Registration number 00908396

Guardian News & Media Limited

Annual Report and Financial Statements

for the year ended 3 April 2016

Guardian News & Media Limited

Contents

Guardian News & Media Limited

Company Information

Directors	Emma Ciechan Katharine Viner David Pemsel Richard Kerr
Company secretary	Philip Tranter
Registered office	PO Box 68164 Kings Place 90 York Way London N1P 2AP
Solicitors	Bristows LLP 100 Victoria Embankment London EC4Y 0DH
Bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Guardian News & Media Limited

Strategic Report for the year ended 3 April 2016

The directors present their strategic report for the year ended 3 April 2016

Review of the business

Guardian News & Media Limited (the "Company") is publisher of theguardian com, one of the world's leading news websites, and the Guardian and Observer newspapers. The Company forms part of the Guardian News & Media division (GNM) which is the core operating division of Guardian Media Group plc (GMG). The directors manage the group's operations on a divisional basis The business review, key performance indicators, strategy and future outlook of GNM is discussed on pages 2 to 4 in the group's consolidated financial statements copies of which are available from The Secretary, Guardian Media Group plc, PO Box 60164, Kings Place, 90 York Way, London, N1P 2AP

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the group and are not managed separately Accordingly, the principal risks and uncertainties of Guardian Media Group plc, which include those of the Company, are discussed on page 2 and 5 of the group's consolidated financial statements, copies of which are available from The Secretary, Guardian Media Group plc, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP

Approved by the Board on 29 June 2016 and signed on its behalf by

Richard Kerr
Director

Guardian News & Media Limited

Directors' Report for the year ended 3 April 2016

The dırectors present theır report and the audıted financıal statements for the year ended 3 Apnl 2016.

Directors of the company

The dırectors who held office dunng the penod were as follows

Emma Cıechan

Alan Rusbndger (resıgned 1 June 2015)

Andrew Mıller (resıgned 30 June 2015)

Katharıne Vıner (appoınted 1 June 2015)

Davıd Pemsel (appoınted 1 July 2015)

Tanya Cordrey (resıgned 30 September 2015)

Darren Sınger (resıgned 23 October 2015)

Sheıla Fıtzsımons (resıgned 31 August 2015)

The followıng dırector was appoınted after the penod end

Rıchard Kerr (appoınted 13 Apnl 2016)

Dividends recommended

The dırectors recommend a final dıvıdend payment of £Nıl be made ın respect of the financıal penod ended 3 Apnl 2016

Financial instruments

Objectives and policies

Fınancıal nsk management ıs dıscussed on pages 26 and 27 ın the group's consolıdated financıal statements, copıes of whıch are avaılable from The Secretary, Guardıan Medıa Group plc, PO Box 60164, Kıngs Place, 90 York Way, London, N1P 2AP

Price risk, credit risk, liquidity risk and cash flow risk

Pnce nsk, credıt nsk, lıquıdıty nsk and cash flow nsk are dıscussed on pages 26 and 27 ın the group's consolıdated financıal statements, copıes of whıch are avaılable from The Secretary, Guardıan Medıa Group plc, PO Box 60164, Kıngs Place, 90 York Way, London, N1P 2AP

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining it The Company encourages the involvement of employee's by means of regular communication programmes to the Company as a whole delivered by senior management, frequent internal email and intranet updates and an annual all staff financial results briefing

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. 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 members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Environmental matters

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities During the year, the Company published its annual social, ethical and environmental audit that measures the impact of its corporate social responsibility programme

Going concern

The Company's intermediate parent undertaking, Guardian News & Media (Holdings) Limited, is owned 100% by Guardian Media Group plc, and ultimately owned by the Scott Trust Limited whose core purpose is to secure the financial and editorial independence of The Guardian in perpetuity The directors believe that the Company has adequate resources to continue operations for the foreseeable future and confirmation has been received from Guardian Media Group plc that it will provide financing facilities to enable the Company to carry on its business as a going concern For this reason, the going concern basis in preparing the financial statements continues to be appropriate

Directors' liabilities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware

Approved by the Board on 29 June 2016 and signed on its behalf by

Richard Kerr
Director

Guardian News & Media Limited

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101')

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 apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

Guardian News & Media Limited

Independent Auditors' Report to the members of Guardian News & Media Limited

Report on the financial statements

Our opinion

In our opinion, Guardian News & Media Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 3 April 2016 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 3 April 2016,
- the profit and loss account and the statement of comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Guardian News & Media Limited

Independent Auditors' Report to the members of Guardian News & Media Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Samuel Tomlinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 June 2016

Guardian News & Media Limited

Profit and Loss Account for the year ended 3 April 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	198,070	212,529
Operatıng costs	6	(273,744)	(239,692)
Operatıng loss		(75,674)	(27,163)
Other gaıns and losses	5	-	650
Other ınterest receıvable and sımılar ıncome	7	1,531	870
Interest payable and sımılar charges	8	(443)	1,167
Loss on ordınary actıvıtıes before taxatıon		(74,586)	(24,476)
Tax on loss on ordınary actıvıtıes	12	3,106	(3,197)
Loss for the perıod		(71,480)	(27,673)

The above results were derıved from contınuıng operatıons

Guardian News & Media Limited

Statement of Comprehensive Income for the year ended 3 April 2016

	2016 £ 000	2015 £ 000
Loss for the period	(71,480)	(27,673)
Total comprehensive income for the period	(71,480)	(27,673)

Guardian News & Media Limited

(Registration number: 00908396)
Balance Sheet as at 3 April 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Intangible assets	13	2,210	4,020
Property, plant and equipment	14	8,291	12,108
		10,501	16,128
Current assets			
Stocks	16	868	1,102
Debtors	17	137,153	136,980
Deferred tax assets	12	-	2,323
Cash at bank and in hand		3,104	1,566
		141,125	141,971
Creditors: Amounts falling due within one year			
Trade and other payables	18	(84,835)	(91,813)
Finance lease liabilities	19	(3,973)	(3,804)
Creditors Amounts falling due within one year		(88,808)	(95,617)
Net current assets		52,317	46,354
Total assets less current liabilities		62,818	62,482
Creditors: Amounts falling due after more than one year			
Finance lease liability	19	(14,663)	(18,635)
Deferred lease incentive		(11,903)	(12,682)
Creditors Amounts falling due after more than one year		(26,566)	(31,317)
Provisions for liabilities	20	(29,114)	(12,547)
Net assets		7,138	18,618
Capital and reserves			
Called up share capital	21	550,000	490,000
Profit and loss account		(542,862)	(471,382)
Shareholders' funds		7,138	18,618

Approved by the Board on 29 June 2016 and signed on its behalf by

Richard Kerr

Director

The notes on pages 12 to 34 form an integral part of these financial statements

Guardian News & Media Limited

Statement of Changes in Equity for the year ended 3 April 2016

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 30 March 2015	490,000	(471,382)	18,618
Loss for the penod	-	(71,480)	(71,480)
Total comprehensive income	-	(71,480)	(71,480)
New share capital subscribed	60,000	-	60,000
At 3 April 2016	550,000	(542,862)	7,138

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 31 March 2014	475,000	(443,709)	31,291
Loss for the penod	-	(27,673)	(27,673)
Total comprehensive income	-	(27,673)	(27,673)
New share capital subscribed	15,000	-	15,000
At 29 March 2015	490,000	(471,382)	18,618

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is
PO Box 68164
Kings Place
90 York Way
London
N1P 2AP

These financial statements were authorised for issue by the Board on 29 June 2016

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of preparation
The company has transitioned to Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) from the previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note 25

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

The company is a wholly-owned subsidiary of Guardian News and Media (Holdings) Ltd and is included in the consolidated financial statements of Guardian Media Group Plc which are publicly available Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

The financial statements of the company are made up to the Sunday closest to 31 March each year Consequently, the financial statements for the current period cover the 53 weeks ended 3 April 2016 and for the comparative period cover the 52 weeks ended 29 March 2015

Certain prior year comparatives have been re-presented to ensure that the financial information is comparable year-on-year As these adjustments are not considered to be material, full restatement disclosure has not been made The re-presentations are the grossing up of foundations grant income of £1.2 million in the consolidated income statement and associated notes and the reallocations of certain balances between trade and other receivables and trade and other payables of £3 7 million There is no impact on operating profit, profit for the year, net current assets or net assets

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101

IAS 1 'Presentation of financial statements' information on management of capital has not been presented. Comparative financial information in respect of paragraph 73 (E) of IAS 16 Property, plant and equipment and paragraph 11 (e) of IAS 38 Intangible assets has not been presented

IAS 7 'Statement of cash flows' A cash flow statement has not been presented

IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' Disclosure in respect of new standards and interpretations that have been issued but which are not yet effective has not been provided

IAS 24 'Related party disclosures' Key Management personnel compensation has not been presented Related party transactions entered into between two or more members of the group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member have not been disclosed

IFRS 7 'Financial instruments Disclosures' None of the disclosures required by IFRS 7 have been presented

IFRS 13 'Fair value measurement' None of the disclosures required by IFRS 13 have been presented

Going concern

The financial statements have been prepared on a going concern basis

Revenue recognition

Revenue represents the fair value of consideration received or receivable for circulation, advertisement and other revenue (net of VAT, trade discounts, volume rebates and anticipated returns) Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company

Circulation revenue (net of returns) is recognised on publication in revenue in the income statement and in trade receivables on the balance sheet

Subscription revenue is recognised on a straight-line basis over the life of the subscription Revenue associated with voucher schemes is deferred based on estimated redemption rates and recognised as the vouchers are used or expire

Print advertising revenue is recognised on publication Online advertising is recognised as page impressions are served or evenly over the period, depending on the terms of the contract Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled

Subscription revenue from the provision of content via digital platforms is recognised gross of platform provider commission when the company retains decisions over pricing and marketing strategy and is recognised net of platform provider commission when the company does not retain these

Marketing services revenue is recognised by stage of completion of the contractual arrangement at the balance sheet date The stage of completion is determined through an assessment of the costs that have been incurred compared to the total costs required to complete the contract Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled

Foundation revenue is accounted for on a gross basis Revenue is deferred and is recognised on line with costs and have been incurred for a nil contribution

Foreign currency transactions and balances
Transactions denominated in foreign currencies during the year are translated at rates ruling at the dates of the transactions Monetary assets and liabilities held in foreign currencies are stated in sterling at rates applicable at the balance sheet date Differences arising on translation and on the conversion of foreign currency transactions during the year are taken to the profit and loss account

Tax
The tax expense for the period comprises current and deferred tax Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows

Asset class	Depreciation method and rate
Plant and machinery	Straight line 6 7% - 50%
Furniture, fittings and equipment	Straight line 10% - 33%

Assets in course of construction are not depreciated until they are completed and employed by the Company Depreciation is charged on assets from the time they become operational, over their expected useful economic life

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable When an impairment review is undertaken, the recoverable amount is calculated as the value in use of expected future cash flows of the relevant income generating unit

Intangible assets
Intangible assets comprise internally-generated digital assets

Internally-generated digital assets are website and other digital development costs that are capitalised only if all of the following conditions are met the asset created can be identified; it is probable that the asset created will generate future economic benefits, and the development cost can be measured reliably Such assets are amortised on a straight-line basis over their useful economic life up to a maximum of two years Where no asset can be recognised, development expenditure is charged to the consolidated income statement in the period in which it is incurred Expenditure on research activities is recognised as an expense in the period in which it is incurred

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows

Asset class	**Amortisation method and rate**
Internally generated	Straight line 2 years

Development costs relating to the creation of software are capitalised if it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the costs can be reliably measured Expenditure on research is expensed

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown net of cash and cash equivalents where the Group has the right of net settlement Short-term funds that are managed as part of the investment fund and are used solely in the acquisition and redemption of investments are classified as non-current other financial assets - available for sale as management currently has no intention of using them for funding the Group's operations in the next financial year

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets If not, they are presented as non-current assets

Trade receivables are recognised initially at the transaction price They are subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories
Inventories are stated at the lower of cost and net realisable value Cost is determined using the weighted average cost (WAC) method

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition At each reporting date, inventories are assessed for impairment If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell, the impairment loss is recognised immediately in profit or loss

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) If not, they are presented as non-current liabilities

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing

Interest expense is recognised on the basis of the effective interest method and is included in finance costs

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee Assets held under finance leases are recognised as non-current assets of the company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

Share capital
Ordinary shares are classified as equity Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis The contributions are recognised as employee benefit expense when they are due If contribution payments exceed the contribution due for service, the excess is recognised as an asset

3 Critical accounting judgements and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets The useful economic lives and residual values are re-assessed annually They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets See note 14 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets

Useful economic life of intangible assets
The company internally generates digital intangible assets that are amortised over a maximum life of two years Due to the technical innovation inherent in these assets, there is significant judgement involved to ensure that they still have a value in use that supports their carrying value Asset lives are assessed annually and reduced when necessary to reflect latest status on the remaining lives Where reductions in useful economic lives are significant, these are disclosed in note 13

Impairment of trade receivables
The company makes an estimate of the recoverable value of trade and other debtors When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience See note 17 for the net carrying amount of the receivables and associated impairment provision

Revenue recognition
The company has a number of revenue streams which run over a numbers of months or years that require judgement to recognise revenue in the correct accounting period Subscription revenue associated with voucher schemes is deferred using estimated redemption rates which are based on historical experience Revenue from long term contracts can require judgement on the stage of completion of the contract Management review contracts at year end make an estimate of costs to complete which determines the amount of revenue to be recognised

Advertising rebates
The company enters into agreements with advertising agencies, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency based on the level of agency spend over the contract period These rebates can take the form of free advertising space, cash payments or both The rebate provision is calculated using the forecast spend over the contract period and the rebate entitlement set out in the trading agreement. Calculating the required provision therefore requires an estimate of future period spend in determining what tier of spend the agencies may reach over the agreement

Provisions
The company's provisions principally relate to severance costs incurred from restructuring its cost base and to dilapidations of premises When calculating the severances provisions, management have estimated expected timings and payments based on written agreements and discussions that have taken place as part of the restructuring plan Dilapidations are calculated based on the expected cost to return property to its original state and are built up over the life of the lease.

Recognition of deferred tax assets
The company's tax expense for the year is the sum of the total current and deferred tax charges The calculation of the total tax expense necessarily involves a degree of estimation and judgement in respect of certain items. A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable gains and profits of the business Management believes that the estimates made to evaluate the recoverability of deferred tax assets are reasonable and that a recoverable amount of deferred tax assets is presented However, these estimates include uncertainties that are beyond the control of management. Therefore, the company may need to adjust deferred tax assets in the future if there is a change in the estimates related to the evaluation of recoverability due to unforeseen changes in assumptions and other factors

4 Revenue

The analysis of the company's revenue for the period from continuing operations is as follows

	2016 £ 000	2015 £ 000
Digital revenue	81,700	82,100
Foundations grants revenue	2,301	1,707
Total digital revenue	84,001	83,807
Print revenue	109,006	121,858
Royalties received	3,840	5,601
Barter transactions	1,223	1,263
	198,070	212,529

Sale of goods comprises of the Company's main operating activities which are recognised as circulation revenue, subscription revenue, print advertising, online advertising and marketing services

Barter transactions comprises solely of barter services provided by the Company

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

5 Other gains and losses

The analysis of the company's other gains and losses for the period is as follows

	2016 £ 000	2015 £ 000
Gain from sales of investment properties	-	650

6 Operating loss

Arrived at after charging/(crediting)

	2016 £ 000	2015 £ 000
Depreciation expense	4,519	3,919
Amortisation expense	5,642	722
Employee benefits expense	131,988	106,632
Raw materials consumed	14,173	16,811
Other expenses	117,070	111,208
Auditors remuneration	285	391
Donations	67	9
	273,744	239,692

7 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest received from related parties	1,531	870

8 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on obligations under finance leases and hire purchase contracts	841	1,002
Foreign exchange (gains) / losses	(398)	(2,169)
	443	(1,167)

9 Staff costs

The aggregate payroll costs (ıncludıng dırectors' remuneratıon) were as follows

	2016 £ 000	2015 £ 000
Wages and salarıes	92,994	87,090
Socıal securıty costs	10,454	9,846
Pensıon costs, defined contrıbutıon scheme	8,403	7,422
Redundancy costs	20,137	2,274
	131,988	106,632

The monthly average number of persons employed by the company (ıncludıng dırectors) durıng the perıod, analysed by category was as follows

	2016 No.	2015 No.
Productıon	961	872
Admınıstratıon and support	233	183
Sales, marketıng and dıstrıbutıon	376	457
	1,570	1,512

10 Directors' remuneration

The dırectors' remuneratıon for the perıod was as follows

	2016 £ 000	2015 £ 000
Remuneratıon	1,067	936
Contrıbutıons paıd to money purchase schemes	192	124
	1,259	1,060

As at 3 Aprıl 2016 retırement benefits are accruıng to two dırectors under a money purchase scheme (2015 three dırectors) Aggregate emoluments excludes £739,000 ın respect of contractual entıtlement for notıce perıod or compensatıon for loss of office (2015 £274,000) A Mıller, D Sınger and E Cıechan were employed by another Guardıan Medıa Group plc company durıng the year and no recharge ıs made for theır servıces to the Company (2015 same)

In respect of the hıghest paıd dırector

	2016 £ 000	2015 £ 000
Remuneratıon	432	417
Company contrıbutıons to money purchase pensıon schemes	38	75

11 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit of the financial statements	142	144
Other fees to auditors		
Taxation compliance services	115	207
All other non-audit services	28	40
	143	247

12 Income tax

Tax (credited)/charged in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	(5,430)	(1,526)
Deferred taxation		
Arising from origination and reversal of temporary differences	2,324	4,723
Tax (credited)/charged in the income statement	(3,106)	3,197

The tax on loss before tax for the period is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 21%)

The differences are reconciled below

	2016 £ 000	2015 £ 000
Loss before tax	(74,586)	(24,476)
Corporation tax at standard rate	(14,917)	(5,140)
Adjustment for prior periods	(1,602)	(486)
Effect of expenses not deductible	959	753
Arising from group relief	625	225
Unrecognised tax loss or credit	7,939	2,143
Unrecognised temporary difference from a prior period	1,157	133
Changes in tax rates or laws	-	(229)
Research and development tax credit	52	145
Impairment of the deferred tax asset	2,681	5,653
Total tax (credit)/charge	(3,106)	3,197

Factors which may affect future tax charges
A change in the UK main Corporation tax rate from 20% to 19% from 1 April 2017 and a further reduction to 18% from 1 April 2020 was substantively enacted during the financial year There is no impact of the changes in these financial statements as the company has no recognised deferred tax balances

Deferred tax

Deferred tax movement during the period

	2015 £ 000	Recognised in income £ 000	2016 £ 000
Accelerated tax depreciation	2,323	(2,323)	-

Deferred tax movement during the prior period

	2014 £ 000	Recognised in income £ 000	2015 £ 000
Accelerated tax depreciation	7,046	(4,723)	2,323

The Company has an unrecognised deferred tax asset of £32,343,000 (2015 £25,921,000) relating to carried forward trading losses £15,797,000 (2015 £10,338,000) short term timing differences £2,871,000 (2015 £4,023,000) and fixed asset timing differences £13,675,000 (2015 £11,560,000) No deferred tax asset is recognised on these amounts as it is not regarded as more likely than not that there will be suitable taxable profits/gains against which they can be deducted in the foreseeable future

13 Intangible assets

	Internally generated digital assets £000
Cost	
At 30 March 2015	9,601
Additions	4,726
Disposals	(894)
At 3 April 2016	13,433
Amortisation	
At 30 March 2015	5,581
Amortisation charge	6,536
Amortisation eliminated on disposals	(894)
At 3 April 2016	11,223
Carrying amount	
At 3 April 2016	2,210
At 29 March 2015	4,020

Intangible assets amortisation is recorded in operating costs

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

14 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Plant & Machinery £ 000	Total £ 000
Cost or valuation					
At 30 March 2015	13,209	26,580	1,311	52,788	93,888
Additions	-	-	796	1,263	2,059
Disposals	-	-	(1,358)	(23)	(1,381)
Transfers	-	-	(735)	735	-
At 3 April 2016	13,209	26,580	14	54,763	94,566
Depreciation					
At 30 March 2015	13,209	17,032	-	51,539	81,780
Charge for the period	-	2,760	-	1,758	4,518
Eliminated on disposal	-	-	-	(23)	(23)
At 3 April 2016	13,209	19,792	-	53,274	86,275
Carrying amount					
At 3 April 2016	-	6,788	14	1,489	8,291
At 29 March 2015	-	9,548	1,311	1,249	12,108

Land and buildings comprises solely of long leasehold

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction

Expenditure recognised in the carrying amount of property, plant and equipment in the course of construction was as follows

	2016 £ 000	2015 £ 000
	-	625

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

15 Investments

Subsidiaries	**£ 000**
Carrying amount	
At 3 April 2016	-
At 29 March 2015	-
At 31 March 2014	-

Details of the subsidiaries as at 3 April 2016 are as follows

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2016	2015
ContentNext Media Inc *	Media	United States of America	100%	100%
Guardian News and Media LLC	Media	United States of America	100%	100%
GNM Australia Pty Ltd*	Media	Australia	100%	100%
OG Enterprises Limited*	Media	England and Wales	100%	100%
Guardian Education Interactive Limited*	Dormant	England and Wales	100%	100%
FSE World Limited*	Dormant	England and Wales	100%	100%
Learnthings South Africa (Pty) Limited	Dormant	South Africa	100%	100%
York Way 1001 Limited*	Dormant	England and Wales	100%	100%

* indicates direct investment of Guardian News & Media Limited

Unless stated below, all shares held are ordinary shares

- ContentNext Media Inc - 100% ordinary shares and preference shares
- Guardian News and Media LLC - 100% membership interest

16 Inventories

	2016 £ 000	2015 £ 000
Raw materials and consumables	868	1,102

The cost of inventories recognised as an expense in the period amounted to £14,173,849 (2015 - £16,811,000). This is included within operating costs

17 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	23,370	30,038
Loans to related parties	96,685	93,243
Accrued income	8,899	6,746
Prepayments	5,828	4,184
Other receivables	2,371	2,769
Total current trade and other receivables	137,153	136,980

18 Trade and other payables

	2016 £ 000	2015 £ 000
Trade payables	7,836	8,620
Accrued expenses	18,344	22,339
Deferred income	11,389	9,560
Amounts due to related parties	41,953	45,366
Social security and other taxes	4,172	4,186
Other payables	1,141	1,742
	84,835	91,813

19 Obligations under leases and hire purchase contracts

Finance leases

Finance leases are predominantly in respect of printing machinery, the term of which is 18 years with an interest rate of 4 5% per annum

2016	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	4,645	(672)	3,973
In two to five years	14,466	(1,017)	13,449
In over five years	1,251	(37)	1,214
	20,362	(1,726)	18,636

2015	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	4,645	(841)	3,804
In two to five years	18,579	(1,617)	16,962
In over five years	1,783	(110)	1,673
	25,007	(2,568)	22,439

The present values of future finance lease payments are analysed as follows

	2016 £ 000	2015 £ 000
Current liabilities	3,973	3,804
Non-current liabilities	14,663	18,635
	18,636	22,439

The amount of contingent finance lease payments recognised as an expense during the period is £Nil (2015 - £Nil)
The average effective interest rate for finance lease liabilities in the period was 4.5% (2015 - 4.5%). The interest charge on the finance lease liabilities for the year is £841,601 (2015 £1,002,127)

Operating leases

The total minimum lease payments are as follows

	2016 £ 000	2015 £ 000
Within one year	8,184	6,702
In two to five years	32,062	26,890
In over five years	87,346	87,752
	127,592	121,344

The amount of non-cancellable operating lease payments recognised as an expense during the period was £Nil (2015 - £1,000)

20 Provisions for liabilities

	Printing contracts £ 000	Restructuring £ 000	Other provisions £ 000	Total £ 000
At 30 March 2015	7,127	419	5,001	12,547
Additional provisions	-	17,687	2,203	19,890
Provisions used	(1,443)	(419)	(1,461)	(3,323)
At 3 April 2016	5,684	17,687	5,743	29,114
Non-current liabilities	5,684	-	5,433	11,117
Current liabilities	-	17,687	310	17,997

The Company has provided for onerous printing contracts, which are expected to be utilised over the life of the contracts of up to 14 years

The Company is in the process of transforming its cost base This has resulted in a number of changes within the business, including redundancies The provision is expected to be fully utilised within one year

The remaining provisions relate primarily to the Company's move from its previous premises and are expected to be utilised over the life of the lease of 14 years

21 Share capital

Allotted, called up and fully paid shares

	2016 No. 000	2016 £ 000	2015 No. 000	2015 £ 000
Ordinary shares of £1 each	550,000	550,000	490,000	490,000

New shares allotted

During the period 60,000,000 Ordinary shares having an aggregate nominal value of £1 were allotted for an aggregate consideration of £1

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £625,000).

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

23 Related party transactions

Key management personnel
The Company paid one director of The Scott Trust Limited, Will Hutton £66,000 (2015 66,000) for services rendered to the Company in the normal course of business

Summary of transactions with parent entities
The directors regard Guardian Media Group plc as the controlling party by virtue of its 100% interest in the equity share capital of the Company Transactions with fellow members of the Guardian Media Group plc are not disclosed as the exemption under FRS 101 has been applied.

Income and receivables from related parties

2016	Other related parties £ 000
Revenue	2

2015	Other related parties £ 000
Revenue	1

Expenditure with and payables to related parties

2016	Other related parties £ 000
Operating costs	831

24 Parent and ultimate parent undertaking

Guardian Media Group plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements The consolidated financial statements of Guardian Media Group plc can be obtained from The Secretary, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP

The company's immediate parent is Guardian News & Media (Holdings) Limited

The ultimate parent is The Scott Trust Limited These financial statements are available upon request from The Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP

25 Transition to FRS 101

The FRS 101 standard is effective for accounting periods beginning on or after 1 January 2015 This is the first year of adoption and as such we have prepared this transition note The key transition adjustments made in the opening balance sheet are lease adjustment relating to lease accounting, accounting for intercompany transactions, and accounting for foreign based subsidiaries Please refer below for further details on the impact of the transition on the 2014 and 2015 balance sheet and 2015 profit and loss

Balance sheet at 31 March 2014

	UK GAAP £ 000	Re-classifications £ 000	Re-measurements £ 000	FRS 101 £ 000
Fixed assets				
Intangible assets	-	1,423	-	1,423
Tangible fixed assets	14,547	(1,423)	-	13,124
Investments	367	(367)	-	-
	14,914	(367)	-	14,547
Current assets				
Stocks	1,046	-	-	1,046
Debtors	125,043	(6,679)	-	118,364
Deferred tax assets	-	7,046	-	7,046
Cash at bank and in hand	4,144	-	-	4,144
	130,233	367	-	130,600
Creditors: Amounts falling due within one year	(63,835)	-	980	(62,855)
Creditors: Amounts falling due after more than one year				
Creditors over 1 year	(28,049)	-	(7,824)	(35,873)
Provisions for liabilities	(15,150)	-	-	(15,150)
	(43,199)	-	(7,824)	(51,023)
Net assets	38,113	-	(6,844)	31,269
Capital and reserves				
Share capital	475,000	-	-	475,000
Profit and loss account	(436,887)	-	(6,844)	(443,731)
Shareholders' funds	38,113	-	(6,844)	31,269

The reclassifications made on the prior year opening balance sheet are as follows
1) Change in classification of tangible and intangible assets of £1,423
1) Separate disclosure of the deferred tax asset balance of £7,046 caused by a reclassification from debtors
2) Investment assets split out from trade debtors of £367

The remeasurement adjustment made on the opening balance sheet was for the deferred lease incentive which is now accounted for over the life of the lease as per FRS101

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 3 April 2016

Balance sheet at 30 March 2015

	UK GAAP £ 000	Re-classifications £ 000	Re-measurements £ 000	FRS 101 £ 000
Fixed assets				
Intangible assets	-	4,020	-	4,020
Tangible fixed assets	16,128	(4,020)	-	12,108
Investments	367	(367)	-	-
	16,495	(367)	-	16,128
Current assets				
Stocks	1,102	-	-	1,102
Debtors	138,936	(1,956)	-	136,980
Deferred tax assets	-	2,323	-	2,323
Cash at bank and in hand	1,566	-	-	1,566
	141,604	367	-	141,971
Creditors: Amounts falling due within one year	(96,607)	-	990	(95,617)
Creditors: Amounts falling due after more than one year				
Creditors over 1 year	(22,452)	-	(8,865)	(31,317)
Provisions for liabilities	(12,547)	-	-	(12,547)
	(34,999)	-	(8,865)	(43,864)
Net assets	26,493	-	(7,875)	18,618
Capital and reserves				
Share capital	490,000	-	-	490,000
Profit and loss account	(463,507)	-	(7,875)	(471,382)
Shareholders' funds	26,493	-	(7,875)	18,618

The reclassifications made on the opening balance sheet are as follows
1) Change in classification of tangible and intangible assets of £4,020
2) Separate disclosure of the deferred tax asset balance of £2,323 caused by a reclassification from debtors
3) Investment assets split out from trade debtors of £367

The remeasurement adjustment made on the opening balance sheet was for the deferred lease incentive which is now accounted for over the life of the lease as per FRS101

Profit and loss account for the year ended 29 March 2015

	UK GAAP £ 000	Re-classifications £ 000	Re-measurements £ 000	FRS 101 £ 000
Turnover	210,845	1,684	-	212,529
Operating costs	(232,462)	(3,971)	(1,053)	(237,486)
Operating loss	(21,617)	(2,287)	(1,053)	(24,957)
Other gains and losses	600	50	-	650
Operating loss	(21,017)	(2,237)	(1,053)	(24,307)
Other interest receivable and similar income	870	-	-	870
Interest payable and similar charges	(3,275)	2,237	-	(1,038)
Loss before tax on ordinary activities	(23,422)	-	(1,053)	(24,475)
Tax on profit on ordinary activities	(3,197)	-	-	(3,197)
Loss for the year	(26,619)	-	(1,053)	(27,672)

The reclassifications made on the prior year profit and loss account are as follows
1) Under the new standards foundation revenues are reported on a gross basis resulting in a reclassification of £1,684
2) Exceptional items of £2,273 reclassified from interest payable and similar charges into operating costs
2) Profit on sale of assets of £50 and foreign exchange differences of £(36)

The remeasurement adjustment made on the prior year profit and loss account of £1,053 was for the deferred lease incentive which is now accounted for over the life of the lease as per FRS101