%	100%

Note: Total plan assets at 31 December 2020 and 2019 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 2020 and 2019, were set forth as follows:*

	2020	2019
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 2020 and 2019*

¥2,354 million (£16,833 thousand) and ¥2,208 million, respectively.

## 10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended 31 December 2020 and 2019, were as follows:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Balance at beginning of year	¥3,411	¥2,220	£24,390
Additional provisions associated with the acquisition of property, plant and equipment	154	1,039	1,100
Reconciliation associated with changes in accounting estimates	34	290	243
Reconciliation associated with passage of time	57	51	405
Others	(197)	(189)	(1,407)
Balance at end of year	¥3,459	¥3,411	£24,731

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 an increase or a decrease of the asset retirement obligation for the years ended 31 December 2020 by 34 million (£243 thousand).

## 11. EQUITY

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

### a. Dividends

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

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

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

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



equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that ordinary shares, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

## 12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% for the years ended 31 December 2020 and 2019, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at 31 December 2020 and 2019, were as follows:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Deferred tax assets:			
Liability for retirement benefits	¥15,831	¥17,673	£113,185
Excess of depreciation of property, plant and equipment	6,008	6,032	42,955
Tax losses carryforwards	2,824	2,524	20,190
Investment securities	2,190	1,843	15,655
Accrued expenses	1,103	1,054	7,886
Allowance for doubtful receivables	392	418	2,806
Other	6,932	7,284	49,556
Total of tax loss carryforwards and temporary differences	35,280	36,828	252,233
Less valuation allowance for tax loss carryforwards	(2,295)	(1,290)	(16,410)
Less valuation allowance for temporary differences	(7,522)	(7,723)	(53,779)
Total valuation allowance	(9,817)	(9,013)	(70,189)
Deferred tax assets	¥25,463	¥27,815	£182,044
Deferred tax liabilities:			
Retained earnings appropriated for tax allowance reserves	¥ 869	¥ 880	£ 6,214
Unrealized gain on available-for-sale securities	5,816	6,317	41,580
Intangible assets	3,583	3,574	25,617
Other	2,752	2,439	19,670
Deferred tax liabilities	13,020	13,210	93,081
Net deferred tax assets	¥12,443	¥14,605	£ 88,963

Valuation allowance increased by ¥805 million (£5,757 thousand) compared to 31 December 2019. The increase was mainly due to decline of earnings in some consolidated subsidiaries.

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets at 31 December 2020, was as follows:

31 December, 2020	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	¥4	¥7	¥79	¥10		¥2,724	¥2,824
Less valuation allowances for tax loss carryforwards		(6)	(79)	(10)		(2,200)	(2,295)
Net deferred tax assets relating to tax loss carryforwards	4	1				524	529

31 December, 2020	Thousands of British Pounds						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	£29	£53	£563	£73		£19,472	£20,190
Less valuation allowances for tax loss carryforwards		(44)	(563)	(73)		(15,730)	(16,410)
Net deferred tax assets relating to tax loss carryforwards	29	9				3,742	3,780

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended 31 December 2020 and 2019, is as follows:

	2020	2019
Normal effective statutory tax rate	30.6 %	30.6 %
Expenses not deductible for income tax purposes	3.4	3.2
Local inhabitants tax on per capital basis	1.4	1.0
Valuation allowance	(6.3)	(9.8)
Equity in earnings of an associated company	(1.5)	(0.3)
Expired tax losses carryforwards	2.4	7.2
Amortization of goodwill	24.0	17.6
Differences in tax rates applicable to the overseas consolidated subsidiaries	6.4	1.5
Effect of reduction of income tax rates on deferred tax assets	5.4	
Other—net	0.1	(0.7)
Actual effective tax rate	<u>65.9 %</u>	<u>50.3 %</u>

### 13. BUSINESS RESTRUCTURING EXPENSES

The business restructuring expenses for the fiscal year ended 31 December 2020 amounting to ¥1,017 million (£7,274 thousand) are mainly due to special retirement payment related to business reorganization at a British subsidiary.

### 14. OTHER INCOME (EXPENSES)—NET

The Group grants noncontrolling shareholders of a British subsidiary selling put options which allow them to buy stocks of some consolidated subsidiaries. The Group recognizes the provision for future payment discounted to present value as other long-term liability because the British subsidiary applies IFRS. Other income (expenses)-net for the year ended 31 December 2020 includes a reversal of the provision of ¥3,177 million (£22,712 thousand).

Other income(expenses)-net for the fiscal year ended 31 December, 2019 includes an estimated loss of ¥ 3,250 million due to an incident regarding fund transfers at a US subsidiary.

### 15. 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 2020 and 2019, were as follows:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Due within one year	¥259	¥337	£1,852
Due after one year	40	201	287
Total	¥299	¥538	£2,139

#### b. Lessor

The minimum rental commitments under non-cancellable operating leases at 31 December 2020 and 2019, were as follows:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Due within one year	¥683	¥657	£4,885
Due after one year	3,083	3,736	22,044
Total	¥3,766	¥4,393	£26,929

## 16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### a. Group Policy and Risk Management for Financial Instruments

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

### b. Fair Values of Financial Instruments

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

#### (1) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<u>31 December 2020</u>			
Cash and cash equivalents	¥106,766	¥106,766	
Notes and accounts receivable	34,380	34,380	
Short-term investments	11,827	11,827	
Marketable securities and investment securities	28,291	28,291	¥ (0)
Investments in unconsolidated subsidiaries and associated companies	26,181	21,118	(5,063)
Total	¥207,445	¥202,382	¥(5,063)
Short-term bank loans	¥10,067	¥10,067	
Notes and accounts payable	27,066	27,066	
Long-term bank loans	81,984	82,427	¥443
Long-term lease liabilities	31,859	35,037	¥3,178
Total	¥150,976	¥154,597	¥3,621
Derivatives	¥ (2)	¥ (2)	
<u>31 December 2019</u>			
Cash and cash equivalents	¥97,607	¥97,607	
Notes and accounts receivable	35,849	35,849	
Short-term investments	18,472	18,472	
Marketable securities and investment securities	31,466	31,465	¥ (1)
Investments in unconsolidated subsidiaries and associated companies	25,645	22,393	(3,252)
Total	¥209,039	¥205,786	¥(3,253)

Short-term bank loans	¥11,953	¥11,953	
Notes and accounts payable	25,612	25,612	
Long-term bank loans	91,488	91,776	¥288
Long-term lease liabilities	34,073	34,897	824
Total	¥163,126	¥164,238	¥1,112
Derivatives	¥ 3	¥ 3	

31 December 2020	Thousands of British Pounds		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	£ 763,326	£ 763,326	
Notes and accounts receivable	245,799	245,799	
Short-term investments	84,554	84,554	
Marketable securities and investment securities	202,269	202,269	£ (0)
Investments in unconsolidated subsidiaries and associated companies	187,182	150,983	(36,199)
Total	£ 1,483,130	£ 1,446,931	£ (36,199)
Short-term bank loans	£ 71,977	£ 71,977	
Notes and accounts payable	193,506	193,506	
Long-term bank loans	586,144	589,313	£ 3,169
Long-term lease liabilities	227,772	250,492	22,720
Total	£ 1,079,399	£ 1,105,288	£ 25,889
Derivatives	£ (17)	£ (17)	

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

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

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

#### Marketable and Investment Securities

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

#### Notes and Accounts Payable and Short-term Bank Loans

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

#### Long-term bank loans and Long-term lease liabilities

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

#### Derivatives

Fair value information for derivatives is included in Note 17.

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

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Investment securities that do not have a quoted market price in an active market	¥ 5,706	¥ 5,934	£ 40,797
Investment in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	16,932	19,020	121,056
Investments in capital of partnership	268	302	1,919

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

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>31 December 2020</u>				
Cash and cash equivalents	¥ 106,766			
Notes and accounts receivable	34,380			
Marketable securities and investment securities:				
Held-to-maturity securities	13,700			
Available-for-sale securities with contractual maturities		¥50	¥133	
Total	<u>¥154,846</u>	<u>¥50</u>	<u>¥133</u>	

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>31 December 2019</u>				
Cash and cash equivalents	¥ 97,607			
Notes and accounts receivable	35,849			
Marketable securities and investment securities:				
Held-to-maturity securities	15,300	¥200		
Available-for-sale securities with contractual maturities		140	¥100	
Total	<u>¥148,756</u>	<u>¥340</u>	<u>¥100</u>	

	Thousands of British Pounds			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>31 December 2020</u>				
Cash and cash equivalents	£ 763,326			
Notes and accounts receivable	245,800			
Marketable securities and investment securities:				
Held-to-maturity securities	97,948			
Available-for-sale securities with contractual maturities		£360	£950	
<b>Total</b>	<b>£1,107,074</b>	<b>£360</b>	<b>£950</b>	

## 17. 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 2020 and 2019:

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>31 December 2020</u>				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 169		¥ (3)
—Forward contract applied for designated transactions	Payables	25		(0)
Currency swaps	Long-term	49,190	¥43,488	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	81,984	72,480	
(fixed rate payment, floating rate receipt)	debt			
<u>31 December 2019</u>				
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	¥ 166		¥ 3
—Forward contract applied for designated transactions	Payables	21		0
Currency swaps	Long-term	54,893	¥49,190	
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term	91,488	81,984	
(fixed rate payment, floating rate receipt)	debt			

		Thousands of British Pounds		
			Contract Amount Due after One Year	Fair Value
31 December 2020		Hedged Item	Contract Amount	
Foreign currency forward contracts:				
Buying U.S.\$				
—Deferral hedge	Payables	£	1,212	£(17)
—Forward contract applied for designated transactions	Payables		176	(2)
Currency swaps	Long-term		353,686	£310,917
(Japanese yen payment, U.S.\$ receipt)	debt			
Interest rate swaps:	Long-term		586,144	518,195
(fixed rate payment, floating rate receipt)	debt			

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

The above interest rate swaps and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps and currency swaps in Note 16 is included in that of hedged items.

## 18. CONTINGENT LIABILITIES

At 31 December 2020, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of British Pounds
Guarantees and similar items related to bank loans	¥1,364	£9,753



## 19. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended 31 December 2020 and 2019, were as follows:

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Unrealized (loss) gain on available-for-sale securities:			
Amount arising during the year	¥(1,958)	¥2,677	£(14,002)
Reclassification adjustments to profit or loss	186	(830)	1,332
Amount before income tax effect	(1,772)	1,847	(12,670)
Income tax effect	551	(679)	3,938
Total	¥(1,221)	¥1,168	£(8,732)
Deferred (loss) profit on derivatives under hedge accounting:			
Amount arising during the year	¥(4)	¥2	£(29)
Total	¥(4)	¥2	£(29)
Foreign currency translation adjustments:			
Amount arising during the year	¥(3,741)	¥2,251	£(26,748)
Total	¥(3,741)	¥2,251	£(26,748)
Defined retirement benefit plans:			
Amount arising during the year	¥(697)	¥4,910	£(4,987)
Reclassification adjustments to profit	4,609	2,814	32,953
Amount before income tax effect	3,912	7,724	27,966
Income tax effect	(1,226)	(2,171)	(8,757)
Total	¥2,686	¥5,553	£19,209
Share of other comprehensive loss in associates:			
Amount arising during the year	¥(111)	¥(600)	£(797)
Reclassification adjustments to loss	1	7	10
Total	¥(110)	¥(593)	£(787)
Total other comprehensive (loss) income	¥(2,390)	¥8,381	£(17,087)

## 20. SUBSEQUENT EVENTS

### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at 31 December 2020, was approved at the Company's shareholders meeting held on 25 March 2021.

	<u>Millions of Yen</u>	<u>Thousands of British Pounds</u>
Year-end cash dividends, ¥15.00 (£0.10) per share	¥375	£2,681

## 21. 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 Asia, NIKKEI Financial, 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					
2020					
Reportable Segments			Total	Reconciliations	Consolidated
Media & Information Services	Other Business				
Sales:					
Sales to external customers	¥326,357	¥4,443	¥330,800		¥330,800
Intersegment sales or transfers	634	3,970	4,604	¥(4,604)	
Total	¥326,991	¥8,413	¥335,404	¥(4,604)	¥330,800
Segment profit	¥5,566	¥2,912	¥8,478	¥3	¥8,481
Other					
Depreciation	20,565	1,586	22,151		22,151
Amortization of goodwill	5,009		5,009		5,009

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

Thousands of British Pounds					
2020					
Reportable Segments			Reconciliations	Consolidated	
Media & Information Services	Other Business	Total			
Sales:					
Sales to external customers	£2,333,291	£31,765	£2,365,056		£2,365,056
Intersegment sales or transfers	4,528	28,386	32,914	£(32,914)	
Total	£2,337,819	£60,151	£2,397,970	£(32,914)	£2,365,056
Segment profit	£39,796	£20,821	£60,617	£19	£60,636
Other					
Depreciation	147,027	11,340	158,367		158,367
Amortization of goodwill	35,812		35,812		35,812

- Notes: 1. Reconciliations of segment profit for the years ended 31 December 2020 and 2019, of ¥3 million (£19 thousand) and ¥8million, 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 2020 and 2019, were as follows:

Millions of Yen				
2020				
Japan	U.K.	U.S.A.	Other	Total
¥275,053	¥20,090	¥15,632	¥20,025	¥330,800

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

Thousands of British Pounds				
2020				
Japan	U.K.	U.S.A.	Other	Total
£1,966,489	£143,632	£111,763	£143,172	£2,365,056

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

**e. Property, plant and equipment by Geographical Area**

Property, plant and equipment by Geographical Areas for the year ended 31 December 2020 and 2019, were as follows:

Millions of Yen				
2020				
Japan	U.K.	U.S.A.	Other	Total
¥149,588	¥33,791	¥2,460	¥3,423	¥189,262

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

Thousands of British Pounds				
2020				
Japan	U.K.	U.S.A.	Other	Total
£1,069,476	£241,589	£17,584	£24,478	£1,353,127

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

Loss on impairment of long-lived assets for the year ended 31 December 2020 was as follows. Note that 2019 was not applicable.

	Millions of Yen		
	2020		
	Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	¥1,157		¥1,157

	Thousands of British Pounds		
	2020		
	Media & Information Services	Other Business	Total
Loss on impairment of long-lived assets	£8,273		£8,273

**g. Amortization and balance of goodwill by Reportable Segment**

Amortization and balance of goodwill for the years ended 31 December 2020 and 2019, were as follows.

	Millions of Yen		
	Media & Information Services	Other Business	Total
Amortization of goodwill	¥5,009		¥5,009
Goodwill at 31 December 2020	¥73,245		¥73,245

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

	Thousands of British Pounds		
	Media & Information Services	Other Business	Total
Amortization of goodwill	£35,812		£35,812
Goodwill at 31 December 2020	£523,664		£523,664

## 22. RELATED PARTY DISCLOSURES

Summarized financial information as of and for the year ended 31 March 2020 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
	2020	2019	2020
Total current assets	¥72,637	¥71,481	£519,319
Total non-current assets	52,194	56,989	373,164
Total current liabilities	34,378	36,505	245,789
Total non-current liabilities	5,255	6,240	37,573
Total equity	¥85,198	¥85,725	£609,121

### b. Consolidated Statement of income

	Millions of Yen		Thousands of British Pounds
	2020	2019	2020
Operating revenue	¥145,173	¥149,229	£1,037,917
Income before income taxes	5,136	6,041	36,718
Net income	¥2,591	¥3,234	£18,523