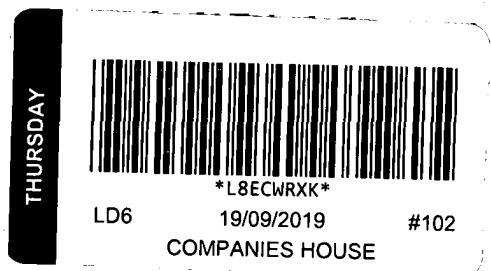


New Scientist Limited

Financial statements for the
year ended 31 December 2018

Registered number 10644366



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Strategic report

The Directors present their strategic report for the year ended 31 December 2018.

Review of the business

The Company was incorporated on 28 February 2017, and commenced trading on 10 May 2017 following the Company's acquisition of the New Scientist business.

This set of financial statements covers the Company's first full year of trading since the acquisition of the New Scientist business. The comparative period presented covers trading from the period since acquisition (10 May 2017) as the Company was dormant prior to this acquisition. Since 10 May 2017, the principal activity of the Company has been the development and expansion of the New Scientist brand across a number of platforms; print, digital and live events.

The Brand continues to be a hugely-respected high-quality paid content producer with a strong recurring and loyal subscriptions base. In a society that is increasingly placing importance on quality, fact based journalism and news reporting, combined with general societal concerns around the environment, climate change, health and wellbeing and increasing interest in science, technology, engineering and maths, the Brand remains more relevant than ever.

Much of the operations during the 2017 financial year was to migrate the business onto a standalone operational platform, away from its former parent. In 2018, there was a shift towards improving and re-engineering the business to ensure we had the right people, our systems were robust and data and intelligence was available to place the Company in a position poised for future growth. This involved extensive executive talent acquisition and training, and additional digital investment. At the same time management was focused on the trading result, and by the end of the year had successfully increased our subscriber base, delivered year on year display advertising growth and achieved considerable improvements in both visitor numbers and revenues for our annual New Scientist Live event.

Looking forward, the Directors see the opportunity to further develop the paid subscriptions offering of New Scientist, to attract more readers to the brand, while also developing digital multimedia operations and growing the events business, led by New Scientist Live and a resurgent Instant Expert product. The Directors also see considerable international opportunity for the Brand in the future.

The key performance indicators during the period are as follows:

	2018	2017**
Turnover	£19,725,000	£13,351,000
EBIDTA from continuing operations*	£4,029,000	£3,389,000
EBITDA Margin	20.4%	25.4%

* Earnings before interest, tax, depreciation and amortisation from continuing operations, excluding setup and other one-off costs.

** 2017 includes trading results from 10 May 2017 to 31 December 2017.

The above indicators will be monitored regularly as the Company continues to trade.

Principal risks and uncertainties

The activities of the Company are substantially within the United Kingdom, and the Company is therefore exposed to the overall performance of the UK economy. General political and economic uncertainty currently exists in the UK, as a direct consequence of Brexit. Whilst the Directors believe we are well placed to trade through a possible recession or downturn due to our highly loyal subscriber base, we have undertaken significant scenario planning projects to both monitor and mitigate any commercial and subscriber decline as well as supply chain analysis. International expansion plans are progressing in light of Brexit uncertainty.

Strategic report (continued)

The Company also makes sales in both North America and Australia, with a smaller proportion of sales coming from the rest of the world. These non-UK revenues, and some associated costs will be affected by currency fluctuations that may arise as a consequence of Brexit and other global economic trends. Management continues to consider and implement strategies to mitigate such fluctuations to the maximum extent possible.

A large proportion of the revenues of the Company are earned from the distribution of physical magazines and over the long term it is expected that consumers will choose a mix of physical and digital media. The Company is developing strategies to exploit its brands in the digital environment, as well as in face to face events media.

The high loyalty of readers to the New Scientist brand and the high proportion of subscriptions income, forms a strong base for the company's operations. Advertising revenue forms a much lower proportion of company revenue than many traditional media businesses, and the Company's reliable underpinning revenue helps to mitigate some of the Business's risks.

Liquidity risk

The Directors consider that there are no significant working capital risks that are likely to require additional funding.

Price and Credit risk

The Directors do not believe there is any significant credit risk with any trading partners that are material to the Company.

Directors' report

The Directors present their Directors' report and the audited financial statement of New Scientist Limited for the year ended 31 December 2018.

Directors

The directors who held office during the year and up to the date of signing were as follows:

Sir Bernard Gray (appointed, 28 February 2017)
Louise Anne Rogers (appointed, 9 May 2017)
Matthew O'Sullivan (appointed, 9 May 2017 resigned, 1 June 2018)
Jennifer Prince (appointed, 1 June 2018)

Going concern

There are no material uncertainties related to events or conditions that cast significant doubt about the ability of the Company to continue as a going concern.

Political and charitable contributions

The Company did not make any political or charitable donations nor incur any political expenditure during the year.

Independent Auditors

PricewaterhouseCoopers LLP act as auditors of the Group. Pursuant to section 487 of the Companies Act 2006, they will be deemed to be reappointed and will continue in office.

Approved by the Board of Directors and signed on behalf of the Board.



Jennifer Prince
Director

25 Bedford Street
London WC2E 9ES
United Kingdom

30 April 2019

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial period. 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;
state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 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.

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.

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.

Independent auditors' report to the members of New Scientist Limited

Report on the audit of the financial statements

Opinion

In our opinion, New Scientist Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, 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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

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 31 December 2018 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 [6], 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.

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.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 April 2019

Profit and Loss Account

for the year ended 31 December 2018

	Note	Year ended Dec-18 £ 000's	Period to Dec-17 £ 000's
Turnover	1	19,725	13,351
Cost of sales		(2,095)	(1,646)
Gross profit		17,630	11,705
Distribution costs		(2,867)	(1,614)
Administrative expenses	2	(15,254)	(11,857)
Operating profit before setup, non-recurring, amortisation and depreciation costs		4,029	3,389
Exceptional costs	2a	(1,516)	(3,510)
Amortisation of goodwill, other intangibles and depreciation	2a	(3,004)	(1,645)
Operating loss		(491)	(1,766)
Interest payable and similar charges	4	(616)	(606)
Loss before taxation		(1,107)	(2,372)
Tax on loss	5	129	179
Loss for the financial period		(978)	(2,193)

The loss for the current period is based on continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

Balance Sheet

at 31 December 2018

	Note	Dec-18 £ 000's	Dec-17 £ 000's
Fixed assets			
Intangible assets	8	21,182	23,488
Tangible assets	9	899	961
		22,081	24,449
Current assets			
Debtors	11	2,992	2,611
Cash		1,102	1,474
		4,094	4,085
Creditors: amounts falling due within one year	12	(20,248)	(21,455)
Net current liabilities		(16,154)	(17,370)
Total assets less current liabilities		5,927	7,079
Creditors: amounts falling due after more than one year	12	(843)	(1,017)
Net assets		5,084	6,062
Capital and reserves			
Called up share capital	13	8,255	8,255
Accumulated losses		(3,171)	(2,193)
Total shareholders' funds		5,084	6,062

The notes on pages 12 to 26 form part of these financial statements.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 30 April 2019 and were signed on its behalf by:

Jennifer Prince

Jennifer Prince

Director
30 April 2019

Statement of Changes in Equity

For the year ended 31 December 2018

	Called up share capital £ 000's	Accumulated losses £ 000's	Total £ 000's
At Incorporation	-	-	-
Share Issue	8,255	-	8,255
Total loss for the period of incorporation to 31 December 2017	-	(2,193)	(2,193)
At 31 December 2017	8,255	(2,193)	6,062
Total loss for the period ended 31 December 2018	-	(978)	(978)
At 31 December 2018	8,255	(3,171)	5,084

The notes on pages 12 to 26 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

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

1a Basis of preparation

New Scientist Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – '*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis as modified by the recognition of certain financial assets and liabilities measured at fair value. The presentation currency of these financial statements is sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, New Scientist Group Limited includes the Company in its consolidated financial statements. The Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 10.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

1b Measurement convention

The financial statements are prepared on the historical cost basis except the acquisitions through business combinations which are stated at their fair value.

1c Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 4.

In the financial year, the Company's activities were funded by a mixture of equity and external bank debt held by the Company's Parent undertakings. The bank loan was drawn down on 10 May 2017 to fund the acquisition of the New Scientist business by the Company. The total bank facility available to the Group is £14,500,000.

The financial covenants of this facility include cash flow cover and leverage. The Group has prepared trading forecasts for the period ending 30 April 2020. These indicate that there is sufficient headroom against all covenants for a period of not less than 12 months from the date of the approval of these financial statements.

Notes to the financial statements

1 Principal accounting policies (continued)

After reviewing the Group's forecasts and projections, it is the Directors' view that the Group has adequate resources to continue in operational existence for the foreseeable future. Based on this assessment, and notwithstanding the Group's net current liabilities, it is the Board's view that the Group will have adequate resources to continue as a going concern for the foreseeable future.

1d Key sources of estimation uncertainty

The Company acquired the New Scientist Business through a business combination. Management has estimated the fair value of the acquired assets and liabilities. In accordance with FRS 102, management has also estimated a deferred tax provision in relation to acquired assets.

On acquisition of assets and their recognition in the statement of financial position, management has estimated the useful life of the asset and amortised the asset over its useful life. Carrying values are reviewed at each balance sheet date.

The Company capitalise development costs in accordance with its accounting policy. Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash generation of new developments and the expected period of benefits.

Annually, the group considers whether intangible assets and goodwill are impaired. No indication of impairment was identified in the year ended 31 December 2018.

1e Turnover

Company turnover represents income from circulation, advertising and subscription revenue generated from print magazines and digital publishing, as well as income from live events the Company holds.

Turnover is recognised on the provision of the related goods or services. Specifically:

- Advertising and circulation revenue are recognised on the date of sale of the related publication;
- Revenue from print and digital subscriptions is recognised over the period of the subscription;
- Other income is recognised on provision of service; and
- Event income is recognised when the event has taken place.

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Circulation income is stated after the deduction of the sales value of actual and estimated returned goods.

Segmental Analysis

New Scientist is a weekly magazine, website and app, covering all aspects of science and technology and publishes editions in the UK, Australia and the United States. In addition, the Group runs live events in the UK, Australia and the United States. Turnover by geographical market is broken down as follows.

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
UK	15,207	10,237
Australia	2,600	1,625
United States of America	1,850	1,455
Rest of World	68	34
	19,725	13,351

Notes to the financial statements

1 Principal accounting policies (continued)

1f Business Combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date at which control is transferred to the acquiring company.

At the acquisition date, the Company recognises goodwill as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration; plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measure reliably. Any subsequent changes to the amount are treated as an adjustment of the cost of the acquisition.

1g Employee benefits and pension costs

Employees participate in a defined contribution scheme to which the Company contributes. The assets of the defined contribution scheme were held separately from those of the Company in independently administered funds. Contributions to the scheme have been charged to the profit and loss account when payable. Short-term employee benefits and contributions to the defined contribution scheme are recognised as an expense in the period in which they are incurred.

1h Foreign currency translation

The Company's presentational currency is sterling. Transactions in foreign currencies are translated into sterling at a monthly average exchange rate.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the balance sheet date at the rate of exchange ruling at that date. Surpluses and deficits arising from the translation of monetary assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the income statement.

Notes to the financial statements

1 Principal accounting policies (continued)

1i Interest payable and Interest receivable

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method.

1j Intangible fixed assets and amortisation

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Software and development

Software development costs are recognised as an intangible asset when all the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Other intangible assets

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if their value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Goodwill	10 years
Software and development costs	3 years
Other intangibles	10 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Notes to the financial statements

1 Principal accounting policies (continued)

1k Tangible fixed assets

Tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated so as to write down the cost less estimated residual value of all tangible fixed assets on a straight-line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service.

The useful lives for depreciation purposes for the principal categories of assets are:

Computer Equipment	3 years
Leasehold Improvements	5 years

1l Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

The Company fully provides for any amounts of loan principal and charged income that is estimated to be irrecoverable from customers. This provision is calculated based on the type of debt, its age and the period in which the original debt was initiated and by comparison with the past performance of similar historical loans.

1m Financial instruments

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the financial statements

1 Principal accounting policies (continued)

1n Leased assets

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case, the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

The Company has no finance leases.

1o Research and development

Qualifying development expenditure which gives rise to an asset delivering future economic benefit is deferred until the period in which the associated income is generated.

Design and content development costs are capitalised within intangible fixed assets to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. Such assets are amortised over a period of 3 years. Research expenditure and development expenditure which does not meet these criteria is taken to the profit and loss account as it is incurred.

1p Provisions for liabilities

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 the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Notes to the financial statements

1 Principal accounting policies (continued)

1q Taxation

Tax in the profit and loss account for the year comprises current and deferred tax and is recognised in the profit and loss account.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements

2 Loss before taxation

2a Loss before taxation is stated after charging:

	Dec-18 £ 000's	Dec-17 £ 000's
Goodwill amortisation	135	86
Other intangible amortisation	2,622	1,515
Depreciation	247	44
Operating lease costs	508	311
Exceptional costs	1,516	3,510

Operating lease costs relate to the Group's premises at 25 Bedford Street, WC2E 9ES.

Exceptional costs in the period to 31 December 2018 relate to one-off costs incurred to finalise integration of the New Scientist Business and non-recurring spend for restructuring costs. In relation to these set up costs, a tax credit of £288,000 has arisen (2017: £482,000).

2b Auditors' remuneration

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Fees for the audit of the Group	50	46
Other services	92	68
	142	114

The Company bears the cost for auditing the Group's financial statements.

Notes to the financial statements

3 Employees and remuneration

3a Persons employed

The average number of persons employed in the period, excluding directors, was:

	Year to Dec-18 Average	Period to Dec-17 Average
Sales and Events	17	17
Production and Editorial	44	53
Administration and Marketing	23	14
	84	84

The aggregate payroll costs of these persons excluding directors were as follows:

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Salaries and wages	4,398	2,911
Social security costs	582	355
Other pension costs	338	206
	5,318	3,472

Included in other pension cost above is £42,000 which was unpaid at year end (2017: £45,000).

3b Directors' remuneration

	Dec-18 £ 000's	Dec-17 £ 000's
Directors emoluments	393	321
Company contribution to defined contribution pension scheme	24	8
	417	328

The number of Directors to whom retirement benefits were accrued for the year was 2 (2017: 3).

Notes to the financial statements

3b Directors' remuneration (*continued*)

The remuneration of the highest paid director during the period was as follows:

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Directors emoluments	232	215
Company contribution to defined contribution pension scheme	23	13
	255	228

4 Interest payable and similar expenses

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Interest owned to parent company	616	606
Total interest payable	616	606

5 Tax on loss

The charge for the period, based on a corporation rate of 19% (2017: 19%) comprised:

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Loss for the period - continuing operations	(1,107)	(2,372)
Tax on loss at standard UK rate of 19%	(210)	(451)
Effects of:		
Expenses not deductible	61	210
Effects of group relief / other reliefs	9	41
Tax rate changes	15	21
Adjustments from previous periods	(4)	-
Tax charge for the period	(129)	(179)

Notes to the financial statements

5 Tax on loss (*continued*)

Factors Affecting the total Tax Charge for current Period:

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Deferred tax:		
Origination and reversal of timing differences	(140)	(200)
Effect of changes in tax rates	15	21
Adjustments from previous periods	(4)	-
Total deferred tax	(129)	(179)
Tax per income statement	(129)	(179)
Goodwill items	-	1,053
Deferred tax current year (credit) charge	(129)	874

6 Deferred Taxation

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Provision at start of period	874	-
Deferred tax charge to Profit and Loss account	(125)	(179)
Deferred tax charge in goodwill for the period	-	1,053
Adjustment in respect of prior years	(4)	-
Provision at end of period	745	874
Fixed asset timing differences	843	1,017
Short term timing differences	(8)	(8)
Losses	(90)	(135)
	745	874
Disclosed as:		
Deferred tax asset (Note 11)	98	143
Deferred tax liability (Note 12)	(843)	(1,017)
	(745)	(874)

Notes to the financial statements

7 Dividends

No dividends have been declared or paid during the period (2017: nil).

8 Intangible assets

	Goodwill	Brand name	Customer Relationship	Software	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Cost					
At 1 January 2018	1,339	16,761	6,197	792	25,089
Additions	-	-	-	451	451
At 31 December 2018	1,339	16,761	6,197	1,243	25,540
Accumulated amortisation					
At 1 January 2018	(86)	(1,074)	(397)	(44)	(1,601)
Charge for the year	(135)	(1,676)	(619)	(327)	(2,757)
At 31 December 2018	(221)	(2,750)	(1,016)	(371)	(4,358)
Net book value					
At 31 December 2018	1,118	14,011	5,181	872	21,182
At 31 December 2017	1,253	15,687	5,800	748	23,488

9 Tangible assets

	Computer Hardware	Leasehold Improvements	Total
	£ 000's	£ 000's	£ 000's
Cost			
At 1 January 2018	198	807	1,005
Additions	23	162	185
At 31 December 2018	221	969	1,190
Accumulated depreciation			
At 1 January 2018	(5)	(39)	(44)
Charge for the year	(68)	(179)	(247)
At 31 December 2018	(73)	(218)	(291)
Net book value			
At 31 December 2018	148	751	899
At 31 December 2017	193	768	961

Notes to the financial statements

10 Acquisition of New Scientist Limited business

On 10 May 2017, New Scientist Limited acquired the New Scientist business and brand from a third party. The resulting intangible assets have been capitalised and will be written off over ten years.

	Fair Value £ 000's
Acquiree's net assets at the acquisition date:	
Intangible assets	
Customer relationship	6,197
Brand name	16,761
Deferred tax liability	(1,053)
Other assets	1,789
Deferred income	(5,673)
Other liabilities	(969)
Net identifiable assets	17,052
Total cost of business combination	
Initial consideration relating to business combination	17,770
Costs directly attributable to the business combination	621
Total consideration	18,391
Goodwill on acquisition	1,339

11 Debtors

	Dec-18 £ 000's	Dec-17 £ 000's
Trade debtors	1,233	1,066
Other debtors	824	1,066
Deferred tax asset	98	143
Prepayments and accrued income	837	336
	2,992	2,611

Amounts falling due after more than one year included above is the Deferred tax asset of £98,000 (2017: £143,000).

Notes to the financial statements

12 Creditors

Creditors: amounts falling due within one year

	Dec-18	Dec-17
	£ 000's	£ 000's
Trade creditors	649	420
Amounts owed to group undertakings	12,426	12,678
Accruals and deferred income	6,978	7,751
Other creditors	99	474
Other taxation and social security	96	132
	20,248	21,455

The amounts owed to group undertakings has no fixed repayment date and accrues interest at 5% per annum. They are considered as falling due within one year.

Creditors: amounts falling after more than one year

	Dec-18	Dec-17
	£ 000's	£ 000's
Deferred tax liability	843	1,017

13 Called up share capital

		Dec-17	
	Number	Share Capital	Total
<i>Alloted, called up and fully paid</i>		£	£
Ordinary shares of £1 each	8,254,999	8,254,999	8,254,999
	8,254,999	8,254,999	8,254,999

		Dec-18	
	Number	Share Capital	Total
<i>Alloted, called up and fully paid</i>		£	£
Ordinary shares of £1 each	8,254,999	8,254,999	8,254,999
	8,254,999	8,254,999	8,254,999

The above shares were issued in two stages.

At Incorporation on 28 February 2017, the Company issued 1, £1.00 Ordinary share.
On 9 May 2017, a further 8,254,998 £1.00 Ordinary shares were issued.

No shares were issues in 2018.

Notes to the financial statements

14 Commitments

Total commitments under non-cancellable operating leases are as follows:

	Year to Dec-18 £ 000's	Period to Dec-17 £ 000's
Land and buildings		
Payments due:		
Within one year	598	440
In the second to fifth years inclusive	1,993	2,082
Over five years	2,009	2,517
	4,600	5,039

The Company has no capital commitments at the end of the financial period that have not been provided in the balance sheet. The Company does not hold any operating leases and has no capital commitments at the end of the financial period.

15 Related party disclosures

Related parties of New Scientist Limited include its subsidiaries and its ultimate controlling parties as well as its directors and close family members.

The Company has taken exemption under FRS 102.1.12(e) from disclosing transactions and balances with wholly owned entities which form part of the Group headed by New Scientist Group Limited.

The Group also has a trading balance owing to a shareholder of £118,000 (2017: £260,000) and is classified in Note 12 as other creditors.

16 Immediate and ultimate controlling party

The ultimate controlling party is New Scientist Group Limited (formally known as Kingston Holdco Limited).

Smallest and largest group in which the results of the Company are consolidated is New Scientist Group Limited, a company registered in England and Wales. Copies of the group financial statements are available to the public and can be obtained from the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.

The immediate parent undertaking at 31 December 2018 is Kingston Midco 2 Limited. Copies of the financial statements are available to the public and can be obtained from the Registrar of Companies, Companies House, Cardiff, CF14 3UZ.