Registration number: 00908396

Guardian News & Media Limited

Annual Report and Financial Statements

for the year ended 29 March 2020

Guardian News & Media Limited

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Guardian News & Media Limited

Company Information

Directors	Annette Thomas Katharine Viner James Bishop
Registered office	PO Box 68164 Kings Place 90 York Way London N1P 2AP
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 29 March 2020

The directors present their strategic report for the year ended 29 March 2020.

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) of the Guardian Media Group plc (GMG), which is the Group's core operating division. The business review, Section 172 of the Companies Act statement, 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 3 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 6 July 2020 and signed on its behalf by:

James Bishop
Director

Guardian News & Media Limited

Directors' Report for the year ended 29 March 2020

The directors present their report and the audited financial statements for the year ended 29 March 2020.

Directors of the company
The directors, who held office during the period, and up to the date of signing unless otherwise stated were as follows:

Annette Thomas (appointed 17 March 2020)

Katharine Viner

James Bishop

David Pemsel (resigned 2 December 2019)

Richard Kerr (resigned 27 March 2020)

Dividends
The directors recommend a final dividend payment of £Nil be made in respect of the financial period ended 29 March 2020 (2019: £Nil).

Financial instruments

Objectives and policies

Financial risk management is discussed on pages 35 to 37 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.

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

Price risk, credit risk, liquidity risk and cash flow risk are discussed on pages 35 to 37 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.

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 employees 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 a working environment where our staff, clients and partners are treated equally. We aspire that our Company staffing at levels reflects our values, based on equal opportunities for all employees, irrespective of gender, race, religion, disability, social background, age, sexual orientation, pregnancy & parenthood, gender reassignment 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.

Guardian News & Media Limited

Directors' Report for the year ended 29 March 2020

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.

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. The impact of covid-19 has been considered, however due to the significant resources of Guardian Media Group plc the directors do not believe there is any impacts on the viability of future operations. For this reason, the going concern basis in preparing the financial statements continues to be appropriate.

Streamlined energy and carbon reporting
The Company's disclosures with regard to streamlined energy and carbon reporting are included within the Strategic Report of Guardian Media Group plc.

Section 172 of the Companies Act
The Company's disclosures with regard to Section 172 of the Companies Act are included within the Strategic Report and Directors' Report of Guardian Media Group plc.

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.

Statement of Director's Responsibilities
The Statement of Director's Responsibilities is included on page 5.

Approved by the Board on 6 July 2020 and signed on its behalf by:

James Bishop
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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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.

Guardian News & Media Limited

Independent auditors' report to the members of Guardian News & Media Limited

Report on the audit of the financial statements

Opinion

In our opinion, Guardian News & Media Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Income Statement for the year ended 29 March 2020, the Statement of Comprehensive Income for the year ended 29 March 2020, the Statement of Financial Position as at 29 March 2020, the Statement of Changes in Equity for the year ended 29 March 2020, and the Notes to the Financial Statements for the year ended 29 March 2020, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Guardian News & Media Limited

Independent auditors' report to the members of Guardian News & Media Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 29 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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. This description forms part of our auditors' report.

Independent auditors' report to the members of Guardian News & Media Limited

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Samuel Tomlinson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 July 2020

Guardian News & Media Limited

Income Statement for the year ended 29 March 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	206,348	209,667
Operating costs	5	(221,104)	(220,490)
Operating loss		(14,756)	(10,823)
Other interest receivable and similar income	6	7,335	8,328
Interest payable and similar charges	7	(2,483)	-
Share of loss of equity accounted investees	15	(568)	(85)
Loss on ordinary activities before taxation		(10,472)	(2,580)
Tax on loss on ordinary activities	11	(4,280)	9,038
(Loss)/profit for the period		(14,752)	6,458

The above results were derived from continuing operations.

The notes on pages 14 to 37 form an integral part of these financial statements.

Guardian News & Media Limited

Statement of Comprehensive Income for the year ended 29 March 2020

	2020 £ 000	2019 £ 000
(Loss)/profit for the period	(14,752)	6,458
Total comprehensive (expense)/income for the period	(14,752)	6,458

Guardian News & Media Limited

(Registration number: 00908396)
Statement of Financial Position as at 29 March 2020

	Note	2020 £ 000	2019 £ 000
Non current assets			
Intangible assets	12	5,581	3,081
Property, plant and equipment	13	2,572	2,570
Right-of-use assets	14	63,140	-
Investments	15	106	692
		71,399	6,343
Current assets			
Inventories	16	381	482
Trade and other receivables	17	167,894	172,635
Income tax asset	11	-	29
Deferred tax assets	11	5,742	10,246
Cash at bank and in hand		2,168	3,525
		176,185	186,917
Current liabilities			
Trade and other payables	18	(143,857)	(131,559)
Current portion of long term lease liabilities	20	(8,741)	-
Current liabilities		(152,598)	(131,559)
Net current assets		23,587	55,358
Total assets less current liabilities		94,986	61,701
Non-current liabilities			
Deferred lease incentive		-	(7,841)
Long term lease liabilities	20	(60,867)	-
Non-current liabilities		(60,867)	(7,841)
Provisions for liabilities	21	(9,666)	(14,003)
Net assets		24,453	39,857

The notes on pages 14 to 37 form an integral part of these financial statements.

Guardian News & Media Limited

(Registration number: 00908396)
Statement of Financial Position as at 29 March 2020

	Note	2020 £ 000	2019 £ 000
Equity			
Called up share capital	22	665,000	665,000
Retained earnings		(640,547)	(625,143)
Shareholders' funds		24,453	39,857

These financial statements were approved by the Board on 6 July 2020 and signed on its behalf by:

James Bishop
Director

Guardian News & Media Limited

Statement of Changes in Equity for the year ended 29 March 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	665,000	(625,143)	39,857
Loss for the period	-	(14,752)	(14,752)
Total comprehensive expense	-	(14,752)	(14,752)
Reserves adjustment (note 1)	-	(652)	(652)
At 29 March 2020	665,000	(640,547)	24,453

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 2 April 2018	655,000	(631,169)	23,831
Change in accounting policy	-	(432)	(432)
At 2 April 2018 (As restated)	655,000	(631,601)	23,399
Profit for the period	-	6,458	6,458
Total comprehensive expense	-	6,458	6,458
New share capital subscribed	10,000	-	10,000
At 31 March 2019	665,000	(625,143)	39,857

The notes on pages 14 to 37 form an integral part of these financial statements.

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 6 July 2020.

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 financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). 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 & Media (Holdings) Limited 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 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 3.

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 52 weeks ended 29 March 2020 and for the comparative period cover the 52 weeks ended 31 March 2019.

Guardian News & Media Limited

Notes to the Financial Statements for the year ended 29 March 2020

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 118 (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.

Reserves adjustment

An amount of £625,000 was posted through the Statement of Changes in Equity to correct an immaterial error identified arising on the adoption of IFRS 15 in the prior year.

Going concern

The directors have considered the impact of Covid-19 in this assessment of both the future operational performance along with the value of its resources. Accordingly, the financial statements are prepared on a going concern basis.

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 1 April 2019 and have had an effect on the financial statements:

IFRS 16 Leases
The company has adopted IFRS 16 Leases under the modified retrospective approach from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

The new accounting policies are disclosed in note 2. On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.5%.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there was one onerous contract as at 1 April 2019 which has subsequently been exited;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

The change in accounting policy affected the following items in the statements of financial position on 1 April 2019:

- Right-of-use assets - increase by £43,817,000
- Lease liabilities - increase by £50,910,000
- Prepayments - decrease by £12,000
- Deferred lease incentives - decrease by £8,540,000
- Provisions - increase by £1,435,000

The difference between the prior year operating lease commitment of £70,877,000 is primarily due to the discounting of the liability.

Other than noted above, none of the other standards, interpretations and amendments effective for the first time from 1 April 2019 have had a material effect on the financial statements.

Revenue recognition
Revenue is recognised in the accounting period when control of the sold service has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The application of the principles results in the following:

Revenue from contributions and donations is recognised as revenue upon receipt of funds.

Membership revenue is recognised on a straight-line basis over the life of the membership.

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.

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

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.

Marketing services revenue is recognised when performance obligations have been met.

Newsstand (circulation) revenue (net of returns) is recognised on publication.

Philanthropic revenue is accounted for under IAS 20 on a gross basis. Revenue is deferred and is recognised as digital revenue in line with when costs have been incurred for a nil contribution.

Royalty revenue is recognised upon generation of revenue by users of the Company's content.

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 income statement.

Tax

The tax charge for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a charge 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 credit 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 net deferred tax asset after the offset of deferred tax liabilities is recognised to the extent it is considered probable that future taxable profits will be available

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.

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.

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%

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 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 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.

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 company has the right of net settlement.

Trade receivables
Trade receivables are amounts due from customers for products 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. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the identified impairment loss was immaterial.

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 the income statement.

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.

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 Company 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
The company leases various offices and rental contracts are typically made for fixed periods of 12 months to 30 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of property for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

As explained in note 2, the company has changed its accounting policy for leases where the company is the lessee following the implementation of IFRS 16.

Prior to this change, the following policy was applied:

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.

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 fund, and the Company 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.

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Revenue recognition

The Company has a number of revenue streams which run over a number 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.

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 dilapidations of premises and severance costs incurred from restructuring its cost base.

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.

When calculating the severances provision, management has estimated expected timings and payments based on written agreements and discussions that have taken place as part of the restructuring plan.

Recognition of deferred tax assets
The Company's tax credit/expense for the year is the sum of the total current and deferred tax charges and credits. The calculation of the total tax credit/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.

Lease term and discount rate
There are a number of critical estimates and judgements required to calculate lease liabilities and corresponding right-of-use assets under IFRS 16. Where there is uncertainty regarding the length of the lease, this is reviewed and the most likely expected term is used. The selection of the discount rate is particularly challenging as the company and the group of which it is part has no debt or serviceable equity and therefore does not have weighted average cost of capital figure readily available. When selecting an appropriate rate, the company has considered historical debt, recent capital projects and commercially available rates. The final rate selected is therefore subject to significant judgement that it is appropriate, sensitivity analysis has been performed to ensure that the final rate used does not unduly influence the outcome with a commonly accepted range of rates.

4 Revenue

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

	2020 £ 000	2019 £ 000
Digital revenue	89,538	94,596
Print revenue	96,345	97,878
Royalties received	19,323	16,479
Barter transactions	1,142	714
	206,348	209,667

5 Operating costs

The following amounts have been charged in arriving at the operating loss:

	2020 £ 000	2019 £ 000
Depreciation expense	1,641	1,997
Amortisation expense	2,150	901
Depreciation on right-of-use assets	3,783	-
Operating lease expense - property	-	4,390
Operating lease expense - plant and machinery	-	29
Staff costs	105,291	103,041
Raw materials consumed	16,686	17,440
Other expenses	91,426	92,550
Auditors' remuneration	110	117
Donations	17	25
	221,104	220,490

6 Other interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	-	2
Interest received from related parties	3,842	3,872
Foreign exchange gains	3,493	4,454
	7,335	8,328

7 Interest payable and similar charges

	2020 £ 000	2019 £ 000
Interest expense on leases	2,483	-

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	86,749	82,352
Social security costs	9,390	8,909
Pension costs, defined contribution scheme	7,551	7,469
Redundancy costs	1,601	4,311
	105,291	103,041

The monthly average number of persons employed by the Company (including directors) during the period, analysed by category was as follows:

	2020 No.	2019 No.
Production	771	756
Administration and support	199	192
Sales, marketing and distribution	340	333
	1,310	1,281

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2020 £ 000	2019 £ 000
Remuneration	1,712	1,629
Contributions paid to money purchase schemes	42	41
	1,754	1,670

During the period the number of directors who were receiving benefits was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	4	4

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	669	693
Company contributions to money purchase pension schemes	10	13

10 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	70	67
Other fees to auditors		
Taxation compliance services	40	27
All other non-audit services	-	23
	40	50

11 Income tax

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(224)	(717)
Deferred taxation		
Arising from origination and reversal of temporary differences	4,504	(8,321)
Tax charged/(credited) in the income statement	4,280	(9,038)

The tax on loss before tax for the period is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(10,472)	(2,580)
Corporation tax at standard rate	(1,990)	(490)
Increase in current tax from adjustment for prior periods	669	-
Increase from effect of foreign tax	299	203
Increase from effect of expenses not deductible in determining taxable profit	474	288
Increase from effect of losses surrendered to other group companies for nil payment	-	70
Increase/(decrease) in deferred tax charge from effect of impairing a deferred tax asset	6,980	(8,741)
(Decrease)/increase in deferred tax charge from effect of change in UK tax rate	(1,214)	1,214
Increase from effect of research and development expenditure credit	16	40
Decrease in deferred tax from adjustment for prior periods	(954)	(1,622)
Total tax charge/(credit)	4,280	(9,038)

Factors which may affect future tax charges

The UK main corporation tax rate was expected to be reduced to 17% from 1 April 2020. In the 2020 Budget the government announced the rate will remain unchanged at 19%. The rate change resulted in a £1.2m credit to the profit and loss account in the year, the closing deferred tax balances have been calculated at the 19%.

Deferred tax

Deferred tax movement during the period:

	2019 £ 000	(Impairment) /recognition in income statement £ 000	2020 £ 000
Accelerated tax depreciation	10,246	(4,504)	5,742
Provisions	-	-	-
Net tax assets	10,246	(4,504)	5,742

Deferred tax movement during the prior period:

	2018 £ 000	(Impairment) /recognition in income statement £ 000	2019 £ 000
Accelerated tax depreciation	998	9,248	10,246
Provisions	1,013	(1,013)	-
Net tax assets	2,011	8,235	10,246

The Company has an unprovided deferred tax asset of £27,963,000 (2019: £21,733,000) relating to carried forward trading losses (£19,879,000) (2019: (£17,347,000)), short term timing differences (£1,018,000) (2019: (£1,333,000)) and fixed asset timing differences (£7,066,000) (2019 (£3,053,000)). 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.

12 Intangible assets

	Internally generated digital assets £000
Cost	
At 1 April 2019	18,091
Additions	4,650
At 29 March 2020	22,741
Amortisation	
At 1 April 2019	15,010
Amortisation charge	2,150
At 29 March 2020	17,160
Carrying amount	
At 29 March 2020	5,581
At 31 March 2019	3,081

Intangible assets amortisation is recorded in operating costs.

13 Property plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Plant & machinery £ 000	Total £ 000
Cost or valuation				
At 1 April 2019	13,209	25,423	14,060	52,692
Additions	-	905	738	1,643
Disposals	(13,209)	(1)	-	(13,210)
At 29 March 2020	-	26,327	14,798	41,125
Depreciation				
At 1 April 2019	13,209	25,136	11,777	50,122
Charge for the period	-	176	1,464	1,640
Eliminated on disposal	(13,209)	-	-	(13,209)
At 29 March 2020	-	25,312	13,241	38,553
Carrying amount				
At 29 March 2020	-	1,015	1,557	2,572
At 31 March 2019	-	287	2,283	2,570

Land and buildings comprised solely of long leasehold.

14 Right-of-use assets

	Property £ 000
Cost or valuation	
At 1 April 2019	43,817
Additions	23,106
At 29 March 2020	66,923
Depreciation	
Charge for the period	3,783
At 29 March 2020	3,783
Carrying amount	
At 29 March 2020	63,140

15. Investments

All subsidiaries are carried at nil value.

Details of the subsidiaries as at 29 March 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held 2020	2019
ContentNext Media Inc.*	Media	United States of America	100%	100%
Guardian News and Media LLC	Media	United States of America	100%	100%
OG Enterprises Limited*	Media	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

The registered office for the companies incorporated in:

- England and Wales is PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP
- United States of America is 160 Greentree Drive, Suite 101, Dover, DE 19904

Joint ventures

	£ 000
Cost or valuation	
At 2 April 2018	-
Additions	692
At 31 March 2019	692
At 1 April 2019	692
Share of loss for the year	(586)
At 29 March 2020	106
Carrying amount	
At 29 March 2020	106

Details of the joint ventures as at 29 March 2020 are as follows:

Name of Joint-ventures	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2020	2019
Ozone Project Limited	Media	England and Wales	25%	25%

The registered office for the companies incorporated in:

• England and Wales, Ozone Project Limited is 3 Marshalsea Road, London SE1 1EP

Ozone Project Limited

The financial period end for Ozone Project Limited is 31 December 2019.

16 Inventories

	2020 £ 000	2019 £ 000
Raw materials and consumables	381	482

The cost of Inventories recognised as an expense in the period amounted to £13,863,000 (2019 - £14,580,000). This is included within operating costs.

17 Trade and other receivables

	2020 £ 000	2019 £ 000
Trade receivables	17,419	19,118
Provision for impairment of trade receivables	(241)	(77)
Net trade receivables	17,178	19,041
Loans to related parties	138,439	138,895
Accrued income	5,804	7,203
Prepayments	3,046	5,205
Other receivables	3,427	2,291
Total current trade and other receivables	167,894	172,635

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the identified impairment loss was immaterial.

18 Trade and other payables

	2020 £ 000	2019 £ 000
Trade payables	6,634	10,292
Accrued expenses	15,413	20,138
Deferred income	14,757	14,841
Amounts due to related parties	103,353	83,340
Social security and other taxes	2,712	2,374
Other payables	988	574
	143,857	131,559

19 Obligations under leases and hire purchase contracts

Operating leases

The total minimum lease payments are as follows:

	2020 £ 000	2019 £ 000
Within one year	-	6,954
In two to five years	-	21,589
In over five years	-	42,334
	-	70,877

The amount of non-cancellable operating lease payments recognised as an expense during the period was £Nil (2019 - £4,390,000).

20 Leases

Breakdown of leases:

	2020 £ 000	2019 £ 000
Current portion of long term lease liabilities	8,741	-
Long term lease liabilities	60,867	-

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2020 £ 000	2019 £ 000
Less than one year	8,742	-
2 years	7,005	-
3 years	7,003	-
4 years	7,012	-
5 years	6,946	-
6 years	6,935	-
7 years	6,935	-
8 years	6,935	-
9 years	6,945	-
10 years	6,956	-
Between 10 to 15 years	19,130	-
Total lease liabilities (undiscounted)	90,544	-

Total cash outflows related to leases
Total cash outflows related to leases are presented in the table below:

Payment	2020 £ 000	2019 £ 000
Right-of-use assets	6,892	-

21 Provisions for liabilities

	Building £ 000	Restructuring £ 000	Other provisions £ 000	Total £ 000
At 1 April 2019	11,164	245	2,594	14,003
Additional provisions	1,512	1,750	2,583	5,845
Provisions used	(4,729)	(1,181)	(642)	(6,552)
Unused provision reversed	(3,062)	(152)	(416)	(3,630)
At 29 March 2020	4,885	662	4,119	9,666
Non-current liabilities	4,885	-	1,080	5,965
Current liabilities	-	662	3,039	3,701

The building provisions relate to dilapidations provisions are expected to be utilised over the life of the lease of thirteen years.

The restructuring provisions primarily relate to severances through which the Company continues to transform its cost base. The provision is expected to be fully utilised within six months.

Other provisions primarily include annual leave obligations.

22 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	665,000	665,000	665,000	665,000

23 Related party transactions

Key management personnel
The Company paid one director (2019: one director) of The Scott Trust Limited, £102,000 (2019: £98,000) for services rendered to the Company in the normal course of business.

The Group paid £18,000 (2019: £nil) to the partner of one director (2019: nil) for services rendered to the Company in the normal course of business at arms length.

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

2020	Other related parties £ 000
Revenue	823

2019	Other related parties £ 000
Revenue	59

Expenditure with and payables to related parties

2020	Other related parties £ 000
Purchase of goods	1,443

2019	Other related parties £ 000
Purchase of goods	1,115

These related party transactions relate to sales and expenditure with entities in which GMG has an equity holding.

The Company provided £87,000 (2019: £80,000) in gifts in kind to the Guardian Foundation.

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.