Registration number: 00094531

Guardian Media Group plc

Annual Report and Consolidated Financial Statements

for the year ended 1 April 2018

Guardian Media Group plc

Contents

Guardian Media Group plc

Company Information

Chairman	Neil Berkett
Chief executive	David Pemsel
Directors	Neil Berkett David Pemsel Katharine Viner Richard Kerr Jennifer Duvalier Yasmin Jetha Nigel Morris John Paton Baroness Gail Rebuck Coram Williams
Company secretary	Stephen Godsell
Registered office	PO Box 68164 Kings Place 90 York Way London N1P 2AP
Solicitors	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Bankers	The Royal Bank of Scotland plc Corporate and Institutional Banking 135 Bishopsgate London EC2M 3UR
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Guardian Media Group plc

Strategic Report

The directors present their strategic report, the report of the directors and the audited financial statements for the Group, comprising the Guardian Media Group plc (the "Company") and its subsidiaries ("the Group"), for the year ended 1 April 2018.

Activities and business review
Guardian Media Group plc (GMG) is the parent company of the Guardian news and media business (GNM), publisher of theguardian.com, one of the world's leading news websites, and the Guardian and Observer newspapers.

The Group has a portfolio of investments which are held in an endowment fund to generate returns to secure the long term future of the Guardian.

GMG's sole shareholder is The Scott Trust Limited, whose core purpose is to secure the financial and editorial independence of the Guardian, in perpetuity.

Further information on the activities of the Group can be found on the Guardian Media Group website: www.gmgplc.co.uk.

Strategy and future outlook
The Group continues to produce world-leading award-winning journalism aligned with its editorial mission and purpose. Significant stories in the past twelve months have included global exclusives on Cambridge Analytica and Facebook, our revelations of the Windrush scandal in the UK and the Guardian's leading role in the global reporting of the Paradise Papers.

The Group continues to implement the three year strategy set out in 2016, which focuses on a growing and far deeper set of relationships with our audience based on their trust in our quality independent journalism, a sustainable business model, and a newly-focused digital organisation that reflects our editorial purpose and our mission. Priorities include enhancing the Guardian's supporter and subscriber offerings, international growth in the US and Australia and developing our digital and commercial capabilities.

Against the backdrop of structural newsstand declines and challenging advertising market conditions, the Group continues to grow revenues and reduce its cost-base, in order to deliver this plan and safeguard Guardian journalism in perpetuity.

In the second year of this plan, the Group has grown its reader revenues, with 570,000 regular paying supporters and an additional 320,000 one off contributions in the last twelve months. The Group has increased its digital revenues and seen good international growth.

The Group has continued to manage costs across the organisation with operating costs (excluding depreciation and amortisation) before exceptional items reduced by 7% during the year. Cost management initiatives included the transition to a new tabloid print format, which will deliver further annualised cost savings in 2018/19.

The financial target of the plan is for GMG's news and media business (GNM) to break even at underlying EBITDA level by April 2019 in order to provide a sustainable future for the Guardian. Over the course of the last two years, GNM's operating losses have been reduced by two thirds from £57 million to £18.6 million. GNM remains on track to break even on EBITDA before exceptional items by April 2019.

The Group is supported by the Scott Trust Endowment Fund. The value of the fund and other cash holdings stands at £1.01 billion (2017: £1.03 billion). The modest decline in the value of these holdings reflects cash being transferred from the Endowment Fund to meet operational cash outflows of GNM, partly offset by the underlying growth in investments.

Guardian Media Group plc

Strategic Report

Principal risks and uncertainties
The Group operates in a challenging sector which is experiencing both structural and cyclical changes. There is an accelerating rate of migration from print to online, and from desktop browser to mobile consumption of news, with resultant revenue implications for both print and digital business models. To mitigate this risk the Group continues to invest in a transformation programme to develop its portfolio of digital products, its international reach and to grow additional revenues from readers (through contributions, membership and subscriptions).

Given the size of the endowment fund and its importance to the sustainability of GMG, the risk of recession or poor return on investment has a material impact on liquidity and future funding for the Group. To mitigate this, the Group has invested in diversified medium and long term focussed investments managed by a number of specialist fund managers and monitored and overseen by an Investment Committee.

The Group is at risk of suffering significant business interruption as a result of a security vulnerability, cyber attack or breach of privacy. Mitigations to these risks include experienced information security and data protection teams, robust policies and procedures and mature incident management plans.

The Group depends on a strong brand. Any failure to maintain, protect and strengthen the brand would reduce the Group's ability to retain or grow its business. To mitigate this risk the Group adheres to comprehensive editorial and commercial legal policies and procedures and has a strong communications team operating throughout the business.

Viability statement
The board has reviewed the prospects of the Group over the three-year period to March 2021 taking account of the company's strategic plans, a number of financial scenarios including a 'severe but plausible' downside case and further stress testing based on its principal risks.

Based on the results of these procedures, and considering the endowment fund and ongoing support from the Scott Trust, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2021.

Operating and financial performance
The results for the Group are set out in the consolidated income statement on page 11.

The current financial year is a 52 week period (2017: 52 weeks).

Key indicators of financial performance are:

	2018 **£ m**	**2017** **£ m**
Revenue	217.0	214.5
Digital revenue	108.6	94.1
News & Media EBITDA before exceptional items	(18.6)	(38.9)
EBITDA before exceptional items	(23.0)	(44.7)
Cash and endowment fund	1,005.0	1,032.8

Group revenue increased 1% to £217 million (2017: £214.5 million) as declines in newsstand sales and print advertising revenues were offset by growth from increased reader revenues (across contributions, membership and subscriptions) and international growth.

Group digital revenue for the year increased by 15% to £108.6 million (2017: £94.1m) due to increased reader revenues and higher digital advertising revenues. Digital now accounts for over 50% of GMG's revenues.

The Group's news and media operations, GNM, had earnings before interest, taxation, depreciation and amortisation (EBITDA) before exceptional items of £18.6m loss, 52% lower than prior year (2017: £38.9m).

Group EBITDA loss before exceptional items was £23.0 million, 48% lower than prior year (2017: £44.7 million).

Taxation
Guardian Media Group has business operations in the UK, US and Australia. The Group's assets are held entirely by companies in these countries and are fully subject to prevailing tax laws and regulations.

The £10.6 million tax charge for the year (2017: £19.1 million credit) includes a £14.6 million charge (2017: £18.7 million credit) before exceptional items and a £4.0 million credit (2017: £0.4 million credit) on exceptional items.

The net deferred tax asset in the balance sheet is £nil (2017: £nil). The net position consists of assets of £0.9 million (2017: £1.8 million) relating to other timing differences, £1.9 million (2017: £nil) relating to accelerated capital allowances and £11.3 million (2017: £17.3 million) relating to tax losses available to be used in the future, less a deferred tax liability of £14.1 million (2017: £19.1 million) relating to future taxable gains and profits on held for sale financial assets.

Cash flow
Cash used in operations was an outflow of £41.1 million (2017: £67.3 million). Other inflows and outflows are detailed in the consolidated statement of cash flows.

Cash and endowment fund
The Guardian is supported by the Scott Trust Endowment Fund, consisting of diversified medium and long term focussed investments managed by a number of specialist fund managers. The investments include global and emerging markets equity, fixed income, hedge funds and private equity and venture capital funds. Whilst the investments are a mixture of UK and non-UK assets, they are all held by UK tax resident companies which are fully subject to UK tax laws and regulations on the income and realised gains arising from all the investments held.

The value of the fund and other cash holdings stands at £1.01 billion (2017: £1.03billion). The modest decline in the value of these holdings reflects cash being transferred from the Endowment Fund to meet operational cash outflows of GNM, partly offset by the underlying growth in investments.

Other balance sheet items
The Group had net assets of £971.8 million at 1 April 2018 (2017: £995.0 million). The Group has no borrowing.

Provisions of £20.8 million at 1 April 2018 (2017: £15.6 million) include £1.6 million relating to restructuring costs (2017: £5.4 million).

On behalf of the Board

Richard Kerr
Director

9 July 2018

Guardian Media Group plc
Registered in England and Wales No.00094531

The directors present their report and the audited consolidated financial statements for the year ended 1 April 2018.

Employee involvement

The Group 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 Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining it. The Group encourages the involvement of employees by means of regular communication programmes to the Group as a whole delivered by senior management, frequent internal e-mail and intranet updates and quarterly all staff financial results briefings.

The Group is committed to a working environment where our staff, clients and partners are treated equally. We aspire that our Group staffing at all 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 Group 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 Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Ownership

Guardian Media Group plc is a public limited company incorporated in England and Wales and all the ordinary shares are owned by The Scott Trust Limited. The Company is domiciled in England and Wales and its registered address is PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.

Directors of the Group

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

Neil Berkett - Chairman

David Pemsel - Chief executive

Katharine Viner

Richard Kerr

Jennifer Duvalier

Yasmin Jetha (appointed 1 February 2018)

Nigel Morris

John Paton

Baroness Gail Rebuck

Coram Williams

Nick Backhouse (resigned 3 April 2017)

Jimmy Wales (resigned 25 April 2017)

Judy Gibbons (resigned 30 November 2017)

No director had any material transactions with the Group other than those set out in note 10 and note 30.

Dividends

On 15 March 2018 the GMG plc board declared a dividend of 33.3p (2017: 44.4p) per share on the ordinary share capital amounting to £300,000 (2017: £400,000) which was paid to The Scott Trust Limited on 15 March 2018.

Corporate governance

The Group's statement on corporate governance can be found on the Guardian Media Group website: www.gmgplc.co.uk.

Going concern
The financial position of the Group, its cash flows and liquidity position are described in the strategic report.

In addition, note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk, liquidity risk and cash flow risk.

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Events after the reporting year
Details of events after the reporting year are given in note 28 on page 50.

Future developments
Future developments have been discussed in the strategic report on page 2.

On behalf of the Board

Richard Kerr
Director

9 July 2018

Guardian Media Group plc
Registered in England and Wales No.00094531

Guardian Media Group plc

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 group and the company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and 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 group and 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 group and company’s auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Guardian Media Group plc

Independent Auditors' Report to the members of Guardian Media Group plc

Report on the audit of the group financial statements

Our opinion

In our opinion, Guardian Media Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 1 April 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 1 April 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

Independent Auditors' Report to the members of Guardian Media Group plc

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 1 April 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 7, the directors are responsible for the preparation of the financial statements 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
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the members of Guardian Media Group plc

Other matter

We have reported separately on the company financial statements of Guardian Media Group plc for the year ended 1 April 2018.

....

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

9 July 2018

Guardian Media Group plc

Consolidated Income Statement for the year ended 1 April 2018

	Note	2018 Before exceptional items £ m	2018 Exceptional items £ m	2018 Total £ m	2017 Before exceptional items £ m	2017 Exceptional items £ m	2017 Total £ m
Revenue	**5**	**217.0**	**-**	**217.0**	**214.5**	**-**	**214.5**
Operating costs (excluding depreciation and amortisation)	6	(240.0)	(25.8)	**(265.8)**	(259.2)	(9.6)	**(268.8)**
EBITDA							
News & Media		(18.6)	(25.8)	**(44.4)**	(38.9)	(9.6)	**(48.5)**
Other Group		(4.4)	-	**(4.4)**	(5.8)	-	**(5.8)**
Total EBITDA		**(23.0)**	**(25.8)**	**(48.8)**	**(44.7)**	**(9.6)**	**(54.3)**
Depreciation and amortisation	6	(4.7)	-	**(4.7)**	(8.2)	-	**(8.2)**
Operating loss		**(27.7)**	**(25.8)**	**(53.5)**	**(52.9)**	**(9.6)**	**(62.5)**
Finance income		5.5	3.0	**8.5**	3.8	3.9	**7.7**
Finance costs		(0.5)	-	**(0.5)**	(2.3)	-	**(2.3)**
Net finance income	11	5.0	3.0	**8.0**	1.5	3.9	**5.4**
Other gains and losses	7	75.9	-	**75.9**	26.3	31.1	**57.4**
Loss from disposals of investments in joint ventures and associates	8	-	-	**-**	-	(0.5)	**(0.5)**
Profit/(loss) before tax		**53.2**	**(22.8)**	**30.4**	**(25.1)**	**24.9**	**(0.2)**
Income tax (expense)/credit	12	(14.6)	4.0	**(10.6)**	18.7	0.4	**19.1**
Profit/(loss) for the period		**38.6**	**(18.8)**	**19.8**	**(6.4)**	**25.3**	**18.9**

The above results were derived from continuing operations.

Guardian Media Group plc

Consolidated Statement of Comprehensive Income for the year ended 1 April 2018

	Note	2018 £ m	2017 £ m
Profit for the period		19.8	18.9
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes before tax	29	1.9	(1.7)
Income tax effect	12	(0.4)	0.3
		1.5	(1.4)
Items that may be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of available for sale financial assets before tax		(55.4)	100.9
Income tax effect		10.8	(19.4)
Foreign currency translation gains/(losses)		0.4	(1.9)
		(44.2)	79.6
Total comprehensive (expense)/income for the period		**(22.9)**	**97.1**

Guardian Media Group plc

(Registration number: 00094531)
Consolidated Statement of Financial Position as at 1 April 2018

	Note	2018 £ m	2017 £ m
Assets			
Non-current assets			
Property, plant and equipment	15	5.6	9.3
Intangible assets	14	0.8	1.2
Other financial assets	13	0.2	4.2
Available for sale financial assets	13	777.1	731.7
Retirement benefit assets	29	0.8	-
		784.5	746.4
Current assets			
Inventories	17	0.5	0.8
Trade and other receivables	18	43.2	46.3
Cash and cash equivalents	19	71.9	219.9
Other financial assets	13	7.6	2.0
Available for sale financial assets	13	148.4	79.2
		271.6	348.2
Liabilities			
Current liabilities			
Trade and other payables	22	52.7	52.6
Provisions	23	13.6	8.6
		66.3	61.2
Net current assets		**205.3**	**287.0**
Total assets less current liabilities		**989.8**	**1,033.4**
Non-current liabilities			
Loans and borrowings	20	-	18.6
Retirement benefit obligations	29	-	1.4
Provisions	23	7.2	7.0
Other non-current financial liabilities	24	10.8	11.4
		18.0	38.4
Net assets		**971.8**	**995.0**

Guardian Media Group plc

(Registration number: 00094531)
Consolidated Statement of Financial Position as at 1 April 2018

	Note	2018 £ m	2017 £ m
Equity			
Share capital	25	0.9	0.9
Revaluation reserve		0.7	0.7
Other reserves		0.1	0.1
Retained earnings		970.1	993.3
Equity attributable to owners of the company		971.8	995.0

Approved by the Board on 9 July 2018 and signed on its behalf by:

....

Richard Kerr

Director

Guardian Media Group plc

Company Registration Number 00094531

The notes on pages 17 to 58 form an integral part of these financial statements.

Guardian Media Group plc

Consolidated Statement of Changes in Equity for the year ended 1 April 2018

	Share capital £ m	Revaluation reserve £ m	Other reserves £ m	Retained earnings £ m	Total equity £ m
At 3 April 2017	0.9	0.7	0.1	993.3	995.0
Profit for the period	-	-	-	19.8	19.8
Other comprehensive expense	-	-	-	(42.7)	(42.7)
Total comprehensive expense	-	-	-	(22.9)	(22.9)
Dividends	-	-	-	(0.3)	(0.3)
At 1 April 2018	**0.9**	**0.7**	**0.1**	**970.1**	**971.8**

	Share capital £ m	Revaluation reserve £ m	Other reserves £ m	Retained earnings £ m	Total equity £ m
At 4 April 2016	0.9	0.7	0.1	896.6	898.3
Profit for the period	-	-	-	18.9	18.9
Other comprehensive income	-	-	-	78.2	78.2
Total comprehensive income	-	-	-	97.1	97.1
Dividends	-	-	-	(0.4)	(0.4)
At 2 April 2017	**0.9**	**0.7**	**0.1**	**993.3**	**995.0**

Guardian Media Group plc

Consolidated Statement of Cash Flows for the year ended 1 April 2018

	Note	2018 £ m	2017 £ m
Cash flows from operating activities			
Cash used in operations	27	(41.0)	(67.3)
Income taxes paid	12	(0.1)	-
Net cash used in operating activities		**(41.1)**	**(67.3)**
Cash flows from investing activities			
Purchase of intangible assets	14	(0.5)	(1.1)
Purchase of property, plant and equipment	15	(0.6)	(1.2)
Purchase of available for sale financial assets	13	(558.1)	(534.4)
Sale of other available for sale financial assets	13	463.7	554.2
Interest received		0.3	0.3
Dividends and other income received from unlisted investments		-	0.9
Purchase of unlisted investments	13	(0.5)	(2.6)
Sale of unlisted investments		4.5	-
Proceeds from the sale of associates	16	-	74.2
Proceeds from the sale of investments held at fair value through profit or loss	16	-	163.1
Net cash flows from investing activities		(91.2)	253.4
Cash flows from financing activities			
Finance lease payments		-	(30.8)
(Repayment)/drawdown of external borrowings		(15.6)	1.9
Net cash flows from financing activities		(15.6)	(28.9)
Net (decrease)/increase in cash and cash equivalents		**(147.9)**	**157.2**
Cash and cash equivalents at 3 April		219.9	62.2
Effect of exchange rate fluctuations on cash held		(0.1)	0.5
Cash and cash equivalents at 1 April	**19**	**71.9**	**219.9**

1 General information

The company is a public 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 9 July 2018.

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (formerly IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through the consolidated income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Changes in accounting policy

New standards, amendments and interpretations
No new standards, amendments and interpretations which are effective for the financial year beginning on 3 April 2017 have had a material impact on the group.

New standards, amendments and interpretations not yet effective
At the date of authorisation of the financial statements, the following new standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been endorsed by the EU):

IFRS 9 'Financial Instruments'

IFRS 9 was published in July 2014 and will be effective for periods beginning on or after 2 April 2018. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model.

The group is working towards the implementation of IFRS 9. It anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9. The main impact of adopting IFRS 9 is the aggregation of realised and unrealised gains and losses in either the Income Statement or Statement of Comprehensive Income. Presently, unrealised gains and losses are present in the Statement of Comprehensive Income and then recycled to the Income Statement upon disposal. There is no expected impact on total comprehensive income.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 was published in May 2014 and will be effective for periods beginning on or after 2 April 2018. IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative standalone selling price basis, based on a five-step model.

The group is working towards the implementation of IFRS 15 and has carried out a review of existing contractual arrangements as part of this process. The directors anticipate the only revenue stream to be impacted is sponsored content revenue. Under the existing accounting policy, the income is recognised as the content is produced. This revenue is expected to be recognised upon completion of the sponsored content under IFRS15 delaying the recognition of the revenue. The directors estimate that the opening balance sheet adjustment on 2 April 2018 will be to decrease retained earnings by £1m. The impact on earnings in 2019 is difficult to predict as this will depend on campaigns in progress at the period end, but is expected to be immaterial. The profile of cash receipts is not affected by this standard.

IFRS 16 'Leases'

IFRS 16 was published in January 2016 and will be effective from 1 April 2019, replacing IAS 17 'Leases' and related interpretations. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset is of low value.

In future periods, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different. The directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 1 April 2018. The financial statements of the group are made up to the Sunday closest to 31 March each year. Consequently, the financial statements for the current year cover the 52 weeks ended 1 April 2018 and for the comparative year cover the 52 weeks ended 2 April 2017.

Subsidiaries are all entities over which the group has control. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Going concern

The directors have a reasonable expectation that the Group has adequate resources in the endowment fund and cash balances held to continue in operational existence for the next year and the foreseeable future. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Revenue recognition

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

Revenue from contributions and donations are 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.

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. Print advertising revenue is recognised on publication.

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

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

Foundation revenue is accounted for 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.

Barter revenue is recorded at the fair value of the goods and services exchanged as consideration.

Exceptional items

The separate reporting of non-recurring exceptional items helps provide an indication of the Group's underlying business performance. The principal items which are included as exceptional items are the costs of significant restructuring and the interest gain on repayment of external loans.

Finance income and costs policy

Income from bank and short-term deposits is included in the financial statements when receivable using the effective interest method.

Dividends receivable are recognised in the financial statements when the shareholder's right to receive payment is established.

Foreign currency transactions and balances

The consolidated financial statements are presented in Sterling, which is the functional and presentational currency of the parent company, Guardian Media Group plc.

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency other than Sterling are translated into Sterling as follows:

- assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the year end;
- income and expense items of overseas subsidiaries are translated at the average rate of exchange for the financial year; and
- differences arising on retranslation of the net investment in overseas subsidiaries are recognised in other comprehensive income. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment.

Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at market forward exchange rates at the balance sheet date. Transactions in foreign currency are converted to Sterling at the rate ruling at the date of the transaction, or where forward foreign currency contracts have been taken out, at contractual rates.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

Property, plant and equipment
All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price of the asset and directly attributable costs in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings are written off over their estimated useful lives or 50 years, whichever is the shorter. Freehold land is not depreciated. Depreciation of property, plant and equipment has been calculated to write off original cost by equal instalments over the estimated useful life of the asset concerned. Depreciation is charged to the consolidated income statement on assets from the time they become operational.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. The carrying value of property, plant and equipment 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 net present value of expected future cash flows of the relevant cash-generating unit. Impairment amounts are charged to the consolidated income statement.

Assets that are being constructed for future use are classified as assets in the course of construction until such time as they are brought into use by the Group. Assets in the course of construction includes all directly attributable expenditure including borrowing costs. Upon completion the assets are transferred to the appropriate category within property, plant and equipment. No depreciation is charged on these items until after they have been transferred.

Depreciation
The principal annual rates used for depreciation are:

Asset class	**Straight line depreciation rate**
Plant and vehicles	6.7% - 50%
Fixtures, fittings and equipment	10% - 33%
Land and buildings	2% upwards

Intangible assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. In calculating value in use, future cash flows are discounted and adjusted for the directors' assessment of risk. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The assessment of the recoverability of other intangible assets and the determination of the amortisation profile involve a significant degree of judgement based on historical trends and management estimation of future potential economic benefits. An incorrect amortisation profile could result in excess amounts being carried forward as intangible assets that would otherwise have been written off to the consolidated income statement in an earlier period.

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

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

Asset class	**Amortisation method and rate**
Internally generated digital assets	straight line over 2 years

Endowment fund

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

The endowment fund is accounted for based on information received to 31 March, adjustments are made for material transactions that have occurred between this date and the Group's year end.

Cash and cash equivalents

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

Trade receivables

Trade receivables are stated at fair value upon recognition and then amortised cost after provision for bad and doubtful debts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy are considered to be indicators that a trade receivable is impaired. All provisions are reviewed periodically and at the year end are adjusted to reflect the best current estimate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Trade payables

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

Borrowings

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

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

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

Provisions

A provision is recognised in the financial statements when an obligation exists at the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of that obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted where the effect is material.

Contingent liabilities are not recognised, but are disclosed unless an outflow of resources is remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefit is probable.

Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the asset at the inception of the lease and the present value of minimum lease payments. The equivalent liability is categorised under current and non-current liabilities. Assets are depreciated over the shorter of the lease term and their estimated useful life. Finance charges are allocated to accounting years over the life of each lease to produce a constant rate of interest on the outstanding balance.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease. Incentives received are recorded as an accrual and spread over the term of the lease on a straightline basis.

Share capital

Ordinary shares are classified as equity.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation

All of the Group's employees are eligible for membership of a defined contribution pension scheme and of those eligible more than 99% are members of that scheme. The costs in respect of this scheme are charged to the consolidated income statement as incurred.

Defined benefit pension obligation

The Group contributes to one closed defined benefit pension scheme. The operating and financing costs of this scheme are recognised in the consolidated income statement. Service costs and financing costs are recognised in the periods in which they arise. Finance costs are included in operating costs. Actuarial gains or losses in respect of this scheme are shown in the consolidated statement of comprehensive income.

The asset/(liability) in respect of defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the schemes' assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of corporate bonds, which have terms approximating the terms of the related obligation.

Financial assets and liabilities

The Group classifies its financial assets in the following categories: available for sale, at fair value through profit or loss, loans and receivables and other financial assets. The classification depends on the nature and purpose of the financial assets. The classification of financial assets is determined at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value are presented in the income statement within other gains and losses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the consolidated statement of financial position.

Loans and receivables are carried at amortised cost using the effective interest method.

Other financial assets - available for sale

Other financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is the intention to dispose of the investment within 12 months of the balance sheet date. If an impairment loss has been incurred, the cumulative loss measured as the difference between the acquisition cost and current fair value is removed from equity and recognised in the consolidated income statement.

All available for sale assets in the Group relate to its endowment fund (note 13). The Group accounts for the endowment fund on a trade date basis.

Available for sale assets are initially recognised at fair value plus transaction costs. Gains or losses arising from changes in the fair value of investments classified as available for sale are recognised directly in equity, until the financial asset is either sold or becomes impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

Dividends on available-for-sale instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. This assessment involves considering whether there has been a significant or prolonged decline in the fair value of the asset below its cost, reviewing current financial circumstances and future prospects.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Fair value estimation

With respect to the other financial assets - available for sale, also referred to as the endowment fund, the Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

For investments included in level 3, valuations are provided by the fund manager based on broker quotes, comparable transactions and discounted cash flow analyses taking into account illiquidity in the fund. Management receive reports from the investment fund manager on a monthly basis detailing the performance and valuation of the fund. These highlight any concern over the performance of any of the investments and valuations are adjusted accordingly.

Derivatives and hedging

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provides written principles on the use of derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Under IAS 39, 'Financial instruments: Recognition and measurement', derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting or for which hedge accounting is not applied are recognised in the consolidated income statement as they arise. During the year the Group has not applied hedge accounting.

The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group continually evaluate its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity are described below.

Fair value of available for sale financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of appropriate methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Carrying values are disclosed in note 13 and sensitivities in note 4.

Useful economic lives of property, plant and equipment and intangible assets
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

The Group internally generates digital intangible assets that are amortised over a maximum life of two years. Due to the technical innovation inherent in these assets, there is significant judgement involved to ensure that they still have a value in use that supports their carrying value. Asset lives are assessed annually and reduced when necessary to reflect latest status on the remaining lives. Where reductions in useful economic lives are significant, these are disclosed in note 14.

Impairment of trade receivables
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 18 for the net carrying amount of the receivables and associated impairment provision.

Revenue recognition
The Group 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.

Revenue from long term contracts can require judgement on the stage of completion of the contract. Management reviews contracts at year-end and makes an estimate of costs to complete which determines the amount of revenue to be recognised.

Advertising rebates
The Group 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.

Recognition of deferred tax assets
The Group's tax expense for the year is the sum of the total current and deferred tax charges. The calculation of the total tax expense necessarily involves a degree of estimation and judgement in respect of certain items.

A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves judgement regarding the prudent forecasting of future taxable gains and profits of the business.

Management believes that the estimates made to evaluate the recoverability of deferred tax assets are reasonable and that a recoverable amount of deferred tax assets is recognised. However, these estimates include uncertainties that are beyond the control of management. Therefore, the Group 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.

Provisions
The Group's provisions principally relate to severance costs incurred from restructuring its cost base, to dilapidations of premises and onerous property leases.

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.

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.

Onerous leases are calculated based on the expected vacancy rates of leased property.

4 Financial risk management and impairment of financial assets

Financial risk factors
The Group's activities may expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk strategy seeks to minimise potential adverse effects on the Group's performance.

Market risk

Foreign exchange risk

The Group has investments in funds in non-sterling currencies and in funds which in turn invest in overseas assets and as a result is exposed to a degree of foreign exchange risk.

The Group's policy is to hedge 100% (2017: 65%) of the exposure to the US Dollars relating to the investments in hedge funds and 0% (2017: 55%) of the exposure to US Dollars, Euro and Japanese Yen relating to the managed funds using US Dollar, Euro and Japanese Yen forward contracts.

Sensitivity analysis

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in hedge funds would have been approximately £12.6 million (2017: £13.5 million) lower/higher; however, as the Group's policy is to hedge 100% (2017: 65%) of the exposure, the risk would be reduced to £nil (2017: £4.7 million).

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in US Dollar-denominated managed funds would have been approximately £5.7 million (2017: £6.4 million) lower/higher; however as the Group's policy is to hedge 0% (2017: 55%) of the exposure, the risk would remain unchanged at £5.7 million (2017: £2.9 million).

Equity price risk

The Group is exposed to equity securities price risk because of the investments held by the Group. To manage the price risk arising from the investments, the Group has a diverse portfolio.

Sensitivity analysis

The table below details whether the gains or losses on the investments would have been higher/lower if the actual returns had been 5% higher/lower over the last 12 months, with all other variables held constant.

Consolidated statement of comprehensive income movement
Investment category

	£ m
Global equity	**+/- 1.3**
Deflation hedging	**+/- 0.3**
Emerging markets	**+/- 0.2**
Inflation sensitive	**+/- 0.2**
Hedge funds	**+/- 1.2**

Interest rate risk

The Group has interest-bearing assets, primarily cash, which are at risk of fluctuations in interest rates. These are monitored by the Group treasury function to ensure risks are minimised. Fluctuations in interest rates are unlikely to have a detrimental impact on the Group's operations and therefore the risk is not considered to be significant.

Sensitivity analysis

If average annual interest rates had been 1% more during the year, interest receivable would have increased by £1.5 million (2017: £0.9 million).

Credit risk

Concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Credit risk arises from deposits with banks and financial institutions. Only banks and financial institutions with a Moody's Investors Service minimum rating of Aa3 (2017: Aa3) are accepted.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group’s approach to managing liquidity is to ensure that it will always have sufficient funds available to meet its liabilities when due, under both normal and difficult trading conditions, and without incurring unacceptable losses or risking damage to the Group’s reputation. This is achieved through careful cash management including the production and review of regular cash flow forecasts and the optimisation of cash returns on funds held by the Group.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern.

Due to the nature of the Group's structure, the Company does not make changes to its equity structure. Debt is managed in line with the Group's treasury policy. The Group maintains a centralised treasury function which operates in accordance with Board approved policies. Its principal objectives are to minimise financial risk whilst maximising returns on cash deposits.

Deposits of funds are made with banks and financial institutions approved by the Board and within set credit limits. Variable rates of return are earned on these deposits.

Cash flow risk
The Group considers cash flow risk to be low due to the availability of liquid resources held in cash and the endowment fund.

Fair value estimations
The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market use fund managers' statements which are based on broker pricing or their own valuation techniques (note 13).

5 Revenue

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

	2018 £ m	2017 £ m
Digital revenue	108.6	94.1
Print, events and other revenue	107.5	119.6
Barter transactions	0.9	0.8
	217.0	**214.5**

6 Operating costs

Operating costs before exceptional items

	2018 £m	2017 £m
Raw materials and consumables used	18.0	18.6
Staff costs	116.6	126.6
Other expenses	105.4	114.0
	240.0	259.2

Operating costs after exceptional items

	2018 £ m	2017 £ m
Raw materials and consumables used	18.1	18.6
Staff costs	126.5	136.2
Other expenses	121.2	114.0
	265.8	268.8

Operating loss is arrived at after charging:

	2018 £ m	2017 £ m
Raw materials and consumables used	18.1	18.6
Depreciation expense	3.9	6.0
Amortisation expense	0.8	2.2
Operating lease expense - property	6.7	8.5
Operating lease expense - plant and machinery	0.1	0.1

7 Other gains and losses

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

	2018 £ m	2017 £ m
Dividend income	-	0.9
Net gain on disposal of available for sale financial assets transferred from other comprehensive income	50.1	58.6
Net gain on fair value accounted associate	-	17.0
Gain/(loss) from forward contracts to hedge foreign currency investments	25.9	(33.2)
Net gain on investments held at fair value through profit or loss	0.4	14.1
Loss on disposal of property, plant and equipment	(0.5)	-
	75.9	57.4

8 Exceptional items

	2018 £ m	2017 £ m
Operating costs (excluding depreciation and amortisation)		
Operating costs	(25.8)	(9.6)

During the year, the Group undertook a number of transformative initiatives as part of the three year plan commenced in 2015/16 to boost revenues and reduce its cost base. These include outsourcing of print operations (including onerous lease provisions with regard to print sites) of £12.7m (2017: £nil), severances £9.2m (2017: £9.6m), compliance with GDPR £1.3m (2017: £nil) and onerous leases on vacation of office space £2.6m (£nil). These transactions represent a fundamental restructuring of its operations and as such have been categorised as exceptional.

	2018 £ m	2017 £ m
Loan interest		
Interest gain on termination of external loans	3.0	-

During the financial year the Group settled its outstanding loan obligation. Due to the one off nature of the transaction, the Group has classified the gain upon early settlement as exceptional.

	2018 £ m	2017 £ m
Transactions related to joint ventures and associates		
Loss from disposals of investments in joint ventures and associates	-	(0.5)
Net gain on fair value accounted associate	-	17.0
Net gain on investments held at fair value through profit or loss	-	14.1
	-	30.6

The above amounts primarily relate to the Group's investment in Ascential plc. As detailed in note 16, Ascential plc listed by way of an Initial Public Offering (IPO) on 9 February 2016. As part of this transaction, the Group's shareholding decreased and the investment transferred from being an equity accounted joint venture to an associate at fair value through profit or loss. The Group made further disposals during the 2016/17 financial year. On 5 September 2016 the ownership reduced to 14.9% and was no longer recognised as an associate. At this point the investment was designated as held at fair value through profit or loss. All remaining shares were disposed on 5 December 2016 and 7 March 2017.

The total fair value gain in the prior year includes the fair value gain on Ascential of £33.5m, transaction costs of £2.4m and loss on disposal of associates of £0.5m.

Whilst IFRS requires the stages of the transaction to be separately presented, the Group considers gains in the prior year as both an associate held at fair value and an investment held at fair value through profit and loss to be part of one transaction, being the continuation of the disposal of Ascential plc commencing with the IPO in 2015/16.

This transaction represents a fundamental restructuring disposal of the Group's relationship with Ascential plc and as such it has been categorised as exceptional.

	2018 £ m	2017 £ m
Finance leases		
Interest gain on termination of finance leases	-	3.9

During the prior financial year the Group settled all outstanding finance lease obligations. Due to the one off nature of the transaction, the Group has classified the gain upon early settlement as exceptional.

9 Auditors' remuneration

	2018 £ m	2017 £ m
Audit of these financial statements	0.1	0.1
Audit of the financial statements of subsidiaries of the company pursuant to legislation	0.1	0.1
	0.2	0.2
Other fees to auditors		
Tax-related services	0.1	0.2

10 Employees and directors

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

	2018 £ m	2017 £ m
Wages and salaries	98.2	105.9
Social security costs	11.2	12.0
Other pension costs	7.9	8.7
Redundancy costs	9.2	9.6
	126.5	136.2

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

	2018 No.	2017 No.
Editorial and production	892	999
Sales, distribution and support	583	699
	1,475	1,698

Key management compensation, comprising directors and certain other senior management of the Group:

	2018 £ m	2017 £ m
Salaries and short-term employee benefits	5.3	5.3
Post-employment benefits	0.2	0.2
Termination benefits	0.1	0.1
	5.6	5.6

Directors' remuneration

		Base salary £ 000	Benefits £ 000	Pension contributions & allowances £ 000	Total 2018 £ 000	Total 2017 £ 000
Neil Berkett		120	-	-	120	120
David Pemsel	*1*	600	4	102	706	706
Katharine Viner	*2*	340	1	31	372	372
Richard Kerr	*3*	400	2	32	434	522
Independent directors						
Nigel Morris		34	-	-	34	34
John Paton		34	-	-	34	34
Jennifer Duvalier		34	-	-	34	34
Baroness Gail Rebuck	*4*	44	-	-	44	34
Coram Williams (*from 26 January 2017)	*5*	39	-	-	39	9
Yasmin Jetha (*from 1 February 2018)	*6*	6	-	-	6	-
Former directors						
Judith Gibbons (*to 30 November 2017)	*7*	25	-	-	25	34
Jimmy Wales (*to 25 April 2017)	*8*	3	-	-	3	34
Nick Backhouse (*to 3 April 2017)		-	-	-	-	44
Ronan Dunne (*to 31 July 2016)		-	-	-	-	13
Total		1,679	7	165	1,851	1,990

* Date of appointment, resignation or other changes to directorships.

There was no increase in remuneration for any executive director in the year. Two independent directors received additional fees for taking on additional duties as noted per items 4 and 5 below.

1 - David Pemsel's base salary for the year was £600,000. David's company pension contributions were restricted to the annual tax-approvable limit of £10,000; the balance between 17% of base salary and £10,000 was paid as cash in lieu of pension contribution and was subject to PAYE. David does not receive any performance related variable compensation. David did not receive any increase in remuneration in the year.

2 - Katharine Viner's base salary for the year was £340,000. Katharine's company pension contributions were 9% of base salary. Katharine does not receive any performance related variable compensation. Katharine did not receive any increase in remuneration in the year.

3 - Richard Kerr's base salary for the year was £400,000. Richard's company pension contributions were restricted to the annual tax-approvable limit of £10,000; the balance between 8% of base salary and £10,000 was paid as cash in lieu of pension contribution and was subject to PAYE. Richard does not receive any performance related variable compensation. Richard did not receive any increase in remuneration in the year.

4 - Barroness Gail Rebuck's remuneration included a fee for acting as Senior Independent Director from 3 April 2017.

5 - Coram William's remuneration included an additional fee for chairing the audit committee from 3 April 2017.

Notes to the Financial Statements for the year ended 1 April 2018

6 - Yasmin Jetha was appointed as an Independent Director on 1 February 2018. Her annualised remuneration is £34,000.

7 - Judith Gibbons stepped down as an Independent Director on the 30 November 2017. Her annualised remuneration was £34,000.

8 - Jimmy Wales stepped down as an Independent Director on the 25 April 2017. His annualised remuneration was £34,000.

Benefits comprise solely healthcare and life and income protection. The latter is calculated as a percentage of base salary.

11 Finance income and costs

	2018 £ m	2017 £ m
Finance income		
Interest income on available-for-sale financial assets	5.2	3.5
Interest gain on termination of finance leases	-	3.9
Interest income on bank deposits	0.3	0.3
Interest gain on termination of external loans	3.0	-
Total finance income	8.5	7.7
Finance costs		
Interest on bank overdrafts and borrowings	-	(1.4)
Interest on obligations under finance leases and hire purchase contracts	-	(1.0)
Foreign exchange (losses)/gains	(0.5)	0.1
Total finance costs	(0.5)	(2.3)
Net finance income	**8.0**	**5.4**

12 Income tax

Tax charged/(credited) in the income statement

	2018 £ m	2017 £ m
Current taxation		
UK corporation tax	0.6	(1.2)
Deferred taxation		
Arising from origination and reversal of temporary differences	10.0	(17.9)
Tax expense/(credit) in the income statement	**10.6**	**(19.1)**

Tax on items (credited)/ charged to the consolidated statement of comprehensive income

	2018 £ m	2017 £ m
Current tax charge on unrealised profits on available for sale financial assets	(0.4)	1.2
Deferred tax credit on actuarial loss	0.4	(0.3)
Deferred tax (credit)/charge on unrealised gains arising on available for sale financial assets	(10.4)	18.2
	(10.4)	19.1

Factors affecting tax charge/(credit) for the year

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 20%).

The differences are reconciled below:

	2018 £ m	2017 £ m
Profit/(loss) before tax	30.4	(0.2)
Tax on profit calculated at standard rate of 19% (2017: 20%)	5.8	-
Adjustments relating to current tax:		
Expenses not deductible for tax purposes	0.1	1.6
Foreign taxes paid	0.2	0.1
Adjustment to tax charge in respect of joint ventures and associates	-	4.9
Accounting adjustments not taxable	(0.6)	-
Utilised tax losses in the year	(1.6)	(8.0)
Losses not utilised in the year	2.2	-
Depreciation in excess of capital allowances	1.5	1.3
Adjustment to tax charge on available for sale financial assets	(7.0)	(0.2)
Tax relief on pension contributions	(0.1)	(0.2)
Short term timing differences on accounting provisions	0.1	(0.7)
Current tax credit for the year	**0.6**	**(1.2)**
Adjustments relating to deferred taxation:		
Depreciation in excess of capital allowances	(1.9)	(1.1)
Adjustment to tax charge on available for sale financial assets	5.4	(7.7)
Tax relief on pension contributions	0.1	0.1
Short term timing differences on accounting provisions	(0.1)	0.8
Impairment/(recognition) of deferred tax asset	6.5	(10.0)
Deferred tax charge/(credit) for the year	10.0	(17.9)
Total tax charge/(credit)	**10.6**	**(19.1)**

Expenses not deductible for tax purposes
Some expenses by their very nature are entirely appropriate charges for inclusion in these financial statements but are not allowed as a deduction against taxable income when calculating the tax liability. Examples of such expenditure are certain legal expenses and depreciation charged on assets that do not qualify for capital allowances.

Foreign taxes paid
The majority of the Group's activities are performed and taxed in the UK. However certain local taxes are incurred by the Group's activities in overseas territories.

Accounting adjustments not taxable
During the course of the year, the Group made an accounting adjustment to release interest on borrowings which had previously been accrued. As no tax deduction was taken for the original interest accrual, the subsequent release of the accrual is not taxable.

Loss utilised in the year
The Group has utilised historic losses and losses arising on the liquidation of Group companies to offset profits and gains recognised in the income statement which has resulted in a reduction in the corporate tax charge in the year.

Losses not utilised in the year
The Group has incurred losses in the year which have not been utilised in the year. These losses are carried forward to be utilised against future profits earned by the group.

Depreciation in excess of capital allowances
The accounting treatment of expenditure on fixed assets differs from the tax treatment. For accounting purposes an annual rate of depreciation is applied to the cost of the assets over their useful economic life. Tax relief is not available on the depreciation. Instead, capital allowances are available to be claimed on certain fixed assets as a tax relief provided in law. The depreciation charge was greater than the value of the capital allowances claimed and therefore contributed to an increase in the corporate tax charge in the year. The resulting timing difference between the depreciation charge and the capital allowance relief results in a deferred tax asset which represents the future tax relief available to the Group from capital allowance claims.

Adjustment to tax charge on available for sale financial assets
The accounting treatment of disposals of available for sale financial assets differs from the tax treatment. For tax purposes, the group is required by law to ignore the accounting transactions and instead perform a separate calculation of the taxable profit or loss made on disposal. The Group is also required by law to disregard for tax purposes the accounting transactions associated with the forward currency contracts entered into to hedge available for sale financial assets.

During the year, the Group made a profit on the forward contracts and the disregard of the profit for tax purposes has resulted in a reduction in the corporate tax charge in the year. The disregarded profit will be brought into account for tax purposes on the future disposal of the available for sale financial assets. The timing difference resulting from the disregarded accounting transactions results in a deferred tax liability which represents the future tax charge that will arise when the assets are disposed.

Tax relief on pension contributions
The Group is entitled to claim a tax deduction for the payment of contributions into its pension schemes. The contribution paid in the year increased the defined benefit scheme surplus and therefore the deferred tax liability arising on the surplus.

Short term timing differences on accounting provisions
Short term timing differences arise on items such as certain provisions because the treatment of these items is different for tax and accounting purposes. These timing differences result in a deferred tax asset which represents the future tax relief available on the utilisation of the provisions.

Impairment of deferred tax asset

A deferred tax credit of £10.4 million has been accounted for in the consolidated statement of comprehensive income in the year to reflect the reduction in the deferred tax liability on the inherent gains on available for sale financial assets during the year. These gains will be brought into account for current tax purposes when the assets are disposed. The Group is carrying forward certain non-trading losses, short term timing differences and capital allowances that will be available by law to offset the taxable gains arising on disposal. The deferred tax asset recognised for the future use of these reliefs has been impaired to reflect the decrease in the value of the inherent investment gains in the current year. This has resulted in a deferred tax charge of £6.5 million being recognised in the income statement.

Factors that may affect future tax charges

The UK main corporation tax rate was reduced to 19% in 1 April 2017. A further reduction to 17% from 1 April 2020 has been substantively enacted. The closing deferred tax balances have been restated at the rate at which the balances are expected to be unwound. The impact of the remeasurements in these financial statements is an income statement charge of £0.1m and a credit of £0.4m recognised directly in the statement of comprehensive income.

Deferred taxation

Deferred tax is calculated in full on temporary timing differences under the liability method using the rate at which the balances are expected to be unwound.

The movement on the deferred tax asset is as shown below:

	Balance as at 3 April 2017 £ m	Adjustments in respect of prior years recognised in the income statement £ m	Temporary differences arising in the year recognised in the income statement £ m	Recognition of deferred tax asset in the income statement £ m	Temporary differences arising in the year recognised in the consolidated statement of comprehensive income £ m	Balance as at 1 April 2018 £ m
Accelerated capital allowances on fixed assets	-	9.8	1.9	(9.8)	-	**1.9**
Short term and other timing differences	1.8	0.3	-	(0.8)	(0.4)	**0.9**
Available for sale financial assets	(19.1)	-	(5.4)	-	10.4	**(14.1)**
Tax losses carried forward	17.3	(10.1)	-	4.1	-	**11.3**
Total deferred tax asset/(liability)	-	-	(3.5)	(6.5)	10.0	-

	Balance as at 4 April 2016 £ m	Adjustments in respect of prior years recognised in the income statement £ m	Temporary differences arising in the year recognised in the income statement £ m	Recognition of deferred tax asset in the income statement £ m	Temporary differences arising in the year recognised in the con-solidated statement of comp - rehensive income £ m	Balance as at 2 April 2017 £ m
Accelerated capital allowances on fixed assets	(0.3)	-	1.1	(0.8)	-	**-**
Short term and other timing differences	0.3	0.1	(0.9)	2.0	0.3	**1.8**
Available for sale financial assets	(8.7)	0.1	7.7	-	(18.2)	**(19.1)**
Tax losses carried forward	8.7	(0.2)	-	8.8	-	**17.3**
Total deferred tax asset/(liability)	-	-	7.9	10.0	(17.9)	-

Deferred tax assets have not been recognised where they relate to losses and tax reliefs in companies where their future utilisation cannot be reasonably foreseen. There is an unrecognised deferred tax asset at the balance sheet date of £49.5 million (2017 £73.9 million).

13 Other financial assets - available for sale

	2018 £ m	2017 £ m
At 3 April 2017 / 4 April 2016	810.9	708.8
Additions at cost	564.9	540.6
Disposals at fair value	(446.6)	(594.9)
Revaluation recognised in other comprehensive income	(3.7)	156.4
At 1 April 2018 / 2 April 2017	**925.5**	**810.9**

	2018 £ m	2017 £ m
Other financial assets - available for sale have been analysed between current and non-current as follows:		
Non-current assets	777.1	731.7
Current assets	148.4	79.2
	925.5	810.9

	2018 £ m	2017 £ m
Global investment funds	734.3	663.1
Non-current short term funds held for reinvestment	42.8	68.6
	777.1	731.7
Derivative financial instruments	7.6	2.0
Long term investment fund	**784.7**	**733.7**
Corporate and government bonds	133.4	76.2
Current short term funds held for reinvestment	15.0	3.0
Medium term fund	**148.4**	**79.2**

The Group has committed to future investments of £67.1m over the next three years (2017: £78.7m). The Group considers that any associated risk with meeting these commitments is low as they will be met from disposal of existing funds.

The short-term funds held for reinvestment broadly represent highly liquid investments in money market deposit accounts and money market funds with a maturity date of three months or less. Management has classified some of these as non-current as it currently has no intention of using them in the Group's operations in the next financial year.

The following table presents the Group's assets and liabilities that are measured at fair value at the year end; descriptions of each level are included on page 26.

As at 1 April 2018	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Financial Assets - Available for Sale	401.5	133.2	390.8	925.5
Derivative financial instruments	-	7.6	-	7.6
	401.5	140.8	390.8	933.1

As at 2 April 2017	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Financial Assets - Available for Sale	331.6	76.8	402.5	810.9
Derivative financial instruments	-	2.0	-	2.0
	331.6	78.8	402.5	812.9

The following table shows a summary of the changes in the fair value of the Group's Level 3 financial assets - available for sale during the year:

	Level 3 £ m
At 3 April 2017	402.5
Additions into Level 3	163.8
Disposals	(144.6)
Fair value gains recognised in other comprehensive income	(30.9)
At 1 April 2018	390.8

Sensitivity analysis for Level 3 positions:

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in level 3 US Dollar-denominated financial assets would have been approximately £17.3 million lower/higher.

The gains or losses on the investments would have been £2.5 million higher/lower if the actual returns had been 5% higher/lower over the last 12 months, with all other variables held constant.

There have been no significant transfers between Level 1 and Level 2 during the year.

The fair value of fund assets held in Level 1 is based on their current bid prices in an active market.

For investments included in level 3, valuations are provided by the fund manager based on broker quotes, comparable transactions and discounted cash flow analyses taking into account illiquidity in the fund. Management receive reports from the investment fund manager on a monthly basis detailing the performance and valuation of the fund. These highlight any concern over the performance of any of the investments and valuations are adjusted accordingly.

Other financial assets are denominated in the following currencies:

	2018 **£ m**	**2017** **£ m**
Sterling	453.2	395.7
US Dollar	426.8	400.1
Euros	25.0	15.1
Other	20.5	-
	925.5	810.9

	2018 **£ m**	**2017** **£ m**
Other financial assets		
Unlisted shares - net book value	0.2	4.2

The Group has committed to future unlisted investments of £nil (2017: £6.4m).

14 Intangible assets

	Internally generated digital assets £ m
Cost	
At 4 April 2016	13.6
Additions	1.1
At 2 April 2017	14.7
At 3 April 2017	14.7
Additions	0.5
Disposals	(0.1)
At 1 April 2018	15.1
Amortisation	
At 4 April 2016	11.3
Amortisation charge	2.2
At 2 April 2017	13.5
At 3 April 2017	13.5
Amortisation charge	0.8
At 1 April 2018	14.3
Carrying amount	
At 1 April 2018	**0.8**
At 2 April 2017	**1.2**
At 4 April 2016	2.3

Amortisation charge includes some accelerated write-downs for assets where useful economic lives have been reassessed.

15 Property, plant and equipment

	Land and buildings £ m	Furniture, fittings and equipment £ m	Plant and vehicles £ m	Total £ m
Cost				
At 4 April 2016	37.0	29.2	86.0	152.2
Additions	-	0.1	0.8	0.9
Disposals	-	(0.1)	-	(0.1)
At 2 April 2017	37.0	29.2	86.8	153.0
At 3 April 2017	37.0	29.2	86.8	153.0
Additions	-	-	0.6	0.6
Disposals	-	(3.4)	(74.7)	(78.1)
At 1 April 2018	37.0	25.8	12.7	75.5
Depreciation				
At 4 April 2016	32.7	21.1	84.0	137.8
Charge for period	0.5	3.4	2.1	6.0
Eliminated on disposal	-	(0.1)	-	(0.1)
At 2 April 2017	33.2	24.4	86.1	143.7
At 3 April 2017	33.2	24.4	86.1	143.7
Charge for the period	0.5	3.2	0.2	3.9
Eliminated on disposal	-	(3.2)	(74.5)	(77.7)
At 1 April 2018	33.7	24.4	11.8	69.9
Carrying amount				
At 1 April 2018	**3.3**	**1.4**	**0.9**	**5.6**
At 2 April 2017	**3.8**	**4.8**	**0.7**	**9.3**
At 4 April 2016	4.3	8.1	2.0	14.4

Assets held under finance leases and hire purchase contracts
The net carrying amount of property, plant and equipment includes the amounts in respect of assets held under finance leases and hire purchase contracts with a net book value of £nil (2017: £nil).

16 Investments

Ascential plc

Ascential plc (formerly Top Right Group Limited) is an international, business-to-business media group operating market-leading events, information services and subscription based content services.

Until 9 February 2016, the Group held a 33.1% share in Ascential plc. On 9 February 2016, Ascential plc listed on the London Stock Exchange by way of an Initial Public Offering (IPO) which reduced the ownership of the Group to 22.4%.

Following the IPO of Ascential on 9 February 2016 and the reduction in the shareholding from 33.1% to 22.4%, the Group no longer considered it to be a joint venture. However, as the Group still held greater than 20% of the shares in Ascential it was considered to be an associate. As management intended to sell down its ownership stake over time such that it was expected to fall below 20%, management considered the investment in Ascential to form part of the endowment fund, which is a portfolio of diversified medium and long term investments managed by the Investment Committee. The investment was managed on a fair value basis as part of the portfolio. Management considered that measurement of this investment at fair value provided more relevant information and therefore applied the exemption from equity accounting in IAS 28 and accounted for the investment at fair value through profit or loss.

During the prior financial year, disposals were made on 5 September 2016 reducing the ownership to 14.9%, 5 December 2016 reducing to 8.7% and all remaining shares on 7 March 2017. Upon disposal on 5 September 2016, as the ownership had fallen below 20%, the Group no longer considered the investment to be an associate and designated the investment as held at fair value through profit or loss.

Reconciliation of carrying value

	£ m
At 3 April 2016	**206.2**
Fair value gains on associate 2016/17	17.8
Partial disposal of associate	(75.0)
Carrying value upon transfer from associate to investment held at fair value through profit or loss	149.0
Gains on investment held at fair value through profit or loss	15.7
Disposal of investment held at fair value through profit or loss	(164.7)
At 2 April 2017	-
At 1 April 2018	-

The financial year end for Ascential plc is 31 December 2016.

Set out below is the summarised financial information for Ascential plc for the year to 31 December 2016, as presented in the 2016 Annual Report.

Summarised balance sheet

	2016 £ m
Non-current assets	723.6
Current assets	210.7
Current liabilities	(205.3)
Non-current liabilities	(367.6)
Net assets	**361.4**

Summarised statement of comprehensive income

	2016 £ m
Revenue	299.6
Profit for the year	15.6
Other comprehensive income	(10.6)
Total comprehensive income for the year	5.0

17 Inventories

	2018 £ m	2017 £ m
Raw materials and consumables	0.5	0.8

The Group consumed £18.1 million (2017: £18.6 million) of inventories during the year (note 6).

18 Trade and other receivables

	2018 £ m	2017 £ m
Trade receivables	22.3	25.8
Provision for impairment of trade receivables	(0.1)	(0.1)
Net trade receivables	22.2	25.7
Accrued income	8.5	8.4
Other taxes	-	3.8
Prepayments	3.3	5.3
Other receivables	9.2	3.1
Total current trade and other receivables	**43.2**	**46.3**

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds. As at 1 April 2018, trade receivables of £0.1 million (2017: £0.1 million) were impaired. The ageing of these receivables is as follows:

Age of impaired trade receivables

	2018 £ m	2017 £ m
61 to 90 days	0.1	0.1

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has not been a significant change in credit quality.

Age of trade receivables that are past due but not impaired

	2018 £ m	2017 £ m
61 to 90 days	0.1	0.2
3 to 6 months	0.1	0.4
6 months to 1 year	-	0.1
	0.2	0.7

19 Cash and cash equivalents

	2018 £ m	2017 £ m
Cash at bank	10.1	5.3
Short-term deposits	61.8	214.6
	71.9	219.9

Short-term deposits have decreased due to investing activities shown per the statement of cash flows.

20 Loans and borrowings

	2018 £ m	2017 £ m
Non-current loans and borrowings		
Other borrowings	-	18.6

The Group has previously received investment to finance the expansion of the Group's activities in Australia. These unsecured borrowings were repayable subject to certain performance conditions being met and were expected to mature no earlier than 2018. During the current year the Group made a payment to extinguish this liability.

The loans and borrowings classified as financial instruments are at carrying value which is considered to be the fair value by the Group.

The Group's exposure to market and liquidity risk, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

21 Obligations under leases and hire purchase contracts

Finance leases

All finance leases were terminated during the prior year. The leases were in respect of printing machinery, the terms of which were 25 years with an interest rate of 4.5% per annum.

Operating leases

The total future value of minimum lease payments is as follows:

	01 April 2018 £ m	02 April 2017 £ m
Within one year	7.7	7.6
In two to five years	24.5	26.2
In over five years	61.5	70.2
	93.7	104.0

The amount of non-cancellable operating lease payments recognised as an expense during the period was £6,700,000 (2017: £8,500,000)

22 Trade and other payables

	2018 £ m	2017 £ m
Trade payables	8.7	10.4
Accrued expenses	23.6	20.5
Deferred income	16.7	18.1
Social security and other taxes	3.1	2.9
Other payables	0.6	0.7
	52.7	52.6

The trade and other payables classified as financial instruments are at carrying value which is considered to be the fair value by the Group.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

23 Provisions

	Restructuring £ m	Other provisions £ m	Total £ m
At 3 April 2017	5.4	10.2	15.6
Additional provisions	10.1	12.3	22.4
Provisions used	(12.7)	(2.6)	(15.3)
Unused provision reversed	(1.2)	(0.7)	(1.9)
At 1 April 2018	1.6	19.2	20.8
Non-current liabilities	-	7.2	7.2
Current liabilities	1.6	12.0	13.6

The Group is in the process of transforming its cost base. This has resulted in a number of restructuring changes within the business, including severances. The provision is expected to be fully utilised within six months.

The remaining provisions relate primarily to obligations in relation to onerous leases which are expected to be utilised within three years and dilapidations provisions are expected to be utilised over the life of the lease of twelve years.

24 Other non-current liabilities

	2018 £ m	2017 £ m
Other non-current financial liabilities	10.8	11.4

Other non-current liabilities is mainly comprised of deferred lease incentives.

25 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. m	£ m	No. m	£ m
Ordinary Shares of £1 each	0.9	0.9	0.9	0.9

26 Dividends paid

	2018 £ m	2017 £ m
Dividend of £0.333 (2017: £0.444) per ordinary share	0.3	0.4

On 15 March 2018 the Board declared a dividend of 33.3p (2017: 44.4p) per share on the ordinary share capital amounting to £300,000 (2017: £400,000) which was paid to The Scott Trust Limited on 15 March 2018.

27 Cash flows from operating activities

	Note	2018 £ m	2017 £ m
Cash flows from operating activities			
Profit/(loss) for the period		30.4	(0.2)
Adjustments for:			
Depreciation	15	3.9	6.0
Amortisation of other intangible assets	14	0.8	2.2
Finance costs	11	0.5	2.3
Finance income	11	(8.5)	(7.7)
Other gains and losses		(75.9)	(57.4)
Pensions	29	(0.3)	(0.8)
Loss on disposal of associate	16	-	0.5
Increase/(decrease) in provisions	23	5.2	(11.2)
		(43.9)	**(66.3)**
Working capital adjustments			
Decrease in inventories		0.3	0.1
Decrease/(increase) in trade and other receivables		3.1	(1.6)
(Decrease)/increase in trade and other payables		(0.5)	0.5
Cash used in operations		**(41.0)**	**(67.3)**

28 Non adjusting events after the financial period

There have been no significant events between the balance sheet date and the date of approval of these financial statements.

29 Pension commitments

	2018 £ m	2017 £ m
Pension costs, defined contribution scheme	7.9	8.7

Defined benefit pension schemes

The Group had one (2017: two) defined benefit pension scheme in the year, accounted for in accordance with IAS 19 (revised) 'Employee benefits'.

The scheme provides pension benefits payable to members (and potentially their spouses/dependants) for life. The level of benefits provided depends on the members' length of service and their salary in the final years leading up to retirement. Pensions in payment are generally increased in line with price inflation.

The scheme is governed by a board of trustees, composed of representatives of the company and scheme participants. The board of trustees have control over the operation of the scheme and its funding and investment strategies. Investment decisions and agreement on contribution schedules are the joint responsibility of the Group and the trustees.

The majority of benefits are paid from trustee-administered funds, with a small number of unfunded pensions where the Group meets the benefit payment obligation as it falls due.

The scheme assets are held in trusts and governed by local regulations and practice.

The Surrey Advertiser Newspaper Holdings Limited Pension & Life Assurance Scheme ('Surrey Scheme') was closed to future accrual with effect from 31 March 2006. During the prior year, the Trustees concluded the process of the Scheme wind-up. The initial premium was paid on 25 June 2015 and following a detailed data cleansing exercise it was determined that an amount of £326,022 was due to the company from Aviva rather than a balancing payment to Aviva being due as had been anticipated. The liabilities of the Scheme have been fully extinguished and therefore the Scheme has a nil balance in the Group financial statements at prior year end.

The Trafford Park Printers 1990 Pension Scheme ('TPP Scheme') was closed to future accrual with effect from 31 December 2006. UK legislation requires the trustees of each scheme to carry out an actuarial valuation at least every three years and to target full funding against a basis that prudently reflects the scheme's exposure to risk. The most recent actuarial valuation for the TPP Scheme was performed as at 1 April 2016 which has resulted in the TPP Scheme having assets sufficient to cover 90% of the liabilities accrued in respect of members. Following the valuation of the TPP Scheme a revised recovery plan has been agreed. The expected contributions payable to the Scheme for the next reporting period are £462,700. It is expected that the deficit as calculated by the scheme's actuary will be removed by 31 March 2022.

During the year, contributions totalling £462,700 were paid to the TPP Scheme.

The valuation for the TPP Scheme has been updated to 1 April 2018 for accounting purposes by a qualified independent actuary.

Risks

Asset volatility

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield (all else being equal), this will create a shortfall. The scheme holds a proportion of equities, which are expected to outperform corporate bonds in the long-term but they expose the scheme to volatility and risk in the short-term.

As the scheme matures, the Group (and trustees) intend(s) to reduce the level of investment risk by investing more in assets that better match the movement in the liabilities (for example gilts and bonds). However, the Group believes that due to the long-term nature of the scheme liabilities and the strength of the sponsoring employer, a controlled level of equity investment is an appropriate element of the Group's long-term strategy to manage the scheme efficiently.

Changes in gilts / corporate bond yields

A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes assets held in corporate bonds.

Inflation risk

The majority of the pension obligations are linked to inflation (i.e. the associated increases on the pensions before and after retirement are generally linked to price inflation). Higher inflation will lead to higher liabilities (although, some caps apply to the level of inflationary increases, which minimises the exposure to high inflation rates).

The schemes hold a proportion of the assets in index-linked gilts, whose value changes with movements in price inflation. Higher inflation will increase their value and offset some of the liability exposure.

Life expectancy

The majority of the scheme obligations are to provide pension benefits for the life of the member (or the lifetime of their spouse / dependants). Therefore, increases in life expectancy will result in an increase in the scheme liabilities.

Regulations

Actions taken by the UK pensions regulator, or changes to European legislation, could result in stronger funding standards, which could materially affect the scheme obligations and cash flow requirements from the Group.

The Group, along with the trustees of the scheme, manages the funding and investment strategy of the scheme to minimise these risks as much as possible.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2018 £ m	2017 £ m
Fair value of scheme assets	33.7	33.1
Present value of scheme liabilities	(32.9)	(34.5)
Defined benefit pension scheme surplus/(deficit)	**0.8**	**(1.4)**

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2018 £ m	2017 £ m
Fair value at start of period	33.1	46.2
Interest income	0.9	1.6
Return on plan assets, excluding amounts included in interest income/(expense)	(0.2)	6.6
Employer contributions	0.5	0.8
Benefits paid	(0.6)	(1.2)
Assets distributed on settlements	-	(20.9)
Fair value at end of period	33.7	33.1

Analysis of assets

The major categories of scheme assets are as follows:

	2018 £ m	2017 £ m
Equity instruments	8.4	8.7
Debt instruments	25.3	24.4
	33.7	33.1

Equity instruments

Equity instruments can be further categorised as follows:

	2018 £ m	2017 £ m
Quoted		
Equity instruments	8.4	8.7

Debt instruments

Debt instruments can be further categorised as follows:

	2018 £ m	2017 £ m
Quoted		
Gilts	13.3	12.9
Corporate bonds	12.0	11.5
	25.3	24.4

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2018 £ m	2017 £ m
Present value at start of period	34.5	46.8
Actuarial losses arising from changes in demographic assumptions	(1.2)	(1.9)
Actuarial losses and (gains) arising from changes in financial assumptions	(0.6)	10.4
Actuarial losses arising from experience adjustments	(0.1)	(0.2)
Interest cost	0.9	1.6
Benefits paid	(0.6)	(1.3)
Liabilities extinguished on settlements	-	(20.9)
Present value at end of period	32.9	34.5

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2018 %	2017 %
Discount rate	2.7	2.5
CPI Inflation rate	2.3	2.4

Post retirement mortality assumptions

	2018 Years	2017 Years
Current UK pensioners at retirement age - male	21.7	22.3
Current UK pensioners at retirement age - female	23.7	24.3
Future UK pensioners at retirement age - male	23.2	24.0
Future UK pensioners at retirement age - female	25.3	26.2

Amounts recognised in the income statement

	2018 £ m	2017 £ m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in finance income or costs		
Interest expense on defined benefit obligation	(0.9)	(1.6)
Interest income on plan assets	0.9	1.6
Recognised in other finance cost	-	-
Total recognised in the income statement	**-**	**-**

Amounts taken to the Statement of Comprehensive Income

	2018 £ m	2017 £ m
Actuarial gains arising from changes in demographic assumptions	1.2	1.9
Actuarial gains and (losses) arising from changes in financial assumptions	0.6	(10.4)
Actuarial gains arising from experience adjustments	0.1	0.2
Return on plan assets, excluding amounts included in interest (expense)/ income	(0.1)	6.6
Amounts recognised in the Statement of Comprehensive Income	1.8	(1.7)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	TPP scheme %
Discount rate +0.5% p.a.	(11)
Discount rate - 0.5% p.a.	13
Price inflation* +0.25% p.a.	2
Price inflation* -0.25% p.a.	(1)
Life expectancy -1 year	3
Life expectancy +1 year	(3)

* The impact shown implies the same change in both RPI and CPI. However, where the pension increases (before or after retirement) are subject to a cap which applies, no change to the assumption has been applied.

The above sensitivity analysis is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be linked. In practice, changes in financial conditions could well lead to changes in the value of the scheme's assets.

30 Related party transactions

Transactions between subsidiary members of Guardian Media Group plc are not required to be disclosed as these transactions are fully eliminated on consolidation. In the course of normal operations, the Group has traded on an arm's length basis with joint ventures, associates and other related parties principally Ascential plc (formerly Top Right Group Limited, disposed 7 March 2017). The aggregated transactions which are considered to be material are:

	2018 £ m	2017 £ m
Purchases	0.9	0.9

At year-end, balances outstanding in relation to these related parties amounted to £nil (2017: £0.1 million).

The Group paid £97,000 (2017: £138,000) to one director (2017: two directors) of The Scott Trust Limited for services rendered to Guardian News & Media Limited in the normal course of business.

The Group paid £598,000 (2017: £622,000) in charitable donations and gifts in kind to the Guardian Foundation.

31 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is The Scott Trust Limited.

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

32 Investments in subsidiaries, joint ventures and associates

Details of the group subsidiaries as at 1 April 2018 are as follows:

Name of subsidiary	Description of shares held	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the group 2018	2017
Channel M Television Limited	£1 ordinary shares	England and Wales	100%	100%
ContentNext Media Inc	Membership interest	United States of America	100%	100%
Contributoria Limited ^*	£1 ordinary shares	England and Wales	100%	100%
FSE World Limited ^	£1 ordinary shares	England and Wales	100%	100%
GMG B2B Limited*	£1 ordinary shares	England and Wales	100%	100%
GMG Investco Limited ^*	£1 ordinary shares & £0.85 ordinary shares	England and Wales	100%	100%
GMG Investco 2 Limited ^	£1 ordinary shares	England and Wales	100%	100%
GMG Investco 3 Limited*	£0.10 ordinary shares	England and Wales	100%	100%
GMGRM North Limited*	£1 ordinary shares	England and Wales	100%	100%
GMGRM South Limited ^*	£1 ordinary shares	England and Wales	100%	100%
GNM Australia Pty Limited	AUD$1 ordinary shares	Australia	100%	100%
GPC Manchester Limited*	£1 ordinary shares	England and Wales	100%	100%
Guardian Education Interactive Limited ^	£1 ordinary shares	England and Wales	100%	100%
Guardian News & Media (Holdings) Limited*	£1 ordinary shares	England and Wales	100%	100%
Guardian News & Media Limited	£1 ordinary shares	England and Wales	100%	100%
Guardian News and Media LLC	Membership interest	United States of America	100%	100%
Northprint Manchester Limited*	£1 ordinary shares	England and Wales	50%	50%
Notice Limited ^*	£1 ordinary shares	England and Wales	100%	100%
OG Enterprises Limited	£1 ordinary shares	England and Wales	100%	100%
Rawnam Limited*	£1 ordinary shares	England and Wales	60%	60%

Notes to the Financial Statements for the year ended 1 April 2018

The Observer Limited ^*	£1 ordinary shares	England and Wales	100%	100%
York Way 1001 Limited ^	£1 ordinary shares	England and Wales	100%	100%

* indicates direct investment of Guardian Media Group plc
^ In liquidation

The registered office for the companies incorporated in:

• England and Wales (except for companies in liquidation) is PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

• England and Wales (companies in liquidation) is 92 London Street, Reading, Berkshire, RG1 4SJ.

• Australia is 19 Foster Street, Surry Hills, NSW 2010.

• United States of America is 160 Greentree Drive, Suite 101, Dover, DE 19904.

Registration number: 00094531

Guardian Media Group plc

Company Financial Statements

for the year ended 1 April 2018

Guardian Media Group plc

Independent Auditors' Report to the members of Guardian Media Group plc

Report on the audit of the company financial statements

Opinion

In our opinion, Guardian Media Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 1 April 2018;
- 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 1 April 2018; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

Independent Auditors' Report to the members of Guardian Media Group plc

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 1 April 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 7, the directors are responsible for the preparation of the financial statements 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, 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.

Independent Auditors' Report to the members of Guardian Media Group plc

Other matter

We have reported separately on the group financial statements of Guardian Media Group plc for the year ended 1 April 2018.

....

Samuel Tomlinson (Senior Statutory Auditor)

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

9 July 2018

Guardian Media Group plc

(Registration number: 00094531)
Statement of Financial Position as at 1 April 2018

	Note	2018 £ m	2017 £ m
Non-current assets			
Investments	4	430.3	422.8
Available for sale financial assets	5	775.1	735.9
		1,205.4	1,158.7
Current assets			
Trade receivables	6	61.5	76.7
Available for sale financial assets	5	148.4	79.2
Cash at bank and in hand	7	61.9	214.7
		271.8	370.6
Current liabilities			
Trade and other payables	8	(806.3)	(798.4)
Net current liabilities		(534.5)	(427.8)
Total assets less current liabilities		670.9	730.9
Deferred tax liabilities	3	(2.8)	(1.7)
Net assets		668.1	729.2
Equity			
Called up share capital	9	0.9	0.9
Other reserves		0.1	0.1
Retained earnings		667.1	728.2
Shareholders' funds		668.1	729.2

The loss for the year is £16.5 million (2017: £67.7 million profit).

Approved by the Board on 9 July 2018 and signed on its behalf by:

....
Richard Kerr
Director

Guardian Media Group plc

Statement of Changes in Equity for the year ended 1 April 2018

	Share capital £ m	Other reserves £ m	Retained earnings £ m	Total £ m
At 3 April 2017	0.9	0.1	728.2	729.2
Loss for the period	-	-	(16.5)	(16.5)
Other comprehensive loss	-	-	(44.3)	(44.3)
Total comprehensive loss	-	-	(60.8)	(60.8)
Dividends	-	-	(0.3)	(0.3)
At 1 April 2018	0.9	0.1	667.1	668.1

	Share capital £ m	Other reserves £ m	Retained earnings £ m	Total £ m
At 4 April 2016	0.9	0.1	578.9	579.9
Profit for the period	-	-	67.7	67.7
Other comprehensive income	-	-	82.0	82.0
Total comprehensive income	-	-	149.7	149.7
Dividends	-	-	(0.4)	(0.4)
At 2 April 2017	0.9	0.1	728.2	729.2

Guardian Media Group plc

Notes to the Financial Statements for the year ended 1 April 2018

1 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' (FRS101). The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006.

A separate profit and loss account dealing with the results of the company has not been presented, as permitted by Section 408 of the Companies Act 2006. The loss for the year is £16.5 million (2017: £67.7 million profit)).

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 1 April 2018 and for the comparative period cover the 52 weeks ended 2 April 2017.

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

· IAS 1 'Presentation of financial statements': information on management of capital has not been presented. Comparative financial information in respect of paragraph 73 (E) of IAS 16 Property, plant and equipment and paragraph 11 (e) of IAS 38 Intangible assets has not been presented.
· IAS 7 'Statement of cash flows': a cash flow statement has not been presented.
· IAS 8 'Accounting policies, changes in accounting estimates and errors': disclosure in respect of new standards and interpretations that have been issued but which are not yet effective has not been provided.
· IAS 24 'Related party disclosures': key management personnel compensation has not been presented. Related party transactions entered into between two or more members of the group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member have not been disclosed.
· IFRS 7 'Financial instruments disclosures': none of the disclosures required by IFRS 7 have been presented.
· IFRS 13 'Fair value measurement': none of the disclosures required by IFRS 13 have been presented.

Going concern
The financial statements have been prepared on a going concern basis.

Other accounting policies
All other accounting policies are as per the Group section of this report, note 2.

2 Auditors' remuneration

	2018 £ m	**2017 £ m**
Audit of the financial statements	0.1	0.1
Other fees to auditors		
Tax advisory services	0.1	0.2

3 Deferred tax

The deferred tax liability recognised at year end relates to unrealised profits earned from the Company's available-for-sale assets. This is offset in part by the recognition of a deferred tax asset on losses which are available to be offset against the future profits.

Deferred tax assets have not been recognised where they relate to losses where their future utilisation against profits cannot be reasonably foreseen. There is an unrecognised deferred tax asset at the balance sheet date of £nil (2017: £25.1million).

Deferred tax

Deferred tax assets and liabilities

Deferred tax movement during the period:

	At 3 April 2017 £ m	Recognised in income £ m	Recognised in other comp-rehensive income £ m	At 1 April 2018 £ m
Pension benefit obligations	-	-	-	-
Available-for-sale financial assets	(19.1)	(5.4)	10.3	(14.2)
Tax losses carry-forwards	17.4	(6.0)	-	11.4
Other items	-	-	-	-
Net tax assets/(liabilities)	(1.7)	(11.4)	10.3	(2.8)

Deferred tax movement during the prior period:

	At 4 April 2016 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 2 April 2017 £ m
Pension benefit obligations	0.1	0.1	(0.2)	-
Available-for-sale financial assets	(8.7)	7.8	(18.2)	(19.1)
Tax losses carry-forwards	8.7	8.7	-	17.4
Other items	0.1	(0.1)	-	-
Net tax assets/(liabilities)	0.2	16.5	(18.4)	(1.7)

4 Investments

Subsidiaries	**£ m**
Cost or valuation	
At 4 April 2016	1,180.4
Additions	466.5
Disposals	(563.2)
At 2 April 2017	1,083.7
At 3 April 2017	1,083.7
Additions	70.0
Disposals	(0.5)
At 1 April 2018	1,153.2
Provision	
At 4 April 2016	679.7
Charge	55.0
Eliminated on disposals	(73.8)
At 2 April 2017	660.9
At 3 April 2017	660.9
Charge	62.0
At 1 April 2018	722.9
Carrying amount	
At 1 April 2018	430.3
At 2 April 2017	422.8
At 4 April 2016	500.7

Details of the operating subsidiaries which are either wholly owned by the Company or its subsidiaries are shown in the Group section of this report in note 32.

The additions, disposals and impairment are due to the restructuring of the subsidiaries during the year.

5 Other financial assets

	2018 £ m	**2017 £ m**
Non-current financial assets		
Available for sale financial assets	775.1	735.9

	2018 £ m	**2017 £ m**
Current financial assets		
Available for sale financial assets	148.4	79.2

Movement in available for sale assets

	2018 £ m	2017 £ m
Cost		
At 3 April	815.1	710.4
Additions	553.0	543.2
Disposals	(441.3)	(594.9)
Revaluation	(3.3)	156.4
At 1 April	923.5	815.1
Carrying amount		
At 1 April	923.5	815.1

Details of the available for sale investments are shown in the Group section of the report in note 13.

6 Trade receivables

	2018 £ m	2017 £ m
Receivables from related parties	61.3	76.3
Other receivables	0.2	0.4
Total current trade and other receivables	61.5	76.7

7 Cash at bank and in hand

	2018 £ m	2017 £ m
Cash at bank	0.1	0.1
Short-term deposits	61.8	214.6
	61.9	214.7

8 Trade and other payables

	2018 £ m	2017 £ m
Trade payables	0.2	0.5
Accrued expenses	1.7	2.8
Amounts due to related parties	811.3	796.6
Social security and other taxes	(0.1)	(0.1)
Other payables	(6.8)	(1.4)
	806.3	798.4

9 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. m	**£ m**	**No. m**	**£ m**
Ordinary shares of £1 each	0.9	0.9	0.9	0.9

10 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £45,884 (2017: £55,445).

11 Dividends

	2018	2017
	£ m	**£ m**
Final dividend of £0.333 (2017 - £0.444) per each ordinary share	0.3	0.4

12 Related party transactions

Transactions between subsidiary members of Guardian Media Group plc are not required to be disclosed as these transactions are fully eliminated on consolidation.

The Company paid £561,000 (2017: £430,000) in charitable donations to the Guardian Foundation.

13 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is The Scott Trust Limited.

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