Guardian Media Group plc
Annual Report and Accounts 2009

Securing the long-term future of the Guardian

Contents

Securing the long-term future of the Guardian

Guardian Media Group (GMG) is one of the UK's leading multimedia businesses. The diverse portfolio includes national and regional newspapers, websites, magazines, radio stations and business-to-business media. Our flagship is the Guardian newspaper and website.

The Group is wholly owned by the Scott Trust, which exists to secure the ongoing editorial independence of the Guardian.

Under this unique form of media ownership the Group is able to take a long-term view as it invests in the future and security of the Guardian's independent, liberal journalism.

www.gmgplc.co.uk
www.gmgannualreview2009.co.uk

Group structure

Guardian News & Media

Turnover £253.6m

Publishes the Guardian and Observer newspapers and guardian.co.uk website, providing content in print and online, through audio and video, to worldwide audiences.

Operates Guardian Professional, which offers services in the education, media and public sectors, and ContentNext Media, the digital media publishing and events company.

theguardian

The Observer

guardian.co.uk

GMG Regional Media

Turnover £94.5m

Publishes the Manchester Evening News and other newspapers across Greater Manchester, Cheshire, Lancashire, Surrey, Berkshire and Hampshire.

Its two operating businesses are MEN Media and S&B Media.

Co-publishes Metro (Greater Manchester) with Associated Newspapers.

Publishes manchestereveningnews.co.uk and websites relating to the other newspapers.

Operates Channel M, a television station for Greater Manchester.

MEN media

S&B media

GMG Radio

Turnover £46.6m

Operates regional radio stations under the following brands: Real Radio (in North West and North East England, South and West Yorkshire, South Wales and Central Scotland); Smooth Radio (in North West and North East England, West and East Midlands, Glasgow and London); and Rock Radio (in Scotland and Manchester).

Owns a share in MXR (24.3%), which holds regional digital multiplex licences.

real RADIO

ROCK RADIO

smooth RADIO

GMG Property Services

Turnover £10.7m

Provides services to the UK property sector. The portfolio includes market-leading software companies (Vebra, Core Systems and CFP Software) and consumer/business-to-business property portal thinkproperty.com.

The division also operates a web design service.

vebra

cfp software

core SYSTEMS

Trader Media Group

Joint venture (50.1%)

Turnover £148.3m (GMG share)

Publishes a range of leading classified advertising titles and websites. The flagship brand is the Auto Trader website and magazine.

Other print titles include Top Marques, Bike Trader, Truck and Plant Trader, Motorhome and Caravan Trader and Farmers Trader.

Jointly owned with Apax Partners and accounted for as a joint venture.

Trader Media Group

Emap

Joint venture (29.5%)

Turnover £84.2m (GMG share)

Operates a broad portfolio of business-to-business media brands: magazines; information and data products; and exhibitions and events.

Key brands include WGSN, Spring Fair, Cannes Lions, CAP, MEED, Health Service Journal, Nursing Times, Retail Week and Broadcast.

Jointly owned with Apax Partners and accounted for as a joint venture.

emap

Other interests

Seven Publishing (41.9%)

Turnover £13.3m (GMG share)

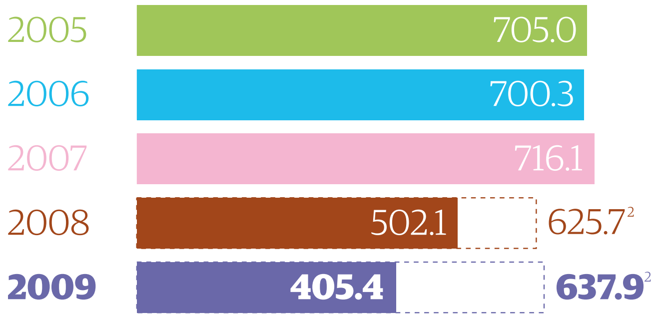
Publishes customer and consumer magazines (Sainsbury's, delicious. and other titles).

Financial highlights

2009 in context

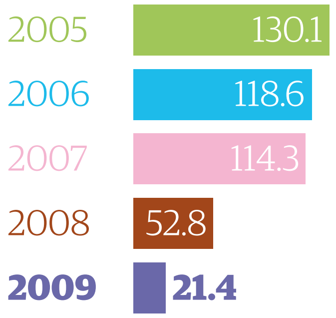
During 2007, the Board decided to reduce the Group's dependence on classified advertising revenues. Following this decision, the Group sold 49.9% of Trader Media Group in June 2007. The proceeds of this disposal were reinvested in long-term assets (joint venture company Emap and an investment fund) from which the Group will not take an immediate return. The result of this rebalancing and diversification of the portfolio is that the Group has significantly reduced its exposure to risk. As anticipated, a further result of this restructuring has been a fall in operating profit (also driven by the recession, which has led to a decline in revenue). In effect, the Group has exchanged short-term profit for long-term security. The strategy is explained in the statement from the chair. An analysis of the results is included in the financial review.

Turnover (£m)

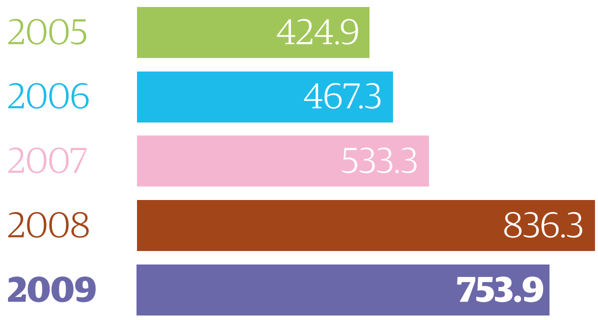


EBITA (before exceptional items) (£m)[1]

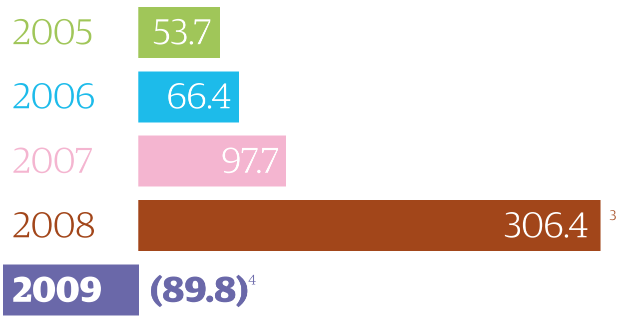
(Including share of Trader Media Group and Emap)



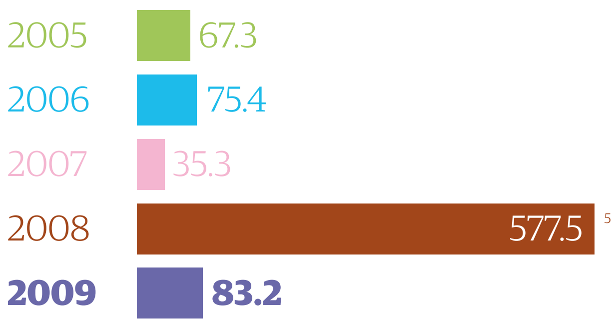
Net assets (£m)



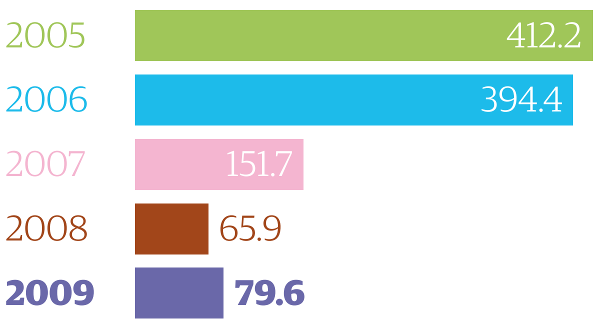
Profit/(loss) before taxation (£m)



Cash and cash equivalents (£m)



Debt (net of issue costs) (£m)



[1] EBITA is defined as operating profit before exceptional items and amortisation of intangible assets.

[2] The dotted lines in 2008 depict Group turnover including share of joint venture company Trader Media Group. In 2009, the dotted lines depict Group turnover including share of joint venture companies Trader Media Group and Emap.

[3] Includes an exceptional gain of £335.2 million broadly in respect of the profit on disposal of 49.9% of Trader Media Group in June 2007.

[4] Includes £24.4 million of fair value losses on forward exchange contracts, £27.2 million of joint venture fair value losses on interest rate swaps and debt, and £26.4 million of subsidiary and associate company impairment of goodwill and intangibles.

[5] Group cash balance at 30 March 2008. In early April 2008, deferred consideration in respect of the Emap transaction of £209.0 million was paid. Also during 2008/09 a gross investment of £212.6 million was transferred to a long-term investment fund.

Statement from the chair

Amelia Fawcett CBE, chair

Statement from the chair

Guardian Media Group has a number of advantages over its peers in the creative industries.

The Company's ownership by the Scott Trust, its unique ethos and purpose, and the recent diversification of its portfolio offer some protection from the current economic storm.

Our goal is constant. We are here to fulfil the purpose of the Scott Trust: guaranteeing the financial security and editorial independence of the Guardian in perpetuity. We continue to have confidence in our ability to do that.

We can point to many other positives: we have net cash rather than net debt; we have a number of sound long-term investments; our businesses continue to be bold and innovative; our people are among the very best in the industry; and the Guardian's superb journalism is reaching an expanding global audience through the growth of its website.

Nonetheless, 2008/09 was an extremely difficult year for most parts of the media industry, including areas of our own business. Our Group is not immune to the combined effects of recession and longer-term, structural changes, such as advertising revenues moving online – changes which are undermining long-standing business models across the media sector.

We anticipated that such issues would have an impact on revenues in 2008/09, and this was the case. While our joint venture companies – Trader Media Group (TMG) and Emap – proved relatively resilient to the downturn, the wholly owned businesses saw significant falls in revenue and profit. The regional media division, in common with the rest of the local and regional press, came under particularly intense pressure.

In the year ended 29 March 2009, the Group made an operating loss of £67.8 million (2008 £3.7 million), and a statutory loss after taxation of £74.0 million (2008 profit £307.2 million) on turnover from continuing operations of £405.4 million (2008 £502.1 million).

While declining revenues were a factor in this performance, the reported loss is also due to the restructuring of the portfolio over the last two years – specifically the partial sale of TMG and, for the first time this year, inclusion of the long-term investment fund and Emap joint venture. This restructuring followed a Board decision to rebalance and de-risk the portfolio by divesting 49.9% of TMG and reinvesting the proceeds in long-term assets. Thus, Scott Trust ownership, the lack of institutional shareholders and a far-sighted approach to investment have allowed the Group to place long-term security before short-term profit.

"The Guardian's superb journalism is reaching an expanding global audience through the growth of its website"

As reported last year, our investment in two large-scale joint ventures (TMG and Emap) has introduced an additional level of complexity into our financial reporting, making comparisons with previous years less straightforward.

Both TMG and Emap have delivered significant operating profits and cash flows. However, due to the way in which the joint ventures are structured, these cash flows are used to service debt which is ring-fenced within these operations.

Consequently, the focus of these investments for GMG is more on capital growth than cash generation. Our return from these businesses will be taken on exit.

In other words, taken by itself, the Group's reported loss gives only a partial view of our financial position and health. This is explained in detail in the financial review on page 36.

Our long-term investment fund, created during 2008/09, was affected by the global economic crisis, but continues to fulfil its purpose of spreading risk internationally and across a wide range of sectors and asset classes. It remains a very important part of our strategy to safeguard the future of the Guardian.

Despite the relative strength of our long-term financial position, we are part of an industry facing fundamental threats to many existing business models. To a greater or lesser degree all of our businesses are engaged in the process of restructuring and redesigning themselves in light of massive changes in the use of technology and in consumer and advertiser behaviour – the negative effects of which on media companies have been compounded by the recession.

As part of this process, each of our businesses has needed to reduce its costs significantly, and looking ahead they will continue to do so.

The Group has a very capable and talented senior team, led by Carolyn McCall, and I am delighted to be working with them in my new role. I was appointed chair of GMG in April 2009 and it is a great privilege to chair GMG, especially in this critical period for the industry. It is a particular privilege to succeed such an accomplished figure as Paul Myners. The Board extends its full appreciation and warmest thanks to Paul for his outstanding contribution to the Group.

Statement from the chair
continued

During the period between Paul's resignation and my appointment, John Bartle, senior independent director, acted as interim chair. The Board thanks John for his steady hand on the tiller as acting chair.

The Board saw a number of other changes during the year. John Myers, formerly chief executive of GMG Radio, left the Group at the beginning of 2009. John launched GMG's commercial radio business in 1999, was a great leader for the division and will be much missed. His successor, Stuart Taylor, joined the Board in March 2009.

In April 2009 group finance director Nick Castro announced his retirement. He will step down in the autumn, to be succeeded in that role and on the Board by Andrew Miller, chief finance officer of TMG.

Nick has been central to GMG's success over the last 11 years, and played a key role in transformational deals such as the partial sale of TMG and the joint acquisition of Emap. The directors wish him all the very best for his retirement, and give Andrew their warmest welcome.

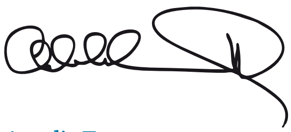
The Board also welcomed Judy Gibbons as a new independent director. Judy's expertise, experience and insight, especially in technology, have already been very beneficial to the Group.

Finally, the Board would like to thank GMG staff for their commitment, loyalty and understanding in a tough year for the industry.

In times such as these it is very difficult, even foolish, to attempt to predict with certainty what lies ahead. It is clear, though, that we will need to re-examine and reshape many of our existing business models if we are to continue to be successful.

It is also clear that to support the Guardian we must remain determinedly commercial in our outlook and approach.

While the future is uncertain, we can be sure of the unwavering support of our owner, the Scott Trust, and the unchanging nature of our objective: the ongoing independence of the Guardian's journalism.



Amelia Fawcett
Chair, Guardian Media Group

Chief executive's review of operations

Carolyn McCall OBE, chief executive

Chief executive's review of operations
Introduction

The media industry is undergoing change unprecedented in its speed, breadth, depth and impact, bringing both opportunities and serious threats.

The effects of this change have been accelerated and exacerbated by the worst recession many of us can remember.

Few, if any, working in the sector had experienced the kind of trading conditions seen during 2008/09 before – conditions which have continued in 2009/10 and which are likely to continue at the same level beyond 2009/10.

Our industry, exposed as it is to advertising, has felt the full force of economic shock and profound structural shifts in its markets.

This has challenged the sustainability of some established business models.

Partly as a result of these changes, power is concentrating around huge players such as the BBC, which has guaranteed funding, and online businesses based on search and aggregation, which have none of the costs associated with journalism. This makes recovery and discovering successful new business models all the more challenging.

There is now a growing awareness of the threat to the future of content providers in the commercial sector. The disinclination of consumers to pay for content online, the lack of a payment model from content aggregators and the fall in yields from online display advertising represent a substantial hurdle in the path of organisations in the process of transition to multimedia publishing.

In 2008/09 GMG continued to pursue its successful strategy of managing and investing in a broad range of businesses and assets in order to provide financial security and stability for its core division, Guardian News & Media (GNM) – and the Guardian in particular.

The sharp decline in the advertising market had an impact on each of the wholly owned businesses. GNM, GMG Regional Media, GMG Radio and GMG Property Services all saw their revenue and profit fall.

The regional media business, along with its peers, experienced especially steep declines, necessitating major cost reductions – including large-scale redundancies.

> "The two joint ventures with Apax Partners – TMG and Emap – continued to perform strongly"

All of our businesses, not least GNM, are reducing costs to a more sustainable level in this new, harsher environment for media companies. As they always have done, they are also looking to the future (the future of journalism, media and the business model) in an industry at a critical inflection point.

Despite the difficulties facing parts of the Group, 2008/09 saw a number of positive performances and notable achievements across the portfolio.

The two joint ventures with Apax Partners – Trader Media Group (TMG) and Emap – continued to perform strongly, delivering substantial profit despite adverse market conditions.

TMG accelerated its successful transition from print to online publishing. Auto Trader, its principal brand, now generates the overwhelming majority of its profit through its website rather than the magazine. The brand strengthened its formidable market-leading position on every platform.

Emap, in its first full year under the joint ownership of GMG and Apax, also performed strongly, increasing operating profit year-on-year. Its diverse range of revenue streams – from business-to-business events, data and publishing – and market-leading positions were the bedrock of this excellent performance.

The journalism of our flagship title continued to flourish in print and on the web. The Guardian accelerated its global online expansion, reaching a record audience of 29.8 million unique users in January 2009. And its publisher, GNM, took a large step forward in its journey towards a truly 24/7, international, multimedia future when it moved to a new home in King's Cross in North London.

The move to the new Kings Place building was well executed by the GNM management team with the invaluable support and involvement of staff. Kings Place provides a vastly improved working environment for GNM's people and enables new ways of working that will underpin the company's ambitious plans.

During the year GMG continued to focus effort on further developing the capabilities of its senior management, as well as sharing knowledge and expertise, through a range of cross-Group programmes and events. The success of our emerging leaders programme gives us great confidence in the strength and depth of our leadership teams.

Right across our divisions and joint venture companies we have some of the most talented people working in media. The Group thanks all its staff for their effort and commitment during this challenging time for our industry.

Chief executive's review of operations

Guardian News & Media

Chief executive's review of operations
Guardian News & Media

theguardian TheObserver guardian.co.uk

GNM, the Group's core business, enjoyed a year of significant achievement in 2008/09.

The company undertook a major structural reorganisation, expanded its multimedia coverage, acquired a new US business, introduced integrated editorial working and, with the growth of guardian.co.uk's international audience, made further progress towards the Guardian's long-term ambition to become the world's leading liberal voice.

> "GNM further enhanced its reputation for quality journalism during the year"

These achievements took place against a background of vigorous competition and well-documented economic crisis.

Despite its successes, like many other media companies GNM experienced the toughest trading conditions seen for many years, resulting in an increase in operating loss. Operating loss before exceptional items was £36.8 million (2008 £26.4 million) on turnover of £253.6 million (2008 £261.9 million).

Given the combination of cyclical and structural issues applying downward pressure to revenues across the newspaper industry, GNM is now in the process of reducing its cost base significantly – while continuing to invest in journalism and web development.

GNM further enhanced its reputation for quality journalism during the year. The Guardian broke one of the biggest stories of 2008 with a scoop from Chancellor Alistair Darling when he admitted the economy was heading for its "worst crisis for 60 years".

29.8 million

guardian.co.uk celebrated almost 30 million unique users

Central to GNM's journalistic year was its adoption of a multimedia approach to the reporting of global events such as the US election and the Olympics.

Significant resource and effort were placed into covering the US election campaign trail, with columnists and reporters producing compelling blogs, video and articles leading up to election night itself.

Guardian.co.uk was rewarded with record interest. On US election night its coverage – which incorporated slideshows, audio, video, blogging and data journalism as well as traditional reporting – drew its highest ever levels of traffic over a 24-hour period.

GNM's multimedia credentials were recognised when it beat traditional UK broadcasters to win Best News Programme in Broadcast magazine's annual awards.

Behind the scenes, the year's major event was GNM's relocation from four addresses in Farringdon to a new home in Kings Place, in December 2008.

The move involved four years of careful planning and was a landmark moment in the history of the organisation. It is testament to the hard work of many that it went so smoothly, culminating in the first edition of the Guardian being produced from Kings Place on Monday 15 December 2008.

From this point onwards GNM was able to implement fully its plans for integrated working between print and online teams. GNM's collective efforts resulted in record-breaking success when, a few weeks later, to coincide with its tenth birthday, guardian.co.uk celebrated almost 30 million unique users. Guardian.co.uk is now not only the UK's largest newspaper website, but also one of the biggest in the world.

Multimedia future

In December 2008, Guardian News & Media moved from the offices it had occupied since the 1970s to a state-of-the-art new building in North London. The move to Kings Place is a central part of GNM's transition from a UK newspaper publisher to a multimedia, 24/7, international news organisation publishing across all platforms – print, online and more. The offices are equipped with seven recording studios for audio and video content and 24 editing desks. Print and digital operations are largely integrated, in an open-plan newsroom organised into specialist "pods". The result, says editor-in-chief Alan Rusbridger, is "an editorial environment unlike any I've previously seen".

Chief executive's review of operations
Guardian News & Media
continued

The site has benefited from the development of a new technical platform, which is also enabling GNM to build on its long-standing commitment to openness. With the launch of the Open Platform initiative GNM became the first UK newspaper publisher to open up its database to partners, enabling them to take content and statistics for free and build their own applications. Such partnerships represent a potential new revenue model for GNM, which reserves the right to make advertising revenue at the point of distribution of its content.

Largely in response to a double-digit increase in paper costs GNM raised the cover prices of the Guardian and Observer during the year. At the same time the company introduced a new subscription scheme offering discounts to loyal readers. Both newspapers maintained their share of copy sales in the quality market.

While other papers retreat from the world, reducing the number of international correspondents, the Guardian remains committed to serious, original international reporting – exemplified in 2008/09 by the strength of its coverage of events from America to China, Iraq to Burma and Zimbabwe to Afghanistan.

> "With the launch of the Open Platform initiative GNM became the first UK newspaper publisher to open up its database to partners"

The US is the first staging post in the Guardian's push to become the world's leading liberal voice. In July 2008 GNM acquired the US-based business-to-business company ContentNext Media, which covers digital media and the entertainment and technology sectors, and publishes the influential paidContent.org website. Caroline Little, the former chief executive officer and publisher of washingtonpost.com, was appointed to the position of chief executive officer North America to lead GNM's growth in the US.

GNM's journalistic success over the year was rewarded with a host of awards including – for the fourth time in five years – best newspaper site for guardian.co.uk at the Webbys, and an Amnesty UK Media Award for the Guardian's East Africa correspondent Xan Rice. The Guardian picked up four British Press Awards, including website of the year for the second year running. The Observer won best newspaper design at the 2008 Newspaper Awards, and best print and web news story at the 2008 Foreign Press Association Awards.

GNM's aim is to emerge from the economic downturn a leaner and stronger organisation. Leaner due to a bottom-up reappraisal of the cost base to ensure it is affordable. Stronger because it will continue to invest in its journalism and in maintaining its market-leading positions.

With its trademark creativity, talent and innovation it remains at the forefront of quality publishing in the UK and globally.

Going global

GNM's coverage of the US election provided a great example of the power of its multimedia approach to reporting and commenting on the news. The Guardian's ambition is to become the world's leading liberal voice – guardian.co.uk already has up to 30 million unique users spread across the planet. Obama's victory saw the site come into its own, covering a global story for a global audience with not only up-to-the-minute reporting, commentary and images, but also with its own unique audio and video content and interactive graphics. At the same time, the print versions of the Guardian and Observer continued to deliver award-winning news and comment to a weekly audience of millions.

Chief executive's review of operations
GMG Regional Media

Chief executive's review of operations
GMG Regional Media

The past financial year was perhaps the most challenging period yet in the history of the local and regional press.

The industry faced a much-chronicled series of cyclical and structural issues which merged into a "perfect storm" of trading problems.

> "The onset of recession revealed the full impact of online disruption to the traditional business model of local and regional newspapers"

The underlying problems of the sector are predominantly structural and can be traced back at least ten years. However, they were masked by a long period of economic growth which underpinned huge consumer confidence and increases in classified and retail revenues in newspaper businesses as a result.

The onset of recession revealed the full impact of online disruption to the traditional business model of local and regional newspapers.

The first signs of distress were detected in GMG Regional Media in the second half of 2005 when the expected autumn recovery did not materialise, and each subsequent quarter showed considerable reductions in classified advertising revenues. The regional media division began to reduce costs significantly from 2005, but this was offset by very rapid revenue declines over the last financial year. By the middle of 2008 much of the sector was in crisis.

GMG Regional Media's operating profit declined to £0.5 million (2008 £14.3 million) on turnover of £94.5 million (2008 £120.5 million).

This steep decline was driven by a 30% fall in classified advertising revenues. Recruitment fell by 34%, motors by 16% and property by 46%. Display revenues slipped by 7%.

In order to remain viable as a business GMG Regional Media was forced to reduce costs substantially. This led to the announcement in March and April 2009 of nearly 300 redundancies from its two constituent businesses – MEN Media and Surrey & Berkshire Media – and a wider reorganisation across its portfolio.

The most visible changes in the South of England were the move to weekly publishing for the previously daily Reading Post and the merger of the Esher News & Mail into the Surrey Advertiser, and of the Aldershot Mail into the Aldershot News.

In the North West, the company trimmed the early-week free distribution of the Manchester Evening News, reflecting reduced demand for advertising at the beginning of the week as well as the need to reduce cost, and scaled back the schedule of Greater Manchester city TV station Channel M.

As part of the restructure of the business, all of MEN Media's editorial staff and resources – for weekly titles as well as the Manchester Evening News – were relocated to the company's headquarters in central Manchester.

It was with a particularly heavy heart that local management was forced to make such large-scale changes. Given the problems of the industry, such changes are no longer a matter of choice, but one of absolute necessity.

The outlook for the regional press will remain difficult. The GMG Regional Media team has shown great commitment and resilience and is implementing its restructuring plan very well. This will put the business in the best position to return to a small profit in the medium-term.

Converged newsroom

MEN Media, publisher of the Manchester Evening News and weekly titles in the North West, has long been at the forefront of innovation in the regional press. Its "converged newsroom" brings together journalists from the daily and weekly papers, the company's websites, its city TV station Channel M and GMG's Manchester radio stations, with the philosophy "choose the story, then choose the best way to tell it". This unprecedented level of cooperation between its different editorial outlets has given MEN Media the edge over its competitors and cemented its position as "the voice of Manchester".

Chief executive's review of operations
GMG Regional Media
continued

The issues faced by the local and regional press are now firmly on the public policy agenda, and GMG played a leading role in industry engagement with government and regulators during the year. This included work in relation to Ofcom's Public Service Broadcasting Review, the government's Digital Britain process and the OFT's review of the local merger regime.

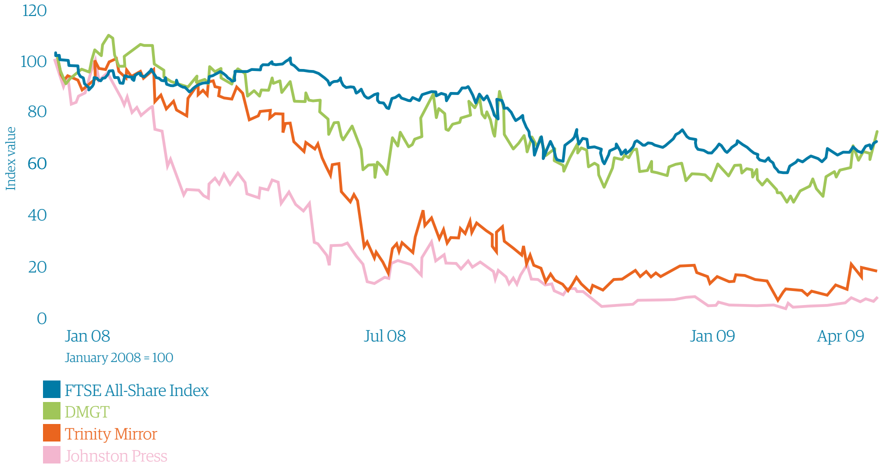
Furthermore, recent reviews raised the possibility of consortia of organisations – including regional press publishers – bidding to provide regional broadcast news. We will continue to explore the potential of this idea, and remain in a strong position to take advantage of such opportunities as they develop.

Since the end of the 2008/09 financial year conditions within the regional press have, if anything, worsened. The coming year will therefore be just as challenging for GMG Regional Media, which has now moved into trading loss. The company will have to re-examine its model on an ongoing basis in order to bring costs to a more sustainable level, and to protect its journalism for the future.

One of the greatest positives for the business is its talented and determined workforce, which continues to devote itself to facing down the sector's problems and publishing newspapers and other media that remain the envy of the regional press.

> "The company will have to re-examine its model on an ongoing basis in order to bring costs to a more sustainable level, and to protect its journalism for the future"

Share price performance of major regional newspaper publishers, indexed against FTSE All-Share Index



Challenging times

The local and regional press is facing the worst trading conditions in living memory as the recession and longer-term, structural changes in its markets combine with devastating effect. Like all publishers in this sector GMG Regional Media saw its revenues fall dramatically in the last year, and was forced to make major changes in order to protect the business and its journalism for the future. This included a large number of redundancies and the closure of some offices. The objective of these changes was clear: a sustainable future for our local and regional media.

Chief executive's review of operations
GMG Radio

Investing in brands

GMG Radio's main brands are Smooth Radio and Real Radio - two of the UK's leading commercial radio networks. Smooth, a relatively new station in its current format, has increased its audience rapidly and achieved growing traction with advertisers. The Real network became one of the biggest in the UK as the company's two Century stations were rebranded to become Real Radio in the North West and North East. Uniquely in commercial radio, GMG Radio also commissioned a number of high-quality, independent documentaries which have received both critical and public acclaim, winning the gold award at the 2009 Arqiva Commercial Radio Awards.

Chief executive's review of operations
GMG Radio

GMG's commercial radio division outperformed its peers in 2008/09 in a difficult market environment.

While the total radio advertising market dropped by more than 14% during the period, GMG Radio limited its advertising revenue decline to less than 5%.

5.1 million

At the end of the financial year the division achieved record reach with 5.1 million adult listeners

This positive performance reflects the placement of the company's national sales contract with GCap Media (now owned by Global Radio); the strength of the overall strategy to build national brands which are operated locally; and the progress made in transforming the acquired Saga Radio stations into rapidly growing Smooth Radio stations.

At the end of the financial year the division achieved record reach with 5.1 million adult listeners, but followed an industry trend with slightly reduced average listening hours.

Rapid progress was made in preparing the division for a multiplatform future with a redesign and rebuild of every station website, multimedia training across programming and sales, and a rapid increase in web traffic and revenue.

The recently created Sponsorship and Promotions team based in London increased revenue by 71%.

Despite these achievements, 2008/09 was a very challenging period for GMG Radio. Due to difficult trading conditions and continued brand investment the division moved into operating loss.

Operating loss before exceptionals and amortisation of acquired intangibles was £6.6 million (2008 £0.1 million profit) on turnover of £46.6 million (2008 £48.8 million). The statutory operating loss for the division was £14.8 million (2008 £31.9 million).

GMG Radio maintained a strong commitment to local and regional news, and in programming continued to innovate by commissioning a highly acclaimed series of documentary programmes with the backing of the Scott Trust. These high-quality productions helped to differentiate GMG Radio's brands in a very competitive marketplace.

In spring 2009, the Real Radio network was further strengthened when the two Century Radio stations in the North East and North West were rebranded as Real, creating one of the biggest radio networks in the UK.

"Smooth Radio continued its impressive growth, achieving 2.5 million listeners"

Smooth Radio continued its impressive growth, achieving 2.5 million listeners. The brand showed year-on-year growth – even after the exclusion of the North East station, which did not yet have RAJAR figures at the end of the last financial year. The launch of Smooth Radio North East was a major success, confirming audience appetite and appreciation for the brand.

Winning the last ever licence granted by Ofcom, for Mid and North Wales, will enable GMG Radio, when the appropriate deregulation occurs, to create a national commercial radio station for Wales.

Rock Radio, the division's newest brand, continued to establish itself in Scotland and Manchester.

At the beginning of 2009 Stuart Taylor formally took over from John Myers as chief executive of GMG Radio. John, who decided to take semi-retirement, was the driving force behind the growth of the division from its inception some ten years ago. The Group thanks him for the energy, enthusiasm and inspiration he brought to the role. Stuart has already proved a more than capable successor.

The radio industry is undergoing a period of change, and various key issues are the subject of intense debate and scrutiny. The government's Digital Britain process, the John Myers review of localness, the OFT's review of the local merger regime, the statutory review of the Broadcasting Code and a renegotiation of the music licensing arrangements have all come at a time when parts of the industry are facing economic crisis.

GMG Radio is participating fully to influence and shape the future of the industry. Furthermore, favourable outcomes from several of these reviews could result in opportunities for GMG Radio to significantly improve its position in the market and to expand its options for growth.

While visibility in terms of revenue remains low, with its strong networks and highly motivated people GMG Radio is well placed to take advantage of these opportunities and to create value for the Group.

Chief executive's review of operations

GMG Property Services

Chief executive's review of operations
GMG Property Services

As with GMG's other wholly owned companies, 2008/09 was a year of challenges and changes for our property services business.

Despite the major deterioration in the UK housing market, the division maintained its clear lead in the property software marketplace.

The business completed the acquisition of CFP Software, the leading property management software provider, in March 2008. This was a well-timed acquisition given that the property management market has always proved counter-cyclical to the residential property market.

Estate agents' investment in staff, premises and technology ground to a halt during the year, which had a material impact on the division.

Many of GMG Property Services' clients experienced significant trading difficulties in 2008/09. The company saw approximately 10% of its clients leave the residential estate agency marketplace. Those remaining in the UK property market continued to report extremely tough trading conditions.

The overall decline in the estate agency market was approximately 20%, meaning that GMG Property Services outperformed the trend. This can be attributed largely to its broad client mix and lack of dependency on any one single client group. Even after the decline in the number of clients, the business continued to serve over 6,500 estate agency branches with its software.

"Despite the major deterioration in the UK housing market, the division maintained its clear lead in the property software marketplace"

The company made an operating loss before exceptionals and amortisation of acquired intangibles of £1.9 million (2008 loss £0.2 million) on turnover of £10.7 million (2008 £7.7 million). The statutory operating loss for the division was £11.6 million (2008 £2.1 million).

During the year the thinkproperty.com consumer portal was repositioned as a business-to-business service with a free-to-list model. We expect that this repositioning will see GMG Property Services move into profit in 2009/10.

The division's strategy of providing leading technology solutions to UK property professionals has not changed, but it has had to revise its approach in a number of areas to reflect the extremely tough market.

In addition to the change to thinkproperty.com, the division underwent a major restructuring, resulting in a number of job losses.

Despite market conditions, the business continued to launch new products and initiatives. CFP Software launched a new version of its Winman ADB product, while Vebra launched Vebra Live using a common technology platform first seen in the Encore Live product, which took the estate agency marketplace by storm in late 2007.

6,500

The business continued to serve over 6,500 estate agency branches with its software

CFP Software received several nominations for leading business awards in 2008, making the final on each occasion – a real credit to the hard-working team. CFP Winman was accredited by the ICAEW for property management software, which was a first for the industry.

GMG Property Services moved to new premises in Luton during the year to allow for future growth of the business once the market recovers.

Leading software providers

In an exceptionally difficult year for the UK property market, GMG's property services division was nonetheless able to strengthen its number one position in software provision to independent estate agents. 2008/09 saw an array of new launches and initiatives, as well as nominations for a variety of awards. During the year the division also successfully integrated new acquisition CFP Software, adding to its portfolio of leading software companies, and moved to a new home in Luton to allow for future growth.

Chief executive's review of operations

Trader Media Group

Chief executive's review of operations
Trader Media Group (Joint venture)

Difficult economic circumstances did not prevent Trader Media Group from building on its leading position in the motors classified market and delivering another strong profit performance.

2008/09 was characterised by a severe slowdown in the automotive sector in the UK and Ireland, affecting consumers and customers in all parts of the industry – from manufacturers and motoring brands to local dealers and private advertisers.

There was a decline in the number of dealers, and drops of 11% and 5% respectively in new and used car registrations. Competition increased with the arrival of new sites and increased activity from existing players.

Despite these challenging trading conditions TMG finished 2008/09 in a position of strength. Total operating profit before exceptional items, restructuring costs and amortisation of intangible assets was £110.8 million (2008 £119.8 million) on total turnover of £296.0 million (2008 £309.9 million).

The main brand, Auto Trader, continued its successful transition from print to online, with profit contribution from digital growing to more than 85%, compared to 70% a year ago.

Unique users of autotrader.co.uk were in the region of 10 million each month. Auto Trader was recognised in the 2008 Hitwise Online Performance Awards as the tenth most searched-for brand in the UK.

> "Unique users of autotrader.co.uk were in the region of 10 million each month"

The mobile platform saw a ten-fold increase in traffic while a still-successful magazine continued to be available through 40,000 retailers across the UK, driving incremental response.

The overall Auto Trader brand audience grew by more than 14%, translating directly into response for advertisers.

£110.8 million

Total operating profit before exceptional items, restructuring costs and amortisation of intangible assets

For the consumer, Auto Trader was a busier, more effective marketplace. This was supported by continued work to refine the used car search. In line with the campaign promise of "the world of cars made easy" the breadth of the editorial offering was expanded, with over 100 new car models reviewed by Auto Trader's expert motoring journalists. There was a further leap forward with the launch of an upgraded new Auto Trader website in June 2009.

All this was supported by the continuation of the Auto Trader campaign to consumers through TV, online, radio, petrol station forecourts, retail and press. This proved a great success, increasing brand awareness, propensity to use, unique users and return on investment.

TMG as a whole reinforced its clear leadership of the UK automotive classified sector, with over 90% of UK car retailers doing business with the Group. This was underpinned by the launch of a range of new products and services for the trade.

These results were achieved in the teeth of not only challenging economic conditions for the motors industry but also the continued shift by motorists from paper-based products to online.

As a result the business had to evolve rapidly, setting out a clear vision, strategy and new priorities. This asked a lot of staff and it is to their credit that TMG has been able to adapt, grow and move forward.

Auto Trader: an online success story

Auto Trader is one of the world's best examples of successful print-to-online transition. Little more than a decade ago it existed only as a magazine. Anticipating the migration of readers and advertisers from print to the internet, it went online early and is today one of the biggest web businesses in the UK with approximately 10 million unique users a month. While the magazine remains successful, the majority of Auto Trader's profits are now generated online, and it has achieved this while maintaining its overall level of profit. Its parent company, Trader Media Group, enjoyed a very strong year under the joint ownership of GMG and Apax Partners.

Chief executive's review of operations
Trader Media Group (Joint venture)
continued

Regrettably, as in other areas of the Group, restructuring led to a significant number of redundancies.

As the rapid transition from print to online continued TMG reduced its publishing cost base accordingly. Further reductions are planned in the coming year. Overall headcount fell by 500 (16%).

The UK and Ireland publishing business streamlined back office operations with the creation of production hubs for Auto Trader and Ad Trader, and reduced production centres to three locations. A number of titles were combined, reducing the total number of Auto Trader magazines from 12 to nine, but retaining the national footprint and reach for advertisers.

Similar circumstances faced TMG's other automotive classified magazines, including Bike Trader and Top Marques. Stronger performance from the business-to-business brands – Truck Trader in particular – limited declines.

Ad Trader, like all players in the "general classified" sector, had a challenging year. The focus going forward is on innovation through the website to bring new advertising revenue to the brand.

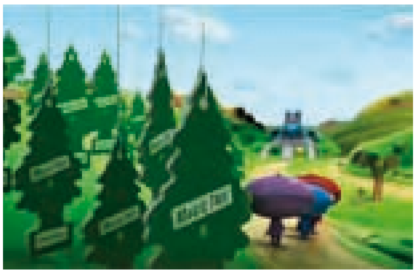
In the overseas divisions the year saw the sale of the Dutch business and a strong performance in Ireland before the country's economic problems halted growth. South Africa and Italy had difficult years but increased revenue nonetheless.

Revenues from the printing division fell by more than 25%, reflecting the decline in the print magazine sector. An extensive restructuring process, including the closure of the Wiltshire plant, kept the division profitable.

Despite difficult motors and media markets, TMG remains on track to deliver sustainable, profitable growth. By all key measures Auto Trader beat the competition and gained market share in 2008/09.

We continue to work closely and well with our partners, Apax, in overseeing the business. With a strong strategy in place alongside the TMG tradition of efficiency, innovation, customer insight and service, the future promises continued financial outperformance.

"By all key measures Auto Trader beat the competition and gained market share in 2008/09"



The world of cars made easy

The words "Auto Trader" would once have conjured images of a well-thumbed magazine rolled up in the back pocket of a man's jeans. Now, due to its multi-functional, highly popular website and investment in a new brand identity, its appeal is much wider. Auto Trader now aims to be "the world of cars made easy", guiding readers and users through the entire process of buying a car – from choosing and finding it to comparing its price, checking its history and organising insurance. The website has recently undergone a wholesale relaunch to offer an even better experience for users and even greater levels of response for advertisers.

Chief executive's review of operations
Emap

Chief executive's review of operations
Emap (Joint venture)

emap

Emap traded very well in its first full year of joint ownership by GMG and Apax Partners. Like TMG it proved relatively resilient to the global economic downturn.

It enjoyed a particularly strong first six months of 2008/09, led by an excellent performance from the Cannes Lions advertising festival in June.

£98.2 million

Total operating profit before exceptional items, restructuring costs and amortisation of intangible assets

The post-summer slowdown in the economy saw the onset of much tougher trading conditions, but the business still delivered operating profit growth on the prior year.

Total operating profit before exceptional items, restructuring costs and amortisation of intangible assets was £98.2 million on total turnover of £284.9 million.

Emap has a diverse portfolio of market-leading brands spanning electronic data services, events and publishing.

At the heart of a strong performance by Emap Connect, the exhibitions and festivals division, was Cannes Lions' most successful event in its 56-year history, with more than 28,000 award entries.

Connect's major home and gift exhibitions – Spring Fair and Autumn Fair – confirmed their market-leading positions in challenging economic times, attracting over 80,000 buyers. The Pure womenswear exhibition attracted a record number (almost 10,500) of quality fashion buyers.

WGSN, the world's leading online fashion and style forecasting service, provides creative intelligence to retailers, brands and manufacturers on key fashion trends. It is the largest business in Emap Insight, the company's electronic data division, and again performed well, growing revenue and profit.

Serving mostly fashion retail and consumer sectors, WGSN was not immune to the effects of the global downturn, and growth did slow in 2008/09. Despite the downturn, over 500 new customers signed up in the past year.

> "Emap traded very well in its first full year of joint ownership by GMG and Apax Partners"

From the creation of the Insight division in May 2008 it was apparent that focused activities and clear KPIs would play a large part in performance improvement.

A re-engineered approach to both Groundsure (property environmental reports) and Glenigan (construction planning data) was essential to counteract the sharp reduction in transaction activity in the housing market. Planet Retail was refocused to concentrate on driving sales growth in mainland Europe.

DeHavilland, the political monitoring business, also determined a change to its approach – from a broad offering to targeting the needs of customer segments.

CAP, the automotive valuation business, continued to perform strongly, growing revenue in spite of the rapid decline in new car sales.

Top B2B brands

Emap, bought by GMG and Apax Partners in 2008, is one of the UK's leading business-to-business media companies. From award-winning trade magazines like Nursing Times, Broadcast and Retail Week to must-attend events like the Cannes Lions advertising festival and international data businesses like WGSN, Emap is packed with top business-to-business brands. For millions of people across the globe involved in the retail, media, finance, fashion, health, education, construction, government and automotive sectors, Emap provides essential news, analysis and access. Other high-profile Emap brands include Drapers, Health Service Journal, Spring Fair, World Retail Congress, Screen, DeHavilland, Glenigan and Construction News.

Chief executive's review of operations
Emap (Joint venture)
continued

The Prime Minister attended an unprecedented three Emap Inform events in 2008, underlining the critical role its two leading weekly healthcare magazines – Health Service Journal and Nursing Times – play in the National Health Service.

Emap Inform publishes 20 weekly and monthly business magazines across four market sectors in the UK: public sector, construction, retail and media. Harnessing the magazine brands, the business runs 29 content sites and jobs boards and organises 35 sets of industry awards.

The year also saw the relaunch of five of Emap Inform's top ten weekly magazines, web traffic more than doubling, and over 23,000 people attending the division's gala awards events. This performance was itself recognised with unparalleled success at the publishing industry's awards schemes. Emap Inform people picked up ten national awards, including three from the Periodical Publishers Association (PPA).

Every weekday, expert speakers, public and private sector delegates and sponsors gather at an Emap Networks event to discover and debate the latest strategies and techniques in their market. Over 30,000 delegates attended 300 events in health, education, local government, retail, media, architecture and the built environment.

Some 1,000 sponsors and exhibitors last year generated new business, launched new products, entered new markets and won market share by working with Emap Networks. Sponsors contributed around one third of Networks' revenue.

Emap Middle East is one of the leading providers of information to companies doing business in and with the Middle East.

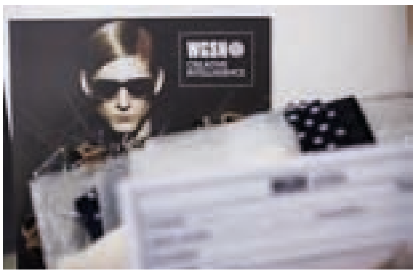
Its two brands, MEED and AME Info, deliver news, comment and analysis across 12 countries and 14 industry sectors to more than 1.7 million unique users per month online as well as providing in-depth data and business intelligence through subscription products. MEED also brings buyers and sellers together at over 30 industry conferences and networking clubs.

The division traded very strongly through the first nine months of 2008/09, though the economic slowdown in the Middle East suggests a tougher year in prospect for Dubai-based companies. Emap Middle East's strength in Abu Dhabi, Qatar and Saudi Arabia should ensure another resilient performance this year.

The recession will provide a testing examination of Emap's resilience. However, it is a strong and diverse business, with profit evenly distributed between its three prime formats of delivery: data, events and publishing.

As is the case with Trader Media Group, there is strong shareholder alignment between GMG and Apax Partners, which allows Emap to pursue its strategic objectives with clarity and confidence.

Its 35% operating margin puts it at the forefront of the business-to-business sector and we expect Emap's businesses to continue to outperform their peers in the industry.



WGSN: the style bible

WGSN (Worth Global Style Network), one of Emap's highly successful data businesses, is the leading global service providing online research, trend analysis and news to the fashion, design and style industries. Subscribers get access to long-term trend forecasting, consumer attitude and behaviour research, coverage of 80 international catwalks and 140 trade shows, up-to-the-minute global news, city guides, media and celebrity reports, and retail and street fashion analysis. WGSN is based in London and has offices in New York, Hong Kong, Seoul, Los Angeles, Melbourne and Tokyo. Its staff travel extensively on behalf of subscribers and work with writers, photographers, researchers, analysts and trend-spotters in cities around the world.

Chief executive's review of operations
Outlook

It is clear that the challenges of recession and accelerated structural change will have an impact on the Group's revenues in the coming year and beyond.

In addition to remodelling our businesses and reducing costs we will continue to engage with government and regulators to help shape the industries in which we operate. We will also review the structure of our portfolio on an ongoing basis.

We have the huge benefit of ownership by the Scott Trust and the consistency of its objectives. While this cannot shield us from the immediate financial effects of the downturn, it does allow us to look to the future with a degree of confidence, and to continue to invest in the long-term growth of our businesses. We expect to emerge from recession with our key market-leading positions not only intact but also strengthened.

Our investment in two successful, large-scale joint ventures (TMG and Emap), and in a long-term fund, gives further assurance. The fund spreads our investment globally and across different sectors and assets, thereby reducing risk. We also have the benefit at present of a cash cushion, in contrast to the many media companies with net debt.

We have a broad portfolio and a clear strategy both for the Group and each of its operating businesses. Industry challenges notwithstanding, we will continue to meet our central obligation to the Scott Trust and the Guardian.

The Guardian has always been a very forward-looking organisation. It was swift to recognise the opportunities of the web, and has enjoyed a decade of market leadership online as a result. As new forms of journalism and new ways of doing business emerge, the Guardian will remain at the forefront of media innovation in these challenging but exciting times for our industry.

Carolyn McCall OBE
Chief executive, Guardian Media Group

Board of directors

Amelia Fawcett CBE*+^#
Chair

Joined the Board in June 2007 as an independent, appointed as chair in April 2009. She was vice chair of Morgan Stanley's European operations. She is chair of financial services firm Pensions First, based in London, and a non-executive director of State Street Corporation in Boston, Mass. USA. She is deputy chair of the National Portrait Gallery, chair of the London International Festival of Theatre and a director of Business in the Community.

Carolyn McCall OBE#
Chief executive

Appointed chief executive in August 2006. She was first appointed to the Board in 2000, having served on the Guardian News & Media board since 1995, becoming its chief executive in 2000. She is a non-executive director of Lloyds TSB and a director of Business in the Community.

Alan Rusbridger
Editor-in-chief, Guardian News & Media

Joined the Board in 1999. Joined the Guardian as a reporter in 1979, became deputy editor in 1993 and was appointed to the Guardian News & Media board in 1994. He became editor in 1995 and joined the Scott Trust in 1997. He is a member of the Press Complaints Commission's Code committee, a visiting fellow at Nuffield College, visiting professor of history at Queen Mary's London and chair of the National Youth Orchestra.

Nick Castro#
Group finance director

Joined the Group and Board in 1998. He was previously group finance director of Yorkshire Tyne Tees Television Holdings plc and a partner with KPMG in London.

Tim Brooks
Managing director, Guardian News & Media

Joined the Group and Board in September 2006. He was previously on the board of IPC Media Limited and worked at Emap plc in a variety of senior management roles. He is chair of the Newspaper Publishers Association.

Mark Dodson
Chief executive, GMG Regional Media

Joined the Group in 1988 and was appointed to the Board in 2005. He is a board member of the Newspaper Society and chair of its PERA (Political, Employment and Regulatory Affairs) Committee.

Board of directors

Stuart Taylor
Chief executive, GMG Radio

Joined the Group in 1988 and was appointed to the Board in 2009. He was on the board of Guardian News & Media for six years until 2007 before joining GMG Radio. He sits on the board of the RadioCentre and is chair of Radio Academy Trading Limited. He also sits on the Radio Council.

John Bartle CBE*+^
Senior independent director

Joined the Board in 2002. He is the co-founder and former joint CEO of the advertising agency BBH. He also co-founded TBWA London and has worked for Cadbury Schweppes. He has a number of non-executive and advisory appointments in the communications and charity sectors.

Nick Backhouse*^#
Independent

Joined the Board in April 2007. He is chair of the audit committee. He is also the chief operating officer of the David Lloyd Leisure Group. He has previously been chief financial officer of National Car Parks, the Laurel Pub Company and Freeserve, the internet service provider.

Judy Gibbons^
Independent

Joined the Board in December 2008. She is venture partner at Accel Partners. Before joining Accel she set up Microsoft's MSN business in the UK and went on to manage the business across 35 markets as corporate vice president of MSN Global Sales & Marketing. She has over 25 years of experience in software and internet technologies and previously held senior positions at Apple Computer and Hewlett Packard, working in Silicon Valley.

Brent Hoberman+^
Independent

Joined the Board in January 2007. He is the co-founder and former CEO of lastminute.com. He has worked for LineOne, Mars & Co and Spectrum Strategy Consultants and was a founder member of QXL, an online auction company. He is the founder and executive chair of mydeco.com.

Phil Boardman#
Company secretary

Joined the Group and appointed company secretary in 2001. He was previously group financial controller of Hickson International PLC and Fenner PLC.

* Audit committee
+ Remuneration committee
^ Nominations committee
# Investment committee

Statement from the chair of the Scott Trust

Dame Liz Forgan DBE, chair

Statement from the chair of the Scott Trust

This has been a year of significant constitutional reform.

The Scott Trust, like all discretionary trusts, was set up for a finite term of years and has always known that it would be required by law to be wound up or reconstituted within the foreseeable future. Trustees decided to grasp the nettle this year and consider which new structure would best secure its core purpose – the long-term independence and financial security of the Guardian.

On the basis of extensive legal advice as to how the nature and purposes of the Trust might be enshrined in a more explicit, enduring and public form than ever before, it was decided to convert the Scott Trust into a limited company.

It is a company which will not permit any private profit. Its essential functions and priorities are unchanged. Its Memorandum and Articles of Association can now be made publicly available. Even its name, The Scott Trust Limited, declares the continuity of its purpose. It is the hope and intention of the directors that the new company will continue to protect that purpose at least as effectively as in the past.

Recession, coming on top of fundamental systemic change, has hit all media businesses. The Group itself is currently loss-making, though this is to a significant degree the result of a restructuring of the portfolio. Ownership by the Scott Trust gives GMG a valuable ability to think long-term and look beyond the immediate impact on the bottom line, but it cannot insulate us entirely from the stormy times prevailing in our industry.

Investments in successful and diversified businesses like Trader Media Group and Emap are long-term investments for the future which will help to build a secure foundation for our journalism in years to come. But in the short-term we are having to take hard decisions and look to efficiencies everywhere.

The most immediate effect has been on the regional newspapers in the North West and in Surrey and Berkshire. Regional journalism all over the country has been hardest hit by the flight of advertising to the web and by the changes in newspaper buying habits.

We are enormously proud of the record of papers like the Manchester Evening News in reporting, investigating and contributing to the life of their communities. We are determined to do what we can to keep that essential contribution going but it has been a tough year and many excellent journalists and dedicated commercial colleagues are facing hard times.

The Guardian, the Observer and guardian.co.uk moved from their old homes, which included the unlovely building at 119 Farringdon Road, into new London offices in Kings Place. The move, which was achieved with impressive speed and skill, was not just a necessary upgrading in the physical conditions in which people were working but also enabled the office layout to facilitate, instead of obstruct, the integrated working methods of our increasingly multimedia operation.

Roger Alton stepped down as editor of the Observer after almost ten years of considerable achievement in circulation and other terms, and was succeeded by John Mulholland, who in his first year has built on the Observer's historic strengths in great writing and expert foreign reporting and analysis.

The Guardian has pursued its ambition to be the world's leading liberal voice through the international growth of guardian.co.uk and launch of Guardian America, and through a number of outstanding pieces of sustained journalism.

The Scott Trust Foundation made grants of £91,700 to 13 organisations eligible for support from our charitable funds. The Guardian Foundation worked in a number of countries and developed further its media education partnership with the BBC. The bursary scheme, which supports training for young journalists, has been relaunched and for the first time includes a bursary for a student in technology.

Lord Myners (Paul as he was when he left us) resigned the chair of GMG to become City Minister. We owe him warm thanks for an invaluable contribution to the development of GMG and for his passionate interest and involvement in every part of the business, not least the newspapers.

We are delighted to welcome his successor, Amelia Fawcett, an outstandingly successful and highly respected figure in British and international business. Her wise counsel will be particularly valued at a time of profound change and uncertainty.

Anthony Salz, executive vice chairman of Rothschild, a former senior partner at Freshfields and vice chair of the Governors of the BBC until 2006, has joined The Scott Trust Limited as a director of the new company. His reputation and experience in the City and in many of Britain's foremost cultural institutions will bring new and much-valued strengths.

Dame Liz Forgan DBE
Chair, Scott Trust

The Scott Trust directors

Dame Liz Forgan DBE
Chair of the Scott Trust

Has chaired the Scott Trust since 2003. She was formerly an independent director of Guardian Media Group plc, director of programmes at Channel 4 Television, managing director of BBC Network Radio and a Guardian journalist. She is chair of the Arts Council England.

Larry Elliott

Joined the Scott Trust in 2002. He joined the Guardian as an industrial reporter from the Press Association in 1988. He became economics correspondent in 1989 and economics editor in 1995.

Andrew Graham

Joined the Scott Trust in March 2005. He is the master of Balliol College, Oxford, chair of the advisory board of the Oxford Internet Institute and an elected member of the Council of Oxford University. He was economic adviser to the prime minister, 1967-69 and 1974-76, and to the leader of the Labour Party, John Smith, 1988-94. From 1998 to 2005, he was a non-executive director of Channel 4 Television.

Will Hutton

Joined the Scott Trust in 2004. He is executive vice chair of the Work Foundation and is a governor of the London School of Economics. He was formerly on the board of Guardian News & Media and editor-in-chief of the Observer, and remains a columnist for both newspapers.

Maleiha Malik

Joined the Scott Trust in 2007. She is Reader in Law at the School of Law, King's College London. A former member of the independent human rights organisation the Council of Liberty, her main teaching, research interests and publications are in political and legal philosophy, feminist theory and discrimination law.

Carolyn McCall OBE

Joined the Scott Trust in 2006. Appointed Guardian Media Group plc chief executive in August 2006. She was first appointed to the Board in 2000, having served on the Guardian News & Media board since 1995, becoming its chief executive in 2000. She is a non-executive director of Lloyds TSB and a director of Business in the Community.

The Scott Trust directors

Geraldine Proudler

Joined the Scott Trust in 2002. She is a solicitor specialising in media law and is a partner at the law firm Olswang. She has defended the Guardian in libel actions since 1982, including successfully defending the action brought by cabinet minister Jonathan Aitken, and recently the claim by Tesco plc.

Alan Rusbridger

Joined the Scott Trust in 1997 and the Board in 1999. Joined the Guardian as a reporter in 1979, became deputy editor in 1993 and was appointed to the Guardian News & Media board in 1994. He became editor in 1995. He is editor-in-chief of Guardian News & Media, a member of the Press Complaints Commission's Code committee, a visiting fellow at Nuffield College, visiting professor of history at Queen Mary's London and chair of the National Youth Orchestra.

Anthony Salz

Joined the Scott Trust in 2009. He is an executive vice chairman of Rothschild. For most of his career he worked as a corporate lawyer with Freshfields, becoming senior partner in 1996. He was vice chairman of the Board of Governors of the BBC from 2004 until the end of 2006. He is, among other things, chair of the Eden Trust and a trustee of the Royal Opera House, the Tate Foundation, the Media Standards Trust and the Paul Hamlyn Foundation.

Jonathan Scott

Joined the Scott Trust in 1988. He is currently a non-executive director of Ambac Assurance UK. He was previously a director of KPMG Corporate Finance and SBC Warburg.

Phil Boardman
Secretary

Appointed secretary of the Scott Trust in 2004. He joined the Group and was appointed company secretary in 2001. Previously he was group financial controller of Hickson International PLC and Fenner PLC.

Corporate responsibility

Guardian Media Group took a major step forward in the past year as it seeks to become a more sustainable company.

The Group formed a partnership with the Carbon Trust to review and improve its carbon management across all the divisions.

We also joined forces with the charity Forum for the Future, which works with leading companies to embed sustainability into their core operations.

GMG's senior non-executive director John Bartle became the Group's sustainability champion and an action group was created, comprising sustainability advocates recruited from each of the divisions.

£3 million

Funds leveraged for the Guardian's Katine project in Uganda

Beyond this, the various divisions continued to implement their own carbon reduction plans and to develop their community activities. Guardian News & Media in particular created a new community strategy as part of its move into new, environmentally friendly offices in King's Cross, London.

With the support of the Carbon Trust, GMG engaged environmental consultants Faber Maunsell to develop a carbon management strategy for the Group.

Faber carried out nearly 20 site visits across all the divisions to assess how to reduce our carbon emissions. They also worked with us to develop a tool to measure our carbon footprint and help plan meaningful reductions.

The most effective way to be more sustainable is to reduce the need for energy and materials in the first place.

GMG's Manchester-based print site, for example, reduced press waste by half in one year as well as halving its overall waste disposal costs. It now aims to achieve zero waste to landfill over the next few years. It also laid strong foundations for reducing energy consumption, including a switch-off campaign to help staff identify which lighting and machinery can be switched off when not in use.

At Emap, the marketing teams last year reduced direct mail by a fifth by transferring a greater proportion of marketing activity to online.

Even in the multimedia age, paper continues to be one of the largest components in GMG's carbon footprint. The Group is taking active steps to measure the footprint associated with paper usage and look for ways of reducing it. This is a difficult exercise as there is no single agreed measurement tool being used by the industry and the paper supply chain is complex.

Alongside practical steps to reduce our emissions in each division, it is also important that we develop a vision and strategy so that the Group can take a more systematic approach to becoming more sustainable.

With this in mind, GMG has formed a partnership with Forum for the Future. The seven-month project, which includes workshops with directors from each of the divisions in our portfolio, will report to the Board with its recommendations.

This follows a similar exercise Forum for the Future carried out with GNM in 2007. This led to a vision for the company to be environmentally regenerative in its activities – which has spurred all departments to look into ways of reaching this goal.

GNM now has an integrated sustainability strategy that covers editorial, commercial, operations, staff and community activities.

From 2009 all directors have incorporated sustainability targets into their personal objectives. GNM continues to publish its award-winning annual Living Our Values sustainability audit.

While it is important that the Group seeks to be more sustainable within its operations, the biggest impact GMG can have on the environment and issues such as social justice is through influencing its various audiences.

The Guardian, in particular, has stepped up its coverage, creating an "eco-pod" of 13 editorial staff.

The Observer has also been taking a leading role, in the last year looking at issues from sustainable agriculture and the environmental costs of bottled water to the ethics of fashion and the scandal of Egypt's child cotton-pickers.

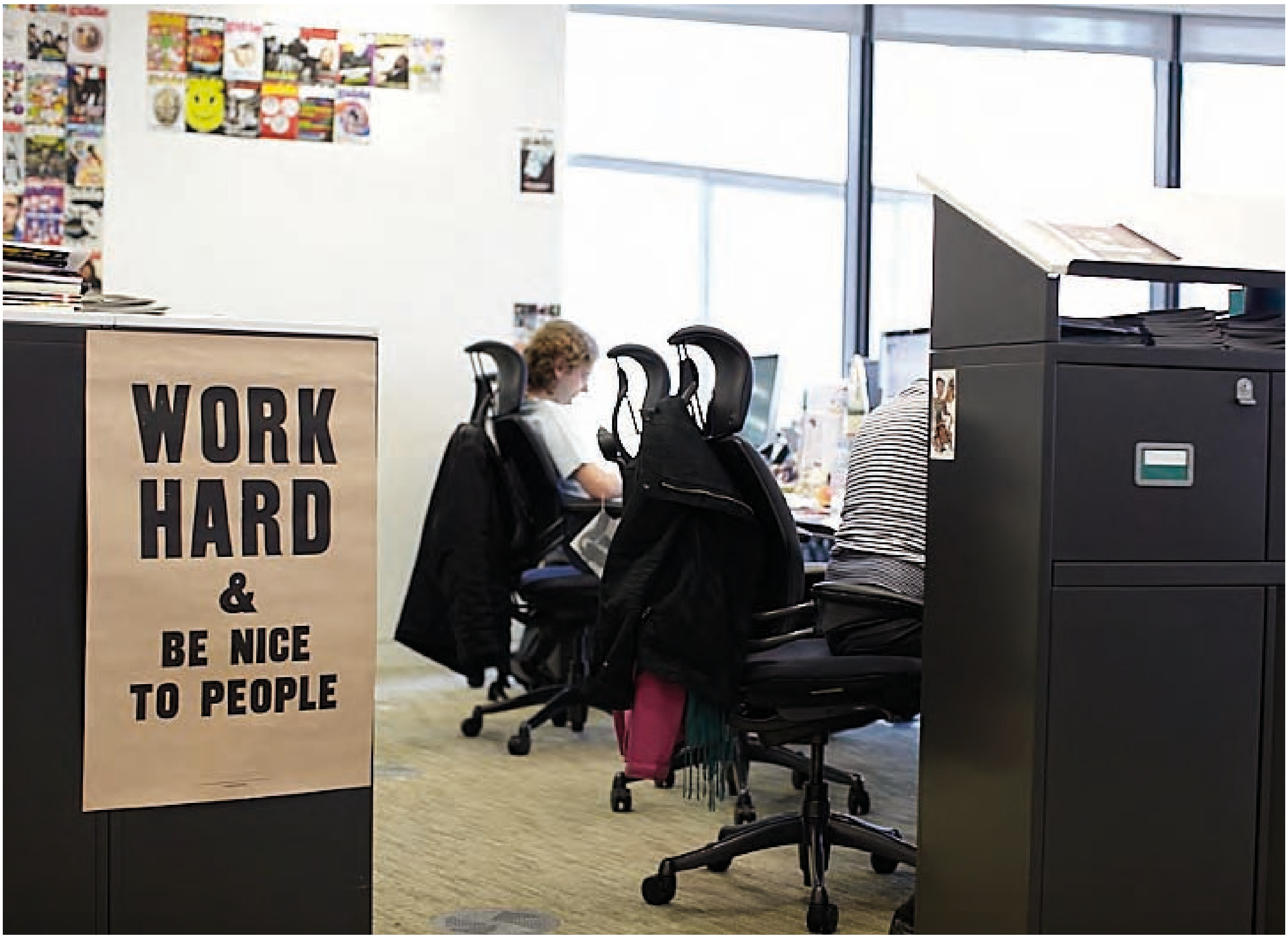
Trader Media Group has created a green section on its hugely popular Auto Trader website, while GMG Regional Media hosted a series of debates about climate change.

Emap Networks, Emap's conferences business, ran a series of events on sustainability issues, including the Recycling and Waste Management Exhibition (RWM) – the undisputed leader for the recycling and waste management sector. GNM continues to run its high-profile annual climate change summit.

With the constant barrage of information about climate change and environmental degradation, the human element of sustainable development is easily lost.

Raising awareness and stimulating debate around social issues through our editorial coverage is vital, but GMG recognises that it can also provide significant practical support to the many communities in which its operations are based.

Corporate responsibility
continued



Corporate responsibility
continued

On an international scale, this ranges from leveraging nearly £3 million for the Guardian's editorially-led Katine development project in rural Uganda, to the Scott Trust's continuing work in supporting the development of a free press, particularly in Eastern Europe and Africa.

The Scott Trust Foundation is the umbrella organisation for charitable activities taking place under the direction of our owner, the Scott Trust. The Foundation's role includes the preservation of archive material relating to the histories of the Guardian and Observer, and a continuous programme of education activities and exhibitions at Kings Place designed to promote Scott Trust values in the broadest sense. The Foundation also supports the activities of the Guardian Foundation and distributes bursaries and grants via the Scott Trust Charitable Fund. More information about the Scott Trust Foundation can be found at www.gmgplc.co.uk/ScottTrust

"It is important that the Group seeks to be more sustainable within its operations"

Each of the divisions takes an active interest in its local communities, ranging from volunteering to raising much-needed funds for charities.

TMG has over the past three years developed its community policy by supporting three charities: Samaritans, Brake – the Road Safety Charity, and The Outward Bound Patron's Trust. They are supported through corporate donations, fundraising at all centres, the matching of staff donations and staff volunteering efforts.

The company has also endorsed a Community Involvement Policy which supports those of its employees who wish to work with communities across the UK either as private individuals or as employees of TMG. Beyond these initiatives, TMG supports other national and local charities through its corporate match-funding bursary for individual employee charitable commitments. It also supports Fix-It UK, a Wigan-based charity which helps disadvantaged young people gain qualifications and return to mainstream education.

GMG Radio supports local communities and charities with on-air publicity and financial and practical help.

Real Radio supports many charities including CHAS, Alder Hey, Childline Cymru, Sheffield Children's Hospice and Zoe's Place through its Bring A Pound To Work Day, which raised over £250,000 in March 2009. Other smaller charities and community organisations are supported by the on-air Real Action project. The station also broadcasts a social action platform called Real People.

Smooth Radio has created a webpage featuring charity and community events taking place in its broadcast areas. Smooth Radio in the North West helped raise £100,000 for nominated charity Macmillan Cancer Support, while Smooth Radio in Scotland continued to work closely with Marie Curie Cancer Care.

GMG Property Services chose homeless charity Shelter as its new charity partner, while Emap sponsored two interns from the Catch 22 Academy, including work placements and ongoing mentoring and coaching support. The Catch 22 scheme is targeted primarily at disadvantaged young adults.

GNM's move to King's Cross has led to the creation of a new community strategy.

While King's Cross is set to become the largest regeneration area in Europe, the wider borough of Islington remains the seventh most deprived local authority in the UK.

Caledonian ward, directly north of GNM's new offices, ranks fourth.

£250,000

Raised for charity by GMG Radio's Bring A Pound To Work Day

To engage all board directors, GNM managing director Tim Brooks led a Seeing Is Believing visit to see first-hand some of the challenges that local people face and the impact the business can have. The visit, facilitated by Business in the Community, included EGA, a secondary school that GNM has been working with for seven years, and two new projects: New Horizons, a homeless youth centre; and Pentonville Prison.

At Pentonville, GNM is supporting prisoners and teaching staff to develop a media centre as part of their education programme.

The division is continuing its successful partnership with Live, a magazine written and produced by young people for their peers. GNM also formed a partnership with Age Concern Camden to support local older people and reduce isolation through befriending and group activity.

GNM also runs award-winning payroll giving and match-funding schemes. Nearly 40% of staff donate to over 200 charities, which compares with a national average of just 4% according to a recent YouGov/Oxfam poll. As a result, charities have received more than half a million pounds in the past five years.

Corporate responsibility
continued

Financial review

This review covers the year to 29 March 2009 and provides an overview of the Group's financial performance and position and incorporates joint ventures, associates and the investment fund.

The financial statements on pages 54 to 86 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Financial highlights

The financial highlights on page 3 detail total turnover and earnings before interest, tax and amortisation of intangibles (EBITA) and exceptional items for the Group, including the Group's share of its joint venture interests in Trader Media Group and Emap. This non-statutory disclosure has been expanded in the tables below and provides the scale of Group operations and the EBITA before exceptional items contribution from the significant joint venture interests.

2009	**GMG £m**	**Share of TMG £m**	**Share of Emap £m**	**Total £m**
Group turnover	**405.4**	**148.3**	**84.2**	**637.9**
EBITA (before exceptional items)	**(51.0)**	**51.3**	**21.1**	**21.4**

2008	GMG £m	Share of TMG £m	Share of Emap £m	Total £m
Group turnover	502.1	123.6	–	625.7
EBITA (before exceptional items)	(13.8)	66.6	–	52.8

Financial review
continued

Analysis of Group results

During the 2007/08 financial year there were two significant transactions which transformed the Group. On 8 June 2007 the Group sold 49.9% of its interest in its wholly owned subsidiary Trader Media Investments Limited (TMG), a wholly owned subsidiary of Trader Media Group Limited. From this date, TMG has been treated as a joint venture. On 20 March 2008, the Group acquired a 29.54% share in Emap. In the 2008/09 financial year, the Group has equity accounted for its share of Emap's result.

As reported last year, these transactions impact Group reporting, particularly when comparing the Group's financial performance with the previous year. In addition in 2008/09 the Group took further steps to enact its strategy to broaden its asset base by establishing an externally managed investment fund.

In the tables below, analysis has been provided to give further explanation of the impact these transactions and the creation of the investment fund have had on the Group results.

Turnover and loss before taxation have been analysed to provide:

(a) a like-for-like comparison of turnover for continuing GMG businesses

(b) a like-for-like comparison of loss before taxation for continuing GMG businesses

(c) details of total income and share of results of TMG, with 2008 comparatives on a proforma basis

(d) details of total income and share of results of Emap. There are no comparatives for 2008; Emap has been included in the Group as a joint venture from the start of the 2008/09 financial year

(e) the income, less the fair value losses on forward exchange contracts, for the investment fund, and its balance sheet value at 29 March 2009.

(a) Turnover

In the table below, turnover has been split between continuing GMG businesses and TMG (when it was a subsidiary) to allow for a like-for-like comparison.

	2009 £m	2008 £m
Continuing GMG businesses	**405.4**	438.8
TMG businesses	**–**	63.3*
Turnover	**405.4**	502.1

* Being 100% of turnover until 8 June 2007, the date of part disposal.

Turnover for the continuing GMG businesses was £405.4 million, a decrease of 7.6% (2008 £438.8 million). This was primarily due to a decrease in advertising and new media revenues of £38.3 million, 12.8% year on year, to £260.6 million. Circulation revenues increased marginally by £0.5 million, 0.5% year on year, to £105.6 million, and other revenues increased by 12.6% to £39.2 million.

Financial review
continued

(b) Loss before taxation

In the table below, the results have been split between continuing GMG businesses and TMG (when it was a subsidiary) to allow for a like-for-like comparison of operating loss before exceptional items. The information in the profit and loss account on page 54 has then been presented in an alternative format to show the total element of GMG's results attributable to TMG, Emap and the investment fund.

	2009 £m	2008 £m
Continuing GMG businesses	**(67.8)**	(24.8)
TMG businesses	**–**	21.1*
Group operating loss before exceptional items	**(67.8)**	(3.7)
Operating exceptional items	**(21.0)**	(59.5)
Operating loss after exceptional items	**(88.8)**	(63.2)
Income from other financial assets	**0.2**	0.1
Interest payable and similar charges (excluding fair value losses on forward exchange contracts)	**(5.6)**	(4.9)
Interest receivable and similar income (excluding TMG and Emap)	**11.3**	31.1
TMG (see page 39)	**40.2**	8.0
Emap (see page 40)	**(23.9)**	–
Share of post tax (loss)/profit of other joint ventures and associates (including exceptional items)	**(2.8)**	0.1
Investment fund (see page 40)	**(20.4)**	–
Profit on disposal of subsidiaries	**–**	335.2
(Loss)/profit before taxation	**(89.8)**	306.4

* Being 100% results up to 8 June 2007, the date of part disposal.

The continuing GMG businesses made an operating loss before exceptional items of £67.8 million in the year (2008 loss £24.8 million). The increase in loss of £43.0 million year on year largely reflects a reduction in overall revenues of £33.4 million and an increase in amortisation of intangible assets of £4.8 million, mainly due to the annualisation of amortisation on recently acquired intangibles compared with 2008. The Group also incurred costs of restructuring amounting to £11.5 million (2008 £10.2 million) across continuing GMG businesses which, in the Group accounts, are not treated as exceptional.

Operating exceptional items

Operating exceptional items of £21.0 million have been charged in the year. These include a charge for the impairment of goodwill and intangibles of £23.1 million and the costs associated with Guardian News & Media's move to Kings Place of £8.0 million, less the release of a provision for an onerous contract of £7.2 million and negative goodwill arising from an acquisition during the year of £2.9 million. These items have been separately disclosed in the notes to the accounts due to their size and non-recurring nature.

Interest receivable and similar income (excluding TMG and Emap)

The decrease in interest receivable reflects investment of the proceeds from part disposal of TMG in the acquisition of Emap during 2008/09 and the creation of the investment fund.

Financial review
continued

(c) TMG

The profit and loss account extract set out below compares 2008/09 share of results with 2007/08 proforma results for TMG by using 50.1% of the results for the period up to 8 June 2007 when it was a subsidiary and 50.1% post 8 June 2007 when it was accounted for as a joint venture. Interest receivable and similar income due to GMG is then included to show in total the element of TMG's results attributable to GMG.

	2009 £m Total	2008 £m Total	2008 £m ^	2008 £m *
Share of:				
Turnover	**148.3**	155.3	123.6	31.7
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	**55.5**	60.0	48.1	11.9
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	**48.9**	52.4	41.8	10.6#
Net interest payable and similar charges (excluding gain on debt buy-back)	**(84.7)**	(70.3)	(67.3)	(3.0)
Gain on debt buy-back and profit on disposal of subsidiary	**19.6**	–	–	–
(Loss)/profit before taxation	**(16.2)**	(17.9)	(25.5)	7.6
Taxation	**7.0**	(5.4)	(2.0)	(3.4)
(Loss)/profit after taxation (see note 13(a))	**(9.2)**	(23.3)	(27.5)	4.2
Interest receivable and similar income by GMG	**49.4**	38.5	35.5	3.0
Element of TMG's result attributable to GMG (see page 38)	**40.2**	15.2	8.0	7.2

^ Being 50.1% of results from 8 June 2007, the date of part disposal.
* Being 50.1% of results up to 8 June 2007, the date of part disposal.
# Being 50.1% of TMG operating profit before exceptionals of £21.1 million prior to part disposal on 8 June 2007 (see loss before taxation table on page 38).

Financial review
continued

(d) Emap

The profit and loss account extract set out below shows 2008/09 share of results for Emap (29.54%). Emap has been equity accounted for from 31 March 2008; therefore there are no comparatives for 2007/08. Interest receivable and similar income due to GMG is then included to show in total the element of Emap's results attributable to GMG.

	2009 £m	2008 £m
Share of:		
Turnover	84.2	–
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	29.0	–
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	9.9	–
Other non-recurring credits	1.0	–
Net interest payable and similar charges	(39.5)	–
Fair value loss on interest rate swap and debt	(29.5)	–
Loss before taxation (see note 13(a))	(58.1)	–
Taxation	(0.4)	–
Loss after taxation	(58.5)	–
Interest receivable and similar income by GMG	34.6	–
Element of Emap's results attributable to GMG (see page 38)	(23.9)	–

(e) Investment fund

The profit and loss account, statement of recognised income and expense and balance sheet extracts set out below show 2008/09 information for the investment fund. The fund was established in June 2008; therefore there are no comparatives for 2007/08.

	2009 £m	2008 £m
Profit and loss account:		
Profit on disposal of investments	4.0	–
Fair value losses on forward exchange contracts	(24.4)	–
Investment fund loss reported (see page 38)	(20.4)	–
Statement of recognised income and expense:		
Net fair value loss on investments	(0.5)	–
	(20.9)	–
Balance sheet:		
Non-current other financial assets – available for sale (see note 9(a) in the financial statements)	184.5	–

The portfolio of assets comprising the investment fund is designed to spread Group asset risk over a wider base than GMG's historical UK media sector focus.

Investments are in a diversified range of assets, which are managed by a number of specialist fund managers, including global and emerging market equity, fixed income, real assets and hedge funds. The investments are denominated in Sterling and overseas currencies, principally the US Dollar.

The Board has approved a currency hedging policy for the investment fund which is reviewed on a regular basis and takes account of the investment performance of the portfolio. In 2008/09 the predominant hedging policy was to currency hedge 75% in value of the hedge fund component of the portfolio. The significant strengthening of the US Dollar against Sterling during the year resulted in fair value losses on the forward contracts of £24.4 million, with a corresponding greater increase in the Sterling value of the US Dollar denominated investment fund assets.

Financial review
continued

Loss before tax
Group loss before tax for the year was £89.8 million (2008 profit £306.4 million). In 2008 the result included the profit on the sale of subsidiary companies, primarily the part disposal of TMG, of £335.2 million.

Taxation
The tax credit for the year on losses before exceptional items of £65.5 million is £13.4 million (2008 charge £15.3 million). The effective rate of tax on these losses of 20.5% (2008 46% on profits) represents a lower tax credit than the standard rate of 28% would produce (2008 higher charge than the standard rate of 30%). This is in part attributable to not being able to recognise deferred tax assets of £4.7 million in respect of losses incurred in the year because their future utilisation against profits cannot be reasonably foreseen.

The deferred tax liability in the balance sheet of £11.4 million (2008 £21.7 million) includes a liability of £2.2 million arising on acquisitions made by the Group during the year, as well as an asset of £6 million relating to foreign exchange losses arising on the investment fund. The deferred tax asset not recognised has increased from £1.8 million to £6.1 million and represents unrelieved trading losses carried forward at the year end. Trader Media Group and Emap are accounted for as joint ventures and therefore their post-taxation results are included in the profit and loss account.

Cash flow
The Group consumed cash of £494.3 million in the year (2008 generated £542.2 million). This includes deferred consideration in respect of the acquisition of Emap of £209.0 million and the gross investment of £212.6 million into a long-term investment fund (see note 9(a)). Net cash outflow from operating activities was £45.0 million (2007 £5.1 million).

Other cash outflows include acquisition of subsidiaries £5.0 million (2008 £26.8 million), purchase of tangible and intangible fixed assets £40.1 million (2008 £20.0 million) and net cash used in financing activities £27.0 million (2008 £84.0 million).

Cash inflows include net interest receivable of £7.9 million (2008 £59.1 million) and tax of £4.5 million (2008 outflow £23.2 million).

Cash balances
At year end the Group held cash balances totalling £83.2 million.

Capital structure and liquidity management
The Group had net assets of £753.9 million as at 29 March 2009 (2008 £836.3 million), a decrease of £82.4 million.

Leasing facilities totalling £79.6 million are in place, the majority of which relate to the Guardian News & Media and GMG Regional Media printing projects. All leases have a fixed interest rate for their entire life with the exception of one which totals £2.2 million and has a variable rate. During the year the Group acquired the remaining 50% of Trafford Park Printers Limited (TPP) which was previously accounted of as a joint venture. TPP is now accounted for as a subsidiary and its finance leases of £19.5 million are included within liabilities in the balance sheet.

The Group maintains a mixture of assets, liquid in both the short and medium term and largely represented by cash and the investment fund. The Group can draw on this pool of assets to fund both current and future strategies as required.

The Group does not currently have any other debt.

Tax strategy policy
The Board believes it is the Group's corporate and social responsibility to pay the appropriate amount of taxes in accordance with UK and overseas tax legislation. The Board also believes that it has a commercial responsibility to manage the Group's affairs in a tax-efficient manner within those rules as well as to manage the Group's exposure to tax.

The Group adopts a conservative tax strategy and is transparent in its dealings with tax authorities, providing information when required, in a clear and open style and on a timely basis. HMRC have deemed the Group to be low risk.

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.

Prompt payment policy
In May 2009, the Group committed to the Prompt Payment Code. The Group's policy on the payment of its suppliers is to agree terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms.

Corporate governance

The Board is committed to high standards of corporate governance and believes that it is in the interest of all its stakeholders to detail how the principles of corporate governance are applied within the Group.

In preparing its corporate governance statement, the Board has closely followed the recommendations set out in the Combined Code issued in June 2006. The Board has also taken into account the Group's structure, with 100% of the ordinary share capital of the Group being held by The Scott Trust Limited (STL). Two STL directors are also directors of the Group, and the chair of the STL also attends all Board meetings and is a member of the remuneration and nominations committees. There is also a reciprocal arrangement whereby the chair of the Board is invited to attend all the STL meetings. All STL directors receive copies of management accounts and Board approved minutes. This results in a closer relationship between management and shareholder than envisaged in the Combined Code.

The Board

The Guardian Media Group Board currently comprises a chair, six executive directors and four independent directors. The Board is headed by a chair whose role is distinct and separate from that of the chief executive. The division of responsibilities between the chair and the chief executive has been clearly established, set out in writing and agreed by the Board.

Paul Myners was chair until his resignation on 3 October 2008. John Bartle was appointed interim chair. Amelia Fawcett was appointed chair on 22 April 2009. Giles Coode-Adams was the senior independent director up to his retirement on 1 May 2008, when he was succeeded by John Bartle.

All the independent directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgment. They each meet the independent criteria set out in the Combined Code. The chair on appointment met the independence criteria, but thereafter the test of independence is not appropriate by virtue of her position as chair.

Details of all the directors and the company secretary, set out on pages 26 and 27, indicate the directors' wide range of business and other relevant experience.

All directors are subject to election by the STL at the first annual general meeting following their appointment and to re-election thereafter at intervals of no more than three years.

A monthly financial report is provided to the directors. Board papers, which include regular and ad hoc reports, are circulated to the directors by the company secretary in advance of Board meetings to ensure Board members are supplied, in a timely manner, with the information they need. There is a written schedule of specific matters reserved for Board consideration which includes monitoring of Group strategy, reviewing trading performance and the approval of significant contracts, capital expenditure, acquisitions and disposals. Board meetings are minuted and circulated to all Board members by the company secretary.

Led by Paul Myners, the independent directors, excluding any executive directors, met formally during the year.

On appointment to the Board, directors receive appropriate briefings on the Group and its activities and follow a tailored induction programme. They visit the Group's operations and meet local management.

All directors have access to the company secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. A procedure exists for directors to take independent professional advice, at the Group's expense, if necessary, in the furtherance of their duties.

A performance appraisal of Board members and a process to review the effectiveness of the Board and its committees have been introduced. The Board intends to move from biennial to annual performance appraisals of all Board members and reviews of the effectiveness of the Board and its four committees during 2009/10.

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal action against the directors. In accordance with the Company's Articles of Association, the directors and officers of the Company are all indemnified out of the assets of the Company, to the extent permitted by law, in respect of liabilities incurred as a result of their office. In addition to this general indemnity, the Company has also put in place a specific deed of indemnity setting out in greater detail the terms and conditions of the Company's indemnity. Neither the Company's indemnities nor directors' and officers' insurance provide cover in the event that a director or officer has acted fraudulently.

Executive committee

The Board delegates management of the Group businesses to the executive committee, which meets monthly.

Chaired by the chief executive, the executive committee comprises the divisional chief executives of the Group's wholly owned divisions, the group finance director, the group HR director, the group director of digital strategy and development and the company secretary. The executive committee is responsible to the Board for implementation of Group strategy, monitoring of business performance, and the approval of budgets, significant capital expenditure and contracts, and acquisitions and disposals for recommendation to the Board.

The Scott Trust Limited (STL)

STL acquired all the ordinary share capital of Guardian Media Group in October 2008 from the Scott Trust which was subsequently determined. All trustees of the Scott Trust became directors of STL. All shares in STL are held in equal shares by five of the STL directors.

STL chooses to ensure that only a minority of its members are executive directors of the Group. At present two STL directors, Carolyn McCall and Alan Rusbridger, fall into that category.

One place on the STL Board is reserved for a Guardian journalist, at present Larry Elliott, who is chosen by the other STL directors in consultation with the body of Guardian journalists.

The journalist-director serves for seven years. The normal tenure of other non-family STL directors, except those in executive positions, is limited to ten years, with the possibility of extension for another five years by unanimous vote of the STL Board.

Corporate governance
continued

Committees

The Board has a number of committees consisting of independent directors and with executive directors and senior executives in attendance. Composition of the committees and frequency of meetings is set out in the table below.

Director	Audit committee	Remuneration committee	Nominations committee	Investment committee
Amelia Fawcett	Member[1]	Member	Chair[1]	Chair[1]
Paul Myners (resigned 3 October 2008)	Member[1]	Chair[1]	Chair[1]	Chair[1]
Nick Backhouse	Chair[2]	Member[1]	Member	Member
John Bartle	Member[3]	Chair[1]	Member[1]	
Giles Coode-Adams (resigned 1 May 2008)	Chair[2]		Member	
Judy Gibbons (appointed 1 December 2008)		Member[1]	Member	
Brent Hoberman		Member	Member	
Frequency of meetings per financial year	3	3	2	As and when required

[1] Paul Myners resigned as chair of GMG on 3 October 2008. John Bartle was appointed interim chair, which included being chair of the remuneration and nominations committees. Meetings of the investment committee were subsumed into GMG Board meetings. Amelia Fawcett was appointed chair of GMG on 22 April 2009 and became chair of the remuneration, nominations and investment committees and a member of the audit committee. John Bartle became chair and Nick Backhouse and Judy Gibbons became members of the remuneration committee on 25 June 2009.

[2] Nick Backhouse succeeded Giles Coode-Adams as chair of the audit committee following Giles' retirement from the Board on 1 May 2008.

[3] John Bartle became a member of the audit committee on the retirement of Giles Coode-Adams.

The number of meetings of the Board and committees held in the financial year ended 29 March 2009 with details of individual attendance by directors is set out in the table below.

Director	Board meetings	Audit committee meetings	Remuneration committee meetings	Nominations committee meetings	Investment committee meetings
Amelia Fawcett	9		3	4	1
Paul Myners (resigned 3 October 2008)	6	1	3	2	1
Carolyn McCall	11	3*	5*	5*	1
Tim Brooks	11				
Nick Castro	11	3*			1
Mark Dodson	11				
John Myers (resigned 27 February 2009)	5				
Alan Rusbridger	10				
Stuart Taylor (appointed 2 March 2009)	1				
Nick Backhouse	10	3	2*	4	1
John Bartle	11	3	5	5	
Giles Coode-Adams (resigned 1 May 2008)	2	1		1	
Judy Gibbons (appointed 1 December 2008)	3			3	
Brent Hoberman	9			4	
Number of meetings held	11	3	5	5	1

* In attendance.

Details of the purpose of the committees are set out below. All the committees have written terms of reference, which are subject to annual review and which are available on request from the company secretary and can be accessed on the Group website www.gmgplc.co.uk

Corporate governance
continued

Audit committee

The audit committee, which consists of the chair and two independent directors, is chaired by Nick Backhouse (Giles Coode-Adams up to 1 May 2008). The chief executive, group finance director, company secretary, controller of internal audit and senior representatives of the external auditors normally attend the committee's meetings. At least once a year the committee and/or the committee chair meets with the external auditors and separately with the controller of internal audit, without executive members of the Board present. The committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and agrees their scope of work and fees prior to the commencement of the annual audit. The committee has a written policy on the engagement of the external auditor to supply non-audit services, which clearly sets out areas where the external auditor cannot provide non-audit services, for example accounting or managing internal audit work, as it could impact on their objectivity and independence.

The committee considers issues arising from the external audit and reviews the annual financial statements and written reports from the external auditors; it monitors internal financial control procedures and reviews the operation and output of the internal audit function. The committee reviews arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee has an agreed annual calendar of activities, which includes meeting in turn with the divisional chief executive and divisional finance director of each of the divisions wholly owned by the Group.

The committee's proceedings are minuted and circulated to all Board members by the company secretary. The audit committee chair formally reports on the outcome of audit committee meetings to the Board.

During the financial year ended 29 March 2009 the activities of the audit committee included:

- monitoring the integrity of the Group's financial statements and reviewing the significant and financial reporting judgments they contained
- review of the external audit strategy and subsequent report by the external auditors
- receipt and review of periodic reports from the controller of internal audit
- review of the committee's terms of reference
- pre-approval, where required, of non-audit work performed by the external auditors
- meeting with the divisional chief executive and divisional finance director of the divisions, wholly owned by the Group, to discuss:
  - working capital management
  - divisional risk registers
  - business continuity plans
  - internal and external audit issues
  - IT investment plans
  - timetable adherence
  - resources
  - assistance from the Group
- review of divisional and Group risks.

The audit committee undertook its biennial effectiveness review in April 2009.

Remuneration committee

The remuneration committee was chaired by Paul Myners up to his resignation in October 2008 and subsequently by the interim chair, John Bartle. Amelia Fawcett became chair of the committee on 22 April 2009. It consists of two independent directors and Dame Liz Forgan, chair of the STL. On 25 June 2009, John Bartle was appointed chair of the committee and Nick Backhouse and Judy Gibbons became members of the committee. On matters other than those concerning themselves, the chief executive and group HR director normally attend the committee's meetings.

The committee is responsible to the Board for determining the remuneration packages of the executive directors and members of the executive committee. It retains the right to scrutinise and, if necessary, veto proposals for individuals outside this group. It advises on executive remuneration policy issues. The committee has access to professional advice where necessary. PricewaterhouseCoopers LLP, who are also the Group auditors, have provided remuneration advice to the committee.

The committee's proceedings are minuted by the group HR director and circulated to all independent directors. The remuneration committee chair verbally updates the Board on the outcome of remuneration committee meetings.

A biennial review of the effectiveness of the committee was undertaken in 2007/08.

Details of Board remuneration are set out on page 51.

Corporate governance
continued

Nominations committee
Chaired by Paul Myners, up to his resignation in October 2008 and subsequently by the interim chair, John Bartle. Amelia Fawcett became chair of the committee on 22 April 2009. The committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary using the benefit, advice and assistance of external search consultants. The committee ensures that plans are in place for an orderly succession for appointments to the Board and to senior Group management and monitors senior leadership development.

The committee consists of all the independent directors and Dame Liz Forgan, chair of the STL. Executive directors attend by invitation.

STL approval is required for the appointment of the chair of the Board, group chief executive and editor-in-chief of the Guardian.

External search consultants assisted in the appointment of Amelia Fawcett and Judy Gibbons.

The committee's proceedings are minuted by either the company secretary or the group HR director and the outcome of the meetings is formally reported to the Board by the chair of the nominations committee.

A biennial review of the effectiveness of the committee was undertaken in 2007/08.

Investment committee
An investment committee was created as a sub-committee of the Board in 2007 to oversee the investment fund. Investments have been made in 2008/09. The committee defines the financial objectives of the investment fund, sets asset class risk/reward parameters, reviews the fund allocation over a range of asset classes and makes recommendations to the Board on the level of funding and allocation. The committee appoints/dismisses advisers to the investment fund and appoints/dismisses managers in respect of each asset class selected. The committee monitors the performance of the investment fund and reports to the Board accordingly.

The committee was chaired by Paul Myners up to his resignation in October 2008, and consists of two independent directors, the chief executive, the group finance director and the company secretary. The group head of corporate finance normally attends the committee's meeting together with the investment advisers.

The committee's proceedings are minuted by the company secretary and circulated to all committee members. The investment committee chair provides the Board with a summary report of recent investment committee meetings.

Following Paul's resignation, quarterly reporting on the investment fund performance by the investment fund advisers has been subsumed into GMG Board meetings.

Amelia Fawcett was appointed chair of the committee on 22 April 2009.

Internal control
The Board is responsible for the Group's system of internal control. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control during the year.

The key features of the internal control system are:

- a clear organisation structure with defined levels of responsibility delegated to operational management
- maintenance of risk registers at both operational and Group level, which identify and evaluate risks and document control procedures and monitoring arrangements. Regular review and update of risk registers is embedded in operational reporting procedures
- certain key Group functions including taxation, treasury, insurance and day-to-day administration of the investment fund are handled centrally with regular reports to the Board through the group finance director. The treasury function operates within Board-approved defined limits
- a structured process for approval of capital projects and significant contracts which includes appropriate authorisation levels. Post capital expenditure reviews are undertaken by internal audit with reports provided to the audit committee and Board
- all significant acquisitions or investments are subject to detailed internal appraisal involving both Group and operating personnel, and due diligence procedures, prior to being presented to the Board for approval
- post-acquisition reviews are undertaken
- comprehensive business planning procedures which include a rigorous annual budget process, culminating in the budget for the year ahead and plans for subsequent years being approved by the Board. Six-quarter rolling forecasts are updated quarterly and presented to the Board for review and comment
- monthly management accounts which report on trading performance by operation against budget and previous year, including relevant key performance indicators and latest year end forecasts, are provided to local and divisional management and the Board
- the internal audit function delivers independent review and assurance on the management of key business risks and that governance processes and systems of internal control operate effectively at divisional and Group-wide levels
- regular review of business operations throughout the Group by operating and executive management.

Corporate governance
continued

Throughout the year under review and up to the date of approval of this report, the Board has operated procedures at all major trading subsidiaries (excluding joint ventures and associates) which meet the requirements of the Combined Code relating to internal control as set out in "Internal Control Guidance for Directors on the Combined Code", issued by the Institute of Chartered Accountants in England and Wales.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

Compliance with code

Whilst as an unlisted plc there is no requirement for the Company to comply with the Combined Code, the directors believe that throughout the year and up to the date of the approval of the accounts the Company had complied with the provisions of the Combined Code, with the following exceptions:

- a majority of directors, excluding the chair, were not, as defined by the Combined Code, independent. Given the close relationship between management and the Group's shareholder, STL, as described above, the Board has no current plans to increase to a majority the independent director representation on the Board. The STL Board have considered and approved the composition of the Board
- the chair also chairs the remuneration committee. John Bartle was appointed chair of the committee on 25 June 2009
- appraisal of Board members and review of effectiveness of the Board and its committees will take place on a biennial basis with the intervening year used to review progress on actions identified during the respective appraisals and reviews. The Board have reviewed the appraisal processes and plan to move to annual reviews during 2009/10
- certain current executive directors' contracts do not contain details of compensation commitments should there be an early termination of the contract. The remuneration committee intends to include appropriate compensation commitments clauses in the contracts of new executive directors
- the hiatus between the resignation of Paul Myners and the appointment of Amelia Fawcett resulted in the following corporate governance procedures not being undertaken/complied with in 2008/09:
  - a meeting of independent directors, without the chair present, led by the senior independent director, to approve the chair's performance
  - a biennial effectiveness review of the independent directors
  - only two independent directors were members of the audit committee.

These areas of temporary non-compliance will be addressed in 2009/10.

Report of the directors

The directors present their report and audited financial statements of the Group for the year ended 29 March 2009.

Activities and business review

The principal activity of the Group is the dissemination of news, information and advertising matter by way of print and other media.

The Group results for the period are set out in the profit and loss account on page 54. A review of the Group's performance, future prospects and financial risks are contained in the statement from the chair on pages 4 to 6, the chief executive's review of operations on pages 7 to 25, the financial review on pages 36 to 41 and the financial instruments accounting policy on page 60.

Following High Court approval on 11 June 2008, the Company cancelled and repaid the 4% cumulative preference shares of Guardian Media Group plc together with the accrued dividend up to and including the date of cancellation of 1.792p (2008 4.0p) per share amounting to £1,792 (2008 £4,000). On 2 March 2009, the Board declared a dividend of 11.1p per share on the ordinary share capital amounting to £100,000 which was paid to The Scott Trust Limited on 6 March 2009.

Land and buildings

The market value of land and buildings is estimated by the directors to be approximately £1.1 million greater than its balance sheet value of £20.3 million.

Employee involvement

There is regular contact between management and staff, and with employees' representatives, to ensure that employees are provided with information on matters of concern to them as employees and are aware of the financial and economic factors affecting the performance of the Group, and so that their views can be taken into account in making decisions which are likely to affect their interests.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Creditor payment policy

The Group has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors and payments are made to these creditors in line with the CBI's Prompt Payers Code. The creditor days figure for the Group at the year end was 27 days (2008 25 days).

Donations

Charitable donations amounted to £472,468 (2008 £627,749). There were no contributions to political organisations during the period.

Ownership

All the ordinary shares of Guardian Media Group plc are owned by The Scott Trust Limited.

Directors

The directors are listed on pages 26 and 27 .

Giles Coode-Adams, Paul Myners and John Myers, who were directors on 30 March 2008, resigned on 1 May 2008, 3 October 2008 and 27 February 2009 respectively. Judy Gibbons was appointed as an independent director on 1 December 2008. Stuart Taylor was appointed as a director on 2 March 2009. All other directors served throughout the year.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state that the financial statements comply with IFRS as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report of the directors
continued

Auditors and disclosure of information to auditors
The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the chief executive's report on pages 7 to 25. The financial position of the Group, its cash flows, liquidity position and borrowing facility are described in the financial review on pages 36 to 41. In addition, note 1 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 and liquidity risk.

After making enquiries, the directors have a reasonable expectation that the Company and the Group 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 accounts.

Financial risk management
The financial risk management objectives and policies of the Group are detailed in note 1 of the notes to the accounts.

Independent auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

Phil Boardman
Secretary
25 June 2009

Directors' remuneration report

The remuneration committee has been established in accordance with the recommendations of the Combined Code. During the 2008/09 financial year, the committee was chaired by Paul Myners up to his resignation in October 2008, and subsequently by the interim chair, John Bartle. Amelia Fawcett succeeded Paul as chair of the remuneration committee on her appointment as chair of the Board on 22 April 2009. Subsequently, on 25 June 2009, John Bartle became chair of the committee and Nick Backhouse and Judy Gibbons became members of the committee. The committee consists of all independent directors, and the chair of the Scott Trust, Dame Liz Forgan.

Remuneration policy for executive directors

The remuneration committee ensures that executive directors are remunerated fairly, taking into account both external market factors and the values of the Group, which commit us to fair and equitable treatment of all who work for us. Thus, we undertake to provide a package of benefits which are sufficiently competitive to attract and retain the most talented senior executives in our industry. At the same time, decisions on senior executive packages are made with reference to internal equities and to ensure that there is a transparency and "felt fairness" about our executive remuneration policy. We aim to fairly recognise both individual contributions and collective achievements. Accurate data on the internal market is provided by the group HR director, and regular updates on the external market environment by PricewaterhouseCoopers LLP, who are also the Group auditors.

Salary and benefits

Salary is reviewed annually and is determined by the remuneration committee, having regard to market conditions and internal relativities.

All executive directors receive a company car, or cash alternative, and private health care benefits. Life insurance is provided as part of their pension arrangements.

A pay-freeze was announced in February 2009 and applies to all directors. Alan Rusbridger has decided to take a 10% cut in salary with effect from 1 April 2009.

Performance related bonus

The bonus arrangements for the executive directors are based on annual, pre-determined, divisional and Group financial performance targets and personal objectives.

The senior executive bonus scheme was updated in 2007/08 to bring greater accountability and more sharply defined performance targets to the reward process.

Executive directors are able to earn a performance related bonus of a maximum of 100% of basic salary, dependent upon performance conditions being met. The percentage of salary which can be earned as a bonus based on financial performance related targets, and the percentage based on personal objectives, is set out below for each executive director.

	% based on financial performance related targets	% based on personal objectives
Carolyn McCall	70%	30%
Tim Brooks	60%	40%
Nick Castro	70%	30%
Mark Dodson	70%	30%
John Myers	100%	0%
Stuart Taylor	70%	30%

Similar bonus arrangements, albeit with a lower quantum, apply to other senior executives in the operating divisions.

Alan Rusbridger has no contractual entitlement to a bonus payment.

In 2008/09 no executive director received a bonus based on financial performance targets. In addition, Carolyn McCall and Tim Brooks have waived any entitlement to a bonus based on achievement of personal objectives.

In 2009/10, the performance related bonus scheme has been suspended, and will be kept under review for both financial performance related and personal objectives.

Pensions

Retirement benefits are accruing to the executive directors under money purchase schemes. Contributions made by the Group to the schemes are shown in the table of directors' emoluments.

Directors' remuneration report
continued

Service contracts
All executive directors have service contracts terminable on 12 months' notice by the Company or by the director.

The chair has a letter of appointment which allows for three months' notice by the chair; no notice period needs to be given by the Company.

Independent directors have letters of appointment that allow for three months' notice by the director; no notice period is required by the Company. Terms and conditions of appointment of independent directors are available for inspection by any person at the Company's registered office during normal business hours.

Details of the service contracts of directors are as follows:

	Contract date	Contract unexpired term	Notice period	Contractual termination payments
Amelia Fawcett	22 April 2009	3 years	–	None
Paul Myners	31 March 2006	*Resigned on 3 October 2008*		
Carolyn McCall	1 August 2006	12 month rolling	12 months	Notice period (with mitigation clause)
Tim Brooks	14 August 2006	12 month rolling	12 months	Notice period (with mitigation clause)
Nick Castro	30 January 2003	12 month rolling	12 months	Notice period
Mark Dodson	1 October 2005	12 month rolling	12 months	Notice period
John Myers	21 August 2007	*Resigned on 27 February 2009*		
Alan Rusbridger	20 April 2007	12 month rolling	12 months	Notice period
Stuart Taylor	1 April 2009	12 month rolling	12 months	Notice period (with mitigation clause)
Independent directors				
Nick Backhouse	2 April 2007	1 year	–	None
John Bartle	26 June 2008	1 year 9 months	–	None
Giles Coode-Adams		*Retired on 1 May 2008*		
Brent Hoberman	1 January 2007	9 months	–	None
Judy Gibbons	1 December 2008	2 years 8 months	–	None

Directors' remuneration report
continued

Directors' emoluments

	Salary/ fees £000	Performance related bonus £000	Benefits in kind £000	**Total 2009 £000**	Total 2008 £000	Employer's contribution to money purchase pension scheme **2009 £000**	2008 £000
Amelia Fawcett (* from 1 June 2007)	34	–	–	**34**	28	**–**	–
Paul Myners (* to 3 October 2008)	25	–	–	**25**	50	**–**	–
Carolyn McCall	472	–	26	**498**	827	**145**	130
Tim Brooks	255	–	1	**256**	386	**77**	141
Nick Castro	299	85	1	**385**	531	**108**	93
Mark Dodson[1]	235	47	27	**309**	403	**75**	64
John Myers[2] (* to 27 February 2009)	210	333	2	**545**	227	**23**	19
Alan Rusbridger[5]	429	–	16	**445**	401	**156**	143
Stuart Taylor (* from 2 March 2009)	19	4	–	**23**	–	**4**	–
Independent directors							
Nick Backhouse (* from 2 April 2007)	39	–	–	**39**	34	**–**	–
John Bartle	34	–	–	**34**	34	**–**	–
Giles Coode-Adams (* to 1 May 2008)	3	–	–	**3**	42	**–**	–
Judy Gibbons (* from 1 December 2008)	11	–	–	**11**	–	**–**	–
Brent Hoberman	34	–	–	**34**	34	**–**	–
Former directors							
Jerry Fowden[3] (* to 13 April 2007)	–	–	–	**–**	43	**33**	44
Sir Robert Phillis[4] (* to 31 December 2006)	–	–	1	**1**	1	**168**	168
	2,099	469	74	**2,642**	3,041	**789**	802

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

[1] Mark Dodson has been provided with a one-off long-term incentive plan which is based on pre-determined financial targets for the period April 2008 to March 2011. Mark Dodson will be able to earn an additional one-off bonus of a maximum of 100% of basic salary as at 1 April 2008, should performance targets be achieved.

[2] John Myers was provided with an annual loyalty bonus arrangement running to 1 April 2010. The loyalty bonus was to be paid in equal instalments on 1 April 2008, 1 April 2009 and 1 April 2010 provided John Myers was in employment with the Group on the date of payment. A loyalty bonus was paid in April 2008. John subsequently notified the Group that he intended to retire at the end of the 2009/10 financial year and was offered and accepted a consulting role with GMG Radio for the final year of his loyalty scheme until 1 April 2010 at a rate of £50,000 per annum. A reduced final loyalty bonus was paid in June 2009.

[3] Following the sale of a minority shareholding in Trader Media Group, announced in March 2007, Jerry Fowden stepped down as chief executive of Trader Media Group and resigned as a director of Guardian Media Group on 13 April 2007. In accordance with the terms of the Employer Financed Retirement Benefit Scheme (EFRBS) £33,091 was credited to Jerry Fowden's EFRBS account with the Company in the year ended 29 March 2009.

[4] Sir Robert Phillis retired as chief executive on 31 July 2006 and as a non-executive director on 31 December 2006. The Company has undertaken to make an annual payment, totalling £169,083, in respect of his pension contributions, life insurance and private healthcare benefits in line with his service agreement and until his 65th birthday in December 2010.

[5] Alan Rusbridger was appointed editor-in-chief of both the Guardian and Observer in September 2007.

Carolyn McCall was a non-executive director of Tesco PLC and earned and retained fees in their year ended 28 February 2009 of £10,000 (2008 £67,000). She resigned as a director on 10 April 2008. Carolyn was appointed as a non-executive director of Lloyds Banking Group plc on 1 October 2008 and earned and retained fees in their year ended 31 December 2008 of £16,250.

Directors' remuneration report
continued

Remuneration policy for chair and independent directors
Remuneration for the chair and independent directors comprises fees for their services in connection with the Board and Board committees. The chair and the independent directors are not eligible for pension fund membership and will not participate in any of the Group's bonus schemes.

The level of fees for independent directors is reviewed biennially and approved by the Board. In 2007/08 the independent directors were paid a basic fee of £34,000 with further fees payable for additional responsibilities such as being chair of a committee. The fees are next due for review in 2009/10.

Giles Coode-Adams received an additional fee as senior independent director, being chair of the audit committee and a non-executive director of Trader Media Group Limited up to 8 June 2007. Nick Backhouse succeeded Giles as chair of the audit committee and received an additional fee for this role. John Bartle declined any additional fees for acting as chair of the Board, nominations and remuneration committees.

Amelia Fawcett
Chair of the remuneration committee
25 June 2009

Independent auditors' report

To the members of Guardian Media Group plc

We have audited the Group financial statements of Guardian Media Group plc for the year ended 29 March 2009 which comprise the profit and loss account, statement of recognised income and expense, balance sheet, cash flow statement, and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Guardian Media Group plc for the year ended 29 March 2009.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the report of the directors is consistent with the Group financial statements. The information given in the report of the directors includes that specific information presented in the statement from the chair and the chief executive's review of operations that is cross referred from the activities and business review section in the report of the directors.

In addition, we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the financial highlights, the statement from the chair, the chief executive's review of operations, the Scott Trust report, the corporate responsibility report, the financial review, the corporate governance statement, the report of the directors and the directors' remuneration report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 29 March 2009 and of its loss and cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the report of the directors is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 June 2009

Profit and loss account

For the year ended 29 March 2009

	Note	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m	2008 Before exceptional items £m	2008 Exceptional items £m	2008 Total £m
Continuing operations							
Turnover	3	**405.4**	**–**	**405.4**	502.1	–	502.1
Operating costs	4	**(473.2)**	**(21.0)**	**(494.2)**	(505.8)	(59.5)	(565.3)
Operating loss		**(67.8)**	**(21.0)**	**(88.8)**	(3.7)	(59.5)	(63.2)
Income from other financial assets	6	**4.2**	**–**	**4.2**	0.1	–	0.1
Profit on disposal of subsidiaries	9(b)	**–**	**–**	**–**	–	335.2	335.2
Interest payable and similar charges	7(a)	**(5.6)**	**–**	**(5.6)**	(8.0)	–	(8.0)
Other financing expenses	7(b)	**(24.4)**	**–**	**(24.4)**	–	–	–
Interest receivable and similar income	7(a)	**95.3**	**–**	**95.3**	69.7	–	69.7
Share of post tax losses of joint ventures	13(a)	**(67.3)**	**–**	**(67.3)**	(24.6)	(2.5)	(27.1)
Share of post tax losses of associates	13(b)	**0.1**	**(3.3)**	**(3.2)**	(0.3)	–	(0.3)
(Loss)/profit before taxation	4	**(65.5)**	**(24.3)**	**(89.8)**	33.2	273.2	306.4
Taxation	8	**13.4**	**2.4**	**15.8**	(15.3)	16.1	0.8
(Loss)/profit attributable to equity shareholders		**(52.1)**	**(21.9)**	**(74.0)**	17.9	289.3	307.2

The notes on pages 57 to 86 form part of these financial statements.

Statement of recognised income and expense

For the year ended 29 March 2009

	Note	2009 £m	2008 £m
(Loss)/profit attributable to equity shareholders		**(74.0)**	307.2
Actuarial gains	28	**0.5**	0.7
Deferred taxation on actuarial gains		**(0.1)**	(0.2)
Fair value losses – interest rate swap		**–**	(1.0)
Net fair value loss – non-current other financial assets	9	**(0.5)**	–
Currency translation differences on foreign currency net investments		**–**	(0.1)
Joint venture			
– Actuarial (losses)/gains	13(a)	**(0.5)**	1.5
– Deferred taxation on acturial (losses)/gains	13(a)	**0.1**	(0.4)
– Fair value losses – interest rate swap	13(a)	**(4.7)**	(4.7)
– Currency translation differences on foreign currency net investments		**0.3**	–
Acquisition of joint venture:			
– Reversal of joint venture profits		**(4.1)**	–
– Revaluation of previous interest		**0.7**	–
Net expense not recognised in the profit and loss account		**(8.3)**	(4.2)
Total recognised (expense)/income for the year		**(82.3)**	303.0

Balance sheet

As at 29 March 2009

	Note	2009 £m	2008 £m
Assets			
Non-current assets			
Goodwill	10	**105.4**	118.4
Intangible assets	11	**130.5**	142.9
Property, plant and equipment	12(a)	**84.1**	54.9
Investments accounted for using the equity method	13(a),13(b)	**223.1**	239.0
Other financial assets – available for sale	9(a)	**184.5**	–
Other financial assets	13(c)	**1.5**	1.8
		729.1	557.0
Current assets			
Inventories	14	**1.9**	1.6
Trade and other receivables	15	**128.8**	118.6
Cash and cash equivalents	17	**83.2**	577.5
		213.9	697.7
Liabilities			
Current liabilities			
Financial liabilities	18	**7.3**	6.9
Derivative financial instruments		**5.4**	–
Trade and other payables	19	**61.0**	70.4
Deferred consideration – owed to joint venture	13(a)	**–**	209.0
Current tax liabilities	16	**8.8**	6.2
Provisions	21	**9.1**	12.3
		91.6	304.8
Net current assets		**122.3**	392.9
Non-current liabilities			
Financial liabilities	18	**72.3**	59.0
Retirement benefit liabilities	28	**1.9**	1.2
Other non-current liabilities	20	**5.0**	1.1
Deferred tax liabilities	22	**11.4**	21.7
Provisions	21	**6.9**	30.6
		97.5	113.6
Net assets		**753.9**	836.3
Shareholders' equity			
Share capital	23	**0.9**	0.9
Reserves	24	**753.0**	835.4
Total shareholders' equity	26	**753.9**	836.3

These financial statements were approved by the Board of directors on 25 June 2009 and signed on its behalf by:

Amelia Fawcett
Chair

Nick Castro
Finance director

The notes on pages 57 to 86 form part of these financial statements.

Cash flow statement

For the year ended 29 March 2009

	Note	2009 £m	2008 £m
Cash flow from operating activities			
Cash used by operations	27	**(45.0)**	(5.1)
Interest received		**11.2**	67.4
Interest paid		**(3.3)**	(8.3)
Tax received/(paid)		**4.5**	(23.2)
Net cash (used)/generated by operating activities		**(32.6)**	30.8
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash acquired)	10	**(5.0)**	(26.8)
Proceeds of part disposal of subsidiary (net of cash disposed of)		**–**	713.3
Disposal of trade and assets		**–**	0.4
Loans made to joint ventures	13(a)	**–**	(2.5)
Loans repaid by joint ventures	13(a)	**–**	3.5
Acquisition of shares in joint ventures	13(a)	**–**	(99.9)
Deferred consideration paid		**(209.0)**	–
Acquisition of shares in associates	13(b)	**–**	(2.4)
Proceeds of disposal of shares in associates		**–**	0.1
Loans made to associates		**–**	(1.0)
Purchase of intangibles	11	**(9.1)**	(8.5)
Purchase of other non-current financial assets	9(a)	**(212.6)**	–
Sale of other non-current financial assets	9(a)	**31.6**	–
Proceeds from sale of property, plant and equipment		**0.4**	46.6
Purchase of property, plant and equipment	12(a)	**(31.0)**	(11.5)
Purchase of available for sale investment		**(49.9)**	–
Sale of available for sale investment		**50.0**	–
Other loans advanced		**(0.2)**	(0.3)
Dividends received		**0.1**	0.1
Net cash (used)/generated in investing activities		**(434.7)**	611.1
Cash flow from financing activities			
Finance lease principal payments		**(8.1)**	(6.0)
Forward exchange contracts		**(18.8)**	–
Dividends paid		**(0.1)**	–
Repayment of borrowings		**–**	(78.0)
Net cash used in financing activities		**(27.0)**	(84.0)
Non-cash - financing		**–**	(0.1)
Assets held for sale		**–**	(15.6)
Net (decrease)/increase in cash and cash equivalents		**(494.3)**	542.2
Cash and cash equivalents at beginning of the period		**577.5**	35.3
Cash and cash equivalents at end of the period	17	**83.2**	577.5

Notes relating to the financial statements

1. Accounting policies

Accounting policies for the year ended 29 March 2009

The principal accounting policies adopted 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 on pages 54 to 86 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The 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 profit and loss account. A summary of the more important Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year relate to goodwill and intangible assets. The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated on page 59. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. The calculations require the use of estimates for cash flow projections based on financial budgets approved by management.

In accordance with Section 230 of the Companies Act 1985, the Company is exempt from presenting its profit and loss account.

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for the financial year ended 29 March 2009. These are IFRIC 11 "IFRS 2 – Group and treasury share transactions" and IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". The Group has assessed the impact of these new standards and interpretations and it is anticipated that they will have no material impact on the Group's financial statements.

The following standards, amendments and interpretations to existing standards have been published, however, the Group has not early adopted:

IAS 1 (revised), "Presentation of financial statements"
IFRS 3 (revised), "Business combinations"
IAS 27 (revised), "Consolidated and separate financial statements"
IAS 28 (amendment), "Investment in associates"
IAS 31 (amendment), "Interests in joint venture"
IFRS 8, "Operating segments".

Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 29 March 2009, with the exception of the companies within the GMG Radio division which are made up to 31 March 2009.

Subsidiaries are those entities in which the Group has the ability to exercise control, which means it has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from, the date control passes. Intra-group transactions, balances and unrealised gains are eliminated fully on consolidation.

The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

A company is treated as a joint venture when the Group holds an interest on a long-term basis and jointly controls the company with one or more parties.

A company is treated as an associate when the Group has a significant influence but not control over that company and has the power to participate in its financial and operating policy decisions.

Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The investments are accounted for as joint ventures from the date at which joint control is established. The Group's investment in joint ventures and associates includes goodwill (net of any impairment) identified on acquisition. The Group's share of post acquisition profits or losses are included in the consolidated profit and loss account. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the undertakings concerned. Where a joint venture or associate has a different year end date to the Group, amounts from the latest audited accounts are adjusted, using management accounts, to bring them into line with the Group's year end date. The amounts involved are not considered to be material to the Group.

Notes relating to the financial statements
continued

1. Accounting policies continued

Business combinations
The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition 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 acquisition. Identifiable assets and liabilities acquired are measured at fair value at the date of acquisition, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the profit and loss account. The Group has a year from the date of acquisition to determine final fair values.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services that are subject to risks and returns that are different from those of segments operating in other economic environments.

As Group activities are predominantly UK-based, segmental reporting is provided on the basis of business segment only.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of VAT, trade discounts and anticipated returns after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Circulation and advertising revenue is recognised on publication, broadcast or display.

Revenues from barter transactions are recognised when the advertisements are displayed or broadcast and are recorded at the fair value of goods or services received.

Exceptional items
Items of income and expense are recognised as exceptional when their effect on the financial statements is so material that their nature and amount requires separate disclosure. These items are usually non-recurring.

Interest receivable and similar income
Income from bank and short-term deposits is included in the financial statements when receivable.

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

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. Borrowing costs are not capitalised.

Freehold and long leasehold 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 on assets from the time they become operational. The principal annual rates used for depreciation are:

Plant and vehicles	6.7% – 33%
Fixtures and fittings	10%

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 profit and loss account.

Non-current assets held for sale
On classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held for sale are included in the profit and loss account, as are any gains and losses on subsequent re-measurement.

Notes relating to the financial statements
continued

1. Accounting policies continued

Translation of foreign currencies
The financial statements are presented in sterling, which is the Company's functional and presentational currency.

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.

All resulting exchange differences are tracked and recognised in a translation reserve. On disposal of a foreign entity, the appropriate amount of cumulative translation difference relating to the entity is included in the gain or loss on sale in the profit and loss account.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

Foreign currency transactions are translated into sterling using the exchange rate at the date of the transactions. Any gains or losses resulting on such transactions and from the translation of year end monetary assets and liabilities using year end exchange rates are recognised in the profit and loss account.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition and in accordance with IFRS 3 "Business combinations" is not amortised.

Goodwill is tested for impairment annually at year end, or at any other time that there is an indication of impairment, and is carried at cost less accumulated impairment losses. Impairment losses are charged to the profit and loss account.

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 to sell and value in use.

(a) Trademarks and licences
Trademarks and licences are shown at historical cost. Amortisation is calculated using the straight line method to allocate the cost over the lower of estimated useful life or 20 years. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation.

(b) Computer software
Computer software licences are capitalised at cost (including the cost to bring to use). Amortisation is calculated using the straight line method to allocate the cost over the lower of estimated useful life or five years. Computer software has a finite useful life and is carried at cost less accumulated amortisation.

(c) Internally-generated intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Website 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. Where no asset can be recognised, development expenditure is charged to the profit and loss account in the period in which it is incurred.

Current taxation
The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred taxation is recognised in respect of all taxable temporary differences arising at the balance sheet date to the extent that they represent an obligation to pay more tax in the future or a right to pay less tax in the future.

The Group's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that the deferred tax asset will be recovered. The recoverability of losses is assessed on the basis of available evidence, including forecasts which have been prepared and approved by the Board.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and joint ventures where the Group is able to control the timing of the reversal of the temporary differences which will not reverse in the foreseeable future.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

Notes relating to the financial statements
continued

1. Accounting policies continued

Financial assets

The Group classifies its financial assets in the following categories: 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.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and 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 assets.

(b) 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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

(c) 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.

Financial assets are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The 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 profit and loss account.

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. 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 profit and loss account.

Derivative financial instruments and hedge accounting

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 profit and loss account as they arise.

The fair value of interest rate swaps is based on the market price of comparable instruments at the balance sheet date if they are publicly traded. The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised directly in equity and the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled in the profit and loss account in the periods when the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

Trade receivables

Trade receivables are recognised initially at fair value. 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes relating to the financial statements
continued

1. Accounting policies continued

Borrowings
Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Finance and issue costs associated with debt are charged to the profit and loss account at a constant rate using the effective interest rate method over the period from the date of issue to the point where there is a genuine commercial possibility that the commercial life of the instrument will expire.

Trade payables
Trade and other payables are recognised at original cost.

Provisions
A provision is recognised in the financial statements when an obligation exists at the balance sheet date, and 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.

Share capital
Ordinary shares are classified as equity.

Finance and operating 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 return 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 profit and loss account on a straight line basis over the period of the lease. Incentives received are recorded as deferred income and spread over the term of the lease on a straight line basis.

Sale and finance leaseback transactions
Where sale and finance leaseback transactions are entered into as a means of raising finance, the asset is regarded as being retained rather than disposed of and re-acquired. No adjustment to the carrying value or to the expected useful economic life of the asset is therefore made. The difference between the sale price and the fair value is recognised as a liability and charged to the profit and loss account over the period of the lease agreement.

Employee benefit costs
(a) Defined contribution schemes
All of the Group's employees are eligible for membership of defined contribution pension schemes and of those eligible more than 99% are members of such schemes. The costs in respect of these schemes are charged to the profit and loss account as incurred.

(b) Defined benefit schemes
The Group contributes to a small number of closed defined benefit pension schemes. The operating and financing costs of such schemes are recognised separately in the profit and loss account, 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 these schemes are shown in the statement of recognised income and expense.

The liability in respect of defined benefit pension schemes 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 liability.

The charge to the profit and loss account comprises the total contributions payable by the Group to the schemes in the period. Actuarial gains or losses in respect of these schemes are shown in the statement of recognised income and expense.

(c) Bonus plans
Liabilities for bonus plans are expected to be settled within two years and are measured at the amount expected to be paid when they are settled.

Notes relating to the financial statements
continued

2. Financial risk management

(a) 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

(i) Foreign exchange risk

The Group has investments in hedge funds in US Dollars 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 75% of the exposure to the US Dollars relating to the investments in hedge funds.

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in hedge funds would have been approximately £5.0 million lower/higher, however, as the Group's policy is to hedge 75% of the exposure the risk would be reduced to £1.3 million.

(ii) 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.

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, with all other variables held constant.

Statement of recognised income and expense movement

Investment category	£m
Global equity	**+/- 1.0**
Real assets	**+/- 1.0**
Fixed income	**+/- 1.4**
Emerging markets	**+/- 1.0**
Hedge funds	**+/- 4.4**

(iii) 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. If interest rates had been 1% more or less during the year, interest receivable would have increased/decreased by £1.7 million.

Credit risk

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

Credit risk arises from deposits with banks and financial institutions. Only banks and financial institutions with a Moody's Investors Service minimum rating of A 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.

(b) 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 Group 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.

(c) Fair value estimations

The fair value 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 active markets are determined using fund managers statements which are based on broker pricing or their own valuation techniques.

Notes relating to the financial statements
continued

3. Segmental information
As Group activities are predominantly UK-based, segmental reporting is provided on the basis of business segment only. The products and services provided by each business segment are disclosed on page 2 in the Guardian Media Group plc operational structure. Other Group activities principally include the Group's investments and its share of its joint ventures and associates, Trader Media Group, Emap, Trafford Park Printers (until 1 October 2008 when it became a subsidiary) and Seven Publishing and the costs associated with the head office.

For the year ended 29 March 2009

	Guardian News & Media £m	GMG Regional Media £m	GMG Radio £m	GMG Property Services £m	Other Group activities £m	Total £m
Continuing operations						
Turnover	253.6	94.5	46.6	10.7	–	**405.4**
Operating loss before exceptional items and amortisation of acquired intangibles	(33.7)	(6.7)	(6.6)	(1.9)	(6.7)	**(55.6)**
Operating loss before exceptional items	(36.8)	(6.7)	(11.9)	(5.7)	(6.7)	**(67.8)**
Operating (loss)/profit	(59.1)	0.5	(14.8)	(11.6)	(3.8)	**(88.8)**
Income from other financial assets	–	–	–	–	4.2	**4.2**
Interest payable and similar charges	(2.4)	(0.8)	–	–	(2.4)	**(5.6)**
Other financing expenses	–	–	–	–	(24.4)	**(24.4)**
Interest receivable and similar income	0.3	–	–	–	95.0	**95.3**
Post tax results of joint ventures and associates	–	–	–	–	(70.5)	**(70.5)**
Loss before tax	(61.2)	(0.3)	(14.8)	(11.6)	(1.9)	**(89.8)**
Taxation						**15.8**
Loss for the year from continuing operations						**(74.0)**
Segment assets	106.4	51.5	203.5	33.4	325.1	**719.9**
Investment in equity accounted joint ventures and associates	–	–	0.2	–	222.9	**223.1**
Total assets	106.4	51.5	203.7	33.4	548.0	**943.0**
Segment liabilities	(88.2)	(42.4)	(37.0)	(7.0)	(14.5)	**(189.1)**
Other segment items:						
Capital expenditure	27.2	2.5	1.8	0.6	–	**32.1**
Intangible expenditure	8.3	0.8	–	–	–	**9.1**
Depreciation	5.6	4.7	1.5	0.5	0.2	**12.5**
Amortisation of intangible assets	7.3	0.3	5.3	3.9	–	**16.8**
Impairment of trade receivables	0.1	–	–	0.4	–	**0.5**

Guardian News & Media operating loss of £59.1 million includes the impairment of goodwill and intangibles of £14.3 million and amortisation of acquired intangibles of £3.1 million and the costs associated with Guardian News & Media's move to Kings Place of £8.0 million.

GMG Regional Media operating profit of £0.5 million includes a credit of £7.2 million in respect of the release of a prior year onerous contract provision.

GMG Radio operating loss of £14.8 million includes the impairment of goodwill of £2.9 million and amortisation of acquired intangibles of £5.3 million.

GMG Property Services operating loss of £11.6 million includes the impairment of goodwill of £5.9 million and amortisation of acquired intangibles of £3.8 million.

Other Group activities operating loss includes a credit of £2.9 million in respect of negative goodwill on acquisitions.

Notes relating to the financial statements
continued

3. Segmental information continued

For the year ended 30 March 2008

	Guardian News & Media £m	GMG Regional Media £m	GMG Radio £m	GMG Property Services £m	Other Group activities £m	Total £m
Continuing operations						
Turnover	261.9	120.5	48.8	7.7	63.2	502.1
Operating (loss)/profit before exceptional items and amortisation of acquired intangibles	(24.9)	14.3	0.1	(0.2)	15.8	5.1
Operating (loss)/profit before exceptional items	(26.4)	14.3	(5.3)	(2.1)	15.8	(3.7)
Operating (loss)/profit	(82.4)	14.3	(31.9)	(2.1)	38.9	(63.2)
Profit on part disposal of subsidiary	–	–	–	–	335.2	335.2
Income from other financial assets	–	–	–	–	0.1	0.1
Interest payable and similar charges	(2.0)	(1.0)	–	–	(5.0)	(8.0)
Interest receivable and similar income	0.2	–	–	–	69.5	69.7
Post tax results of joint ventures and associates	–	–	–	–	(27.4)	(27.4)
(Loss)/profit before tax	(84.2)	13.3	(31.9)	(2.1)	411.3	306.4
Taxation						0.8
Profit for the year from continuing operations						307.2
Segment assets	82.3	58.2	213.3	43.2	618.7	1,015.7
Investment in equity accounted joint ventures and associates	–	0.4	0.1	–	238.5	239.0
Total assets	82.3	58.6	213.4	43.2	857.2	1,254.7
Segment liabilities	(90.2)	(53.1)	(32.0)	(10.3)	(232.8)	(418.4)
Other segment items:						
Capital expenditure	5.5	1.0	3.6	0.2	1.2	11.5
Intangible expenditure	8.2	0.3	–	–	–	8.5
Depreciation	7.0	4.7	1.4	0.2	1.8	15.1
Amortisation of intangible assets	4.0	0.3	5.3	2.0	0.4	12.0
Impairment of trade receivables	0.1	–	0.3	–	–	0.4

Guardian News & Media operating loss of £82.4 million includes the write down of print assets of £46.6 million and an onerous print contract provision of £21.2 million.

GMG Radio operating loss of £31.9 million includes the impairment of goodwill of £26.6 million.

Notes relating to the financial statements
continued

4. Operating loss before taxation

	2009 £m	2008 £m
Raw materials and consumables	**57.2**	69.2
Other external charges	**31.8**	30.2
Staff costs (see note 5)	**176.8**	185.2
Depreciation and impairment of tangible fixed assets:		
- Owned assets	**8.9**	13.4
- Under finance leases	**3.6**	1.7
Other expenses	**215.9**	265.6
	494.2	565.3

Exceptional items total £21.0 million charge (2008 £59.5 million) and include impairment of goodwill and intangibles of £23.1 million, costs associated with Guardian News & Media's move to Kings Place of £8.0 million, less £7.2 million credit in respect of the release of a prior year onerous contract provision and £2.9 million credit in respect of negative goodwill on acquisitions during the year. In the prior year, the exceptional items related to the write down of print assets of £46.6 million, impairment of goodwill of £26.6 million and an onerous print contract provision of £21.2 million, less the profit on disposal of land and buildings of £34.9 million.

The following items have been included in arriving at operating loss:

	2009 £m	2008 £m
Amortisation of intangibles	**16.8**	12.0
Impairment of intangibles	**6.2**	–
Impairment of goodwill	**16.9**	26.6
Impairment of property, plant and equipment	**0.5**	46.6
Profit on sale of property, plant and equipment	**(0.3)**	(39.0)
Other operating lease rentals payable:		
- Plant and machinery	**6.1**	8.6
- Property	**12.0**	6.9
Repairs and maintenance expenditure on property, plant and equipment	**2.3**	1.8
Trade receivables impairment	**0.5**	0.4

Services provided by the Group's auditors
During the year the Group obtained the following services from the Group's auditors as detailed below:

	2009 £m	2008 £m
Statutory audit	**0.1**	0.1
Audit of subsidiaries	**0.2**	0.3
Tax services:		
- Compliance services	**0.1**	0.1
- Advisory services	**0.4**	0.3
Other services not covered above	**0.1**	0.3
	0.9	1.1

Notes relating to the financial statements
continued

5. Employees and directors

	2009 £m	2008 £m
Staff costs for the Group during the period including executive directors		
Wages and salaries	**150.2**	159.3
Employer's social security costs	**14.8**	16.4
Employer's pension costs	**11.8**	9.5
	176.8	185.2

Average monthly number of persons employed including executive directors	**No.**	No.
Production	**1,756**	1,936
Selling and distribution	**1,269**	1,475
Administration	**787**	903
	3,812	4,314

Key management compensation	**£m**	£m
Salaries and short-term employee benefits	**5.9**	8.6
Post employment benefits	**1.1**	0.9
Termination benefits	**0.3**	0.3
	7.3	9.8

Directors' remuneration information required for the financial statements is shown on page 51.

6. Income from other financial assets

	2009 £m	2008 £m
Profit on disposal of other financial assets:		
- Non-current	**4.0**	–
- Current	**0.2**	–
Dividends from unlisted investments	**–**	0.1
	4.2	0.1

7(a). Finance income and expenses

	2009 £m	2008 £m
Interest expense		
Interest payable on bank and other borrowings	**–**	(4.8)
Interest payable on hedging instruments	**–**	(0.1)
Debt issue costs amortised	**–**	(0.1)
Other interest payable	**(2.5)**	–
Interest payable on finance leases	**(3.1)**	(3.0)
Interest payable and similar charges	**(5.6)**	(8.0)
Interest income		
Interest receivable on cash and cash equivalents	**9.1**	32.1
Interest receivable and similar income from joint ventures	**84.0**	35.5
Other interest receivable	**2.2**	0.9
Fair value gains on forward exchange contracts	**–**	1.2
Interest receivable and similar income	**95.3**	69.7
Finance income/(expenses) – net	**89.7**	61.7

7(b). Other financing expenses

	2009 £m	2008 £m
Fair value losses on forward exchange contracts	**(24.4)**	–

Notes relating to the financial statements
continued

8. Taxation

Analysis of credit in year

	2009 £m	2008 £m
Current tax		
Continuing operations for the period	**(0.7)**	17.5
Adjustments in respect of prior periods	**(2.5)**	(2.1)
	(3.2)	15.4
Deferred taxation		
Continuing operations	**(12.6)**	(16.2)
Taxation	**(15.8)**	(0.8)

Tax on items charged to the statement of recognised income and expense		
Deferred tax charge on actuarial gains	**0.1**	0.2

Factors affecting tax charge for the year
The tax for the period is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 30%).

The differences are explained below:

(Loss)/profit before tax	**(89.8)**	306.4
(Loss)/profit before taxation multiplied by standard rate of corporation tax of 28% (2008 30%)	**(25.1)**	91.9
Effects of:		
Expenses not deductible for tax purposes	**1.4**	7.0
Income not taxable	**(18.4)**	(1.9)
Current year movement on deferred tax	**0.4**	(1.0)
Foreign taxes	**0.1**	–
Utilisation of tax losses not previously recognised	**(0.2)**	(10.5)
Deferred tax asset not previously recognised	**(0.4)**	–
Impairment of subsidiary goodwill and joint venture company	**4.4**	8.0
SSR available on profit on disposal of 49.9% of TMG	**–**	(98.4)
Adjustment to tax charge in respect of joint ventures and associates	**19.0**	7.7
Adjustment to tax charge in respect of previous periods	**(1.7)**	(2.1)
Current year losses not recognised	**4.7**	–
Adjustment for change in tax rate	**–**	(1.5)
Total taxation (continuing operations)	**(15.8)**	(0.8)

Factors that may affect future tax charges
There are no significant factors known at 29 March 2009 which may affect future tax charges (2008 The standard rate of corporation tax changed to 28% with effect from 1 April 2008 and a number of changes to the capital allowance regime were enacted in the 2008 Finance Act).

Notes relating to the financial statements
continued

9(a). Non-current other financial assets – available for sale

	2009 £m	2008 £m
At 30 March 2008	–	–
Additions at cost	212.6	–
Disposals at fair value	(31.6)	–
	181.0	–
Net gains on disposals – profit and loss account	4.0	–
Net fair value loss – statement of recognised income and expense	(0.5)	–
At 29 March 2009	184.5	–

	2009 £m	2008 £m
Other financial assets include the following:		
Hedge funds	100.9	–
Managed funds	74.0	–
Short term funds held for reinvestment	9.6	–
	184.5	–

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

	2009 £m	2008 £m
Other financial assets are denominated in the following currencies:		
Sterling	76.3	–
US Dollar	108.2	–
	184.5	–

The fair value 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 active markets are determined using fund manager statements which are based on broker pricing or their own valuation.

9(b). Profit on disposal of subsidiaries
In June 2007, the Group sold, to Apax Partners Europe, 49.9% of its interest in Trader Media Investments Limited, a wholly owned subsidiary of Trader Media Group Limited generating a profit of £334.8 million. In addition, during 2007/08, the Group disposed of certain trade and assets of a subsidiary company generating a profit of £0.4 million.

Notes relating to the financial statements
continued

10. Goodwill

	£m
Cost	
At 31 March 2008	154.1
Acquisition – through business combination	3.9
Disposals	(1.7)
At 29 March 2009	**156.3**
Accumulated impairment	
At 31 March 2008	35.7
Impairment	16.9
Disposals	(1.7)
At 29 March 2009	**50.9**
Net book value at 29 March 2009	**105.4**

Goodwill relates principally to the GMG Radio division.

During the year ended 29 March 2009, certain assets were tested for impairment in accordance with IAS 36 "Impairment of assets" and were found to be impaired. The recoverable amount of a CGU was determined based on a value-in-use calculation or market value. The value-in-use calculation used pre-tax cash flow projections based on the financial budgets approved by the Board for 2009/10 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determine budgets and business plans based on past performance and its expectations of market development. The discount rates used were pre-tax and reflected specific risks relevant to the industry. Discount rates used ranged between 8.5% and 12% and were also benchmarked against comparable peers. An impairment charge of £16.9 million arose from these calculations.

During the year the Group completed the following non-material acquisitions:
– the acquisition of 100% of the ordinary share capital of ContentNext Media Inc.
– the acquisition of the remaining 50% of the ordinary share capital of Trafford Park Printers Limited.

Goodwill of £3.9 million resulted on acquisition as follows:

	Carrying values pre-acquisition £m	Fair value adjustments £m	Fair value acquired £m
Net assets acquired			
Non-current assets			
Property, plant and equipment	35.7	(6.8)	28.9
Intangible assets	–	2.1	2.1
	35.7	(4.7)	31.0
Current assets	6.0	–	6.0
Current liabilities	(4.2)	–	(4.2)
Deferred taxation	(1.0)	(1.2)	(2.2)
Net current assets/(liabilities)	0.8	(1.2)	(0.4)
Non-current – financial liabilities	(19.5)	–	(19.5)
Non-current – retirement benefit liabilities	(2.6)	–	(2.6)
Fair value of net assets	14.4	(5.9)	8.5
Less: fair value of joint venture net assets – preacquisition, existing 50% of ordinary share capital held			(4.0)
Fair value of net assets acquired			4.5
Purchase consideration – net of cash acquired			5.0
Purchase consideration – deferred			0.5
Goodwill			3.9
Negative goodwill credited to profit and loss account			(2.9)

The fair values set out above contain certain provisional amounts which will be finalised no later than one year after the date of acquisition. Goodwill represents the synergies, assembled workforce, and future growth potential of the businesses acquired.

The fair value of the identifiable assets in respect of the acquisition of the remaining 50% of Trafford Park Printers Linited (TPP) have been stated at 100% of their value. An adjustment to reflect the 50% purchased has been made in the calculation of goodwill. Provisions of £19.2 million existed in respect of commitments to TPP in GMG subsidiary entities prior to its acquisition. These provisions have been reclassified to be consistent with full ownership of TPP on consolidation.

Notes relating to the financial statements
continued

10. Goodwill continued

	£m
Cost	
At 2 April 2007	144.4
Acquisitions – through business combinations	9.7
At 30 March 2008	**154.1**
Accumulated impairment	
At 2 April 2007	9.1
Impairment	26.6
At 30 March 2008	**35.7**
Net book value at 30 March 2008	**118.4**

Goodwill relates principally to the GMG Radio division.

During the year ended 30 March 2008, certain GMG Radio assets were tested for impairment in accordance with IAS 36 "Impairment of assets" and were found to be impaired. The recoverable amount of a CGU was determined based on a value-in-use calculation or market value. The value-in-use calculation used pre-tax cash flow projections based on the financial budgets approved by the Board for 2008/09 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determine budgets and business plans based on past performance and its expectations of market development. The discount rates used were pre-tax and reflected specific risks relevant to the industry. An impairment charge of £26.6 million arose from these calculations.

During the year the Group completed the following non-material acquisitions:
- the acquisition of 100% of the ordinary share capital of Kable Limited
- the acquisition of 100% of the ordinary share capital of Core Estates Limited
- the acquisition of 100% of the ordinary share capital of CFP Software Limited.

Notes relating to the financial statements
continued

11. Intangible assets

	Radio Licences £m	Other £m	Total £m
Cost			
At 31 March 2008	107.1	57.0	164.1
Acquisitions – through business combinations	–	2.1	2.1
Additions at cost	–	9.1	9.1
Transfer to property, plant and equipment	–	(0.5)	(0.5)
Disposals	–	(0.6)	(0.6)
At 29 March 2009	**107.1**	**67.1**	**174.2**
Accumulated amortisation			
At 31 March 2008	7.0	14.2	21.2
Disposals	–	(0.5)	(0.5)
Impairment in period	–	6.2	6.2
Charge for period	5.3	11.5	16.8
At 29 March 2009	**12.3**	**31.4**	**43.7**
Net book value at 29 March 2009	**94.8**	**35.7**	**130.5**

Other intangible assets mainly comprises computer software which is amortised in accordance with the accounting policy shown in note 1. All amortisation charges in the year have been charged through operating costs in the profit and loss account.

	Radio Licences £m	Other £m	Total £m
Cost			
At 2 April 2007	107.1	23.0	130.1
Acquisitions – through business combinations	–	26.8	26.8
Additions at cost	–	8.5	8.5
Disposals	–	(1.3)	(1.3)
At 30 March 2008	**107.1**	**57.0**	**164.1**
Accumulated amortisation			
At 2 April 2007	1.6	8.8	10.4
Disposals	–	(1.2)	(1.2)
Charge for period	5.4	6.6	12.0
At 30 March 2008	**7.0**	**14.2**	**21.2**
Net book value at 30 March 2008	**100.1**	**42.8**	**142.9**

Notes relating to the financial statements
continued

12.(a) Property, plant and equipment

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 31 March 2008	26.6	141.0	16.3	3.0	186.9
Additions at cost	1.4	8.3	22.4	–	32.1
Acquisitions - through business combinations	9.0	0.7	–	–	9.7
Reclassifications and transfer from intangible assets	–	0.3	2.6	(2.4)	0.5
Disposals	(0.7)	(31.6)	(6.3)	–	(38.6)
At 29 March 2009	**36.3**	**118.7**	**35.0**	**0.6**	**190.6**
Accumulated depreciation					
At 31 March 2008	15.6	104.8	11.6	–	132.0
Charge for the period	0.5	9.7	2.3	–	12.5
Impairment	0.5	–	–	–	0.5
Disposals	(0.6)	(31.6)	(6.3)	–	(38.5)
At 29 March 2009	**16.0**	**82.9**	**7.6**	**–**	**106.5**
Net book value at 29 March 2009	**20.3**	**35.8**	**27.4**	**0.6**	**84.1**

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 2 April 2007	37.1	137.7	19.4	0.5	194.7
Additions at cost	0.1	6.5	1.5	3.4	11.5
Reclassifications	(0.3)	0.7	0.2	(0.6)	–
Disposals - to joint ventures	–	(0.2)	–	(0.3)	(0.5)
Disposals	(10.3)	(3.7)	(4.8)	–	(18.8)
At 30 March 2008	**26.6**	**141.0**	**16.3**	**3.0**	**186.9**
Accumulated depreciation					
At 2 April 2007	7.1	61.8	12.6	–	81.5
Charge for the period	1.4	11.6	2.1	–	15.1
Impairment	10.8	35.8	–	–	46.6
Disposals	(3.7)	(4.4)	(3.1)	–	(11.2)
At 30 March 2008	**15.6**	**104.8**	**11.6**	**–**	**132.0**
Net book value at 30 March 2008	**11.0**	**36.2**	**4.7**	**3.0**	**54.9**

In 2008, under IAS 36, "Impairment of assets", the impairment of an asset may exist where operating losses or net cash outflows in respect of the asset arise. An impairment review of certain assets within the Guardian News & Media division has been performed in accordance with IAS 36 which has resulted in an impairment of £46.6 million.

Notes relating to the financial statements
continued

12.(b) Property, plant and equipment

Assets held under finance leases, capitalised and included in plant and vehicles:

	2009 £m	2008 £m
Cost	118.7	91.0
Accumulated depreciation	(79.6)	(68.5)
Net book value	39.1	22.5

Details of material finance lease arrangements are given in note 18.

The net book value of land and buildings is made up as follows:

	2009 £m	2008 £m
Freehold	9.9	6.0
Long leasehold	8.1	3.4
Short leasehold	2.3	1.6
	20.3	11.0

All Group land and buildings with a net book value in excess of £20,000 were valued by independent third party valuers in accordance with IAS 36 "Impairment of assets" as at 31 December 2008. One property was found to be impaired due to economic conditions and this impairment loss has been recognised in the profit and loss account. One property, with a net book value of £1.8 million, is held for sale.

Notes relating to the financial statements
continued

13. Investments

(a) Interests in joint ventures

	Trader Media Group £m	Emap £m	Other £m	Total £m
At 31 March 2008				
- Net (liabilities)/assets	(331.6)	(8.0)	8.0	(331.6)
- Goodwill	–	8.4	–	8.4
- Preference shares	102.0	235.4	–	337.4
- Loans	145.3	72.1	–	217.4
	(84.3)	**307.9**	**8.0**	**231.6**
Transfer to subsidiary	–	–	(8.0)	(8.0)
Interest on loans and preference shares rolled up	57.8	9.6	–	67.4
Profit and loss account – continuing operations	(9.2)	(58.5)	0.4	(67.3)
Statement of recognised income and expense	(3.8)	(0.6)	(0.4)	(4.8)
At 29 March 2009				
- Net liabilities	(344.6)	(67.1)	–	(411.7)
- Goodwill	–	8.4	–	8.4
- Preference shares	137.6	245.0	–	382.6
- Loans	167.5	72.1	–	239.6
	(39.5)	**258.4**	**–**	**218.9**

On 1 October 2008, the Group acquired the remaining 50% interest in Trafford Park Printers Limited for £1.6 million and, in accordance with IAS 27 "Consolidated and separate financial statements", the company is now accounted for as a subsidiary.

The Group's share of amounts relating to joint ventures

	Trader Media Group £m	Emap £m	Other £m	Total £m
Non-current assets	489.1	311.1	–	800.2
Current assets	56.8	37.2	–	94.0
Current liabilities	(49.5)	(157.5)	–	(207.0)
Non-current liabilities	(841.0)	(257.9)	–	(1,098.9)
Net liabilities	**(344.6)**	**(67.1)**	**–**	**(411.7)**
Turnover	148.3	84.2	6.5	239.0
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	55.5	29.0	0.8	85.3
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	48.9	10.9	0.8	60.6
Net interest payable and similar charges (excluding gain on debt buy-back)	(84.7)	(69.0)	(0.4)	(154.1)
Gain on debt buy-back and profit on disposal of subsidiary	19.6	–	–	19.6
(Loss)/profit before taxation	**(16.2)**	**(58.1)**	**0.4**	**(73.9)**
Taxation	7.0	(0.4)	–	6.6
Share of post tax results from joint ventures	**(9.2)**	**(58.5)**	**0.4**	**(67.3)**

Exceptional items totalling £19.6 million shown above includes the gain on debt buy-back and the profit on disposal of subsidiary at Trader Media Group.

The share of post tax results shown above for Trader Media Group and Emap includes a charge for audit fees from the Group's auditors of £0.2 million and £0.1 million respectively.

The Group's share of joint ventures' capital commitments are included in note 30 on page 85.

The joint ventures have no significant contingent liabilities to which the Group is exposed and nor has the Group significant contingent liabilities in relation to its interest in its joint ventures.

Notes relating to the financial statements
continued

13. Investments continued

(a) Interests in joint ventures continued

	Trader Media Group £m	Emap £m	Other £m	Total £m
At 2 April 2007				
- Net assets	–	–	6.5	6.5
- Loans	–	–	1.0	1.0
	–	**–**	**7.5**	**7.5**
Part disposal of TMG - reclassification from subsidiary	(52.1)	–	–	(52.1)
Acquisitions	–	(8.0)	–	(8.0)
Goodwill	–	8.4	–	8.4
Repayment of loans	–	–	(3.5)	(3.5)
Preference shares	–	235.4	–	235.4
Loans advanced	–	72.1	2.5	74.6
Profit and loss account - continuing operations	(27.5)	–	0.4	(27.1)
Statement of recognised income and expense	(4.7)	–	1.1	(3.6)
At 30 March 2008				
- Net (liabilities)/assets	(331.6)	(8.0)	8.0	(331.6)
- Goodwill	–	8.4	–	8.4
- Preference shares	102.0	235.4	–	337.4
- Loans	145.3	72.1	–	217.4
	(84.3)	**307.9**	**8.0**	**231.6**

On 20 March 2008, the Group acquired a 29.54% interest in Emap plc for £307.9 million of which £209.0 million was paid in early April 2008 to Eden Bidco Limited, a joint venture company owned by Guardian Media Group plc and Apax Partners, en route for payment to Emap plc shareholders. A further £1 million in connection with this transaction is included within other debtors.

In accordance with IAS 31, "Interests in joint ventures" and the shareholders' agreement, Emap is being accounted for as a joint venture using the equity method of accounting.

On 8 June 2007, the Group disposed of 49.9% of its interest in its subsidiary Trader Media Investments Limited retaining a 50.1% interest. In accordance with IAS 31, "Interests in joint ventures" and the shareholders' agreement, the remaining interest is accounted for as a joint venture using the equity method of accounting.

The Group's share of amounts relating to joint ventures

	Trader Media Group £m	Emap £m	Other £m	Total £m
Non-current assets	485.2	373.1	26.6	884.9
Current assets	45.0	84.2	5.8	135.0
Current liabilities	(83.2)	(176.4)	(4.6)	(264.2)
Non-current liabilities	(778.6)	(288.9)	(19.8)	(1,087.3)
Net (liabilities)/assets	**(331.6)**	**(8.0)**	**8.0**	**(331.6)**
Turnover	128.5	–	83.4	211.9
Expenses	(89.4)	–	(82.0)	(171.4)
Interest	(64.6)	–	(0.9)	(65.5)
(Loss)/profit before taxation	**(25.5)**	**–**	**0.5**	**(25.0)**
Taxation	(2.0)	–	(0.1)	(2.1)
Share of post tax results from joint ventures	**(27.5)**	**–**	**0.4**	**(27.1)**

The Group's share of joint ventures' capital commitments are included in note 30 on page 85.

Notes relating to the financial statements
continued

13. Investments continued

(b) Interests in associates

	2009 £m	2008 £m
At 31 March 2008		
- Net assets excluding goodwill	**7.1**	4.0
- Goodwill	**0.3**	0.7
	7.4	4.7
Additions		
- Net assets (transfer from amounts owed by related parties)	**–**	0.4
- Net assets	**–**	3.4
Disposals		
- Net assets	**–**	(0.1)
- Net assets (transfer to debtors)	**–**	(0.3)
Impairment of goodwill		
- Net assets	**(3.0)**	–
- Goodwill	**(0.3)**	(0.4)
Share of retained loss	**0.1**	(0.3)
At 29 March 2009		
- Net assets excluding goodwill	**4.2**	7.1
- Goodwill	**–**	0.3
	4.2	7.4

The Group's share of amounts relating to associates

	2009 £m	2008 £m
Total assets	**8.9**	13.2
Total liabilities	**(4.7)**	(6.1)
Turnover	**15.5**	16.2
Share of post tax profit/(losses) of associates before exceptional items	**0.1**	(0.3)

A list of principal subsidiary undertakings, joint ventures and associates is given in note 33. The associates have no significant contingent liabilities to which the Group is exposed and nor has the Group significant contingent liabilities in relation to its interest in its associates. The associates have no significant capital commitments.

(c) Other financial assets

	2009 £m	2008 £m
At 31 March 2008	**1.8**	1.5
Additions at cost	**0.1**	0.3
Reclassification - debtors	**(0.4)**	–
At 29 March 2009	**1.5**	1.8
Other financial assets include the following:		
Unlisted shares	**0.2**	0.3
Term deposits/loans	**1.3**	1.5
	1.5	1.8

Notes relating to the financial statements
continued

14. Inventories

	2009 £m	2008 £m
Raw materials and consumables	**1.9**	1.6

The Group consumed £57.2 million (2008 £69.2 million) of inventories during the year (note 4).

15. Trade and other receivables

	2009 £m	2008 £m
Amounts falling due within one year:		
Trade receivables	**56.3**	64.0
Less: Provision for impairment of receivables	**(1.1)**	(1.1)
Trade receivables – net	**55.2**	62.9
Amounts owed by related parties	**55.0**	36.9
Other debtors	**2.9**	2.7
Prepayments and accrued income	**15.7**	16.1
	128.8	118.6

As at 29 March 2009, trade receivables of £1.1 million (2008 £1.0 million) were impaired. The ageing of these receivables is as follows:

	2009 £m	2008 £m
Up to 3 months	**0.2**	0.4
3 to 6 months	**0.2**	0.3
Over 6 months	**0.7**	0.3
	1.1	1.0

As at 29 March 2009, trade receivables of £16.1 million (2008 £10.6 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2009 £m	2008 £m
Up to 3 months	**9.6**	9.7
3 to 6 months	**1.0**	0.8
Over 6 months	**0.2**	0.1
	10.8	10.6

Movements on the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 31 March 2008	**1.1**	1.0
Additions in year	**0.2**	0.1
Provision for receivables impairment	**0.7**	0.6
Receivables written off during the year as uncollectible	**(0.7)**	(0.4)
Unused amounts reversed	**(0.2)**	(0.2)
At 29 March 2009	**1.1**	1.1

The creation and release of provision for impaired receivables is included in operating costs in the profit and loss account (note 4).

Notes relating to the financial statements
continued

16. Current tax

	2009 £m	2008 £m
Current tax liability	**8.8**	6.2

17. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**12.5**	61.7
Short term bank deposits	**70.7**	515.8
	83.2	577.5

18. Financial liabilities – borrowings

	2009 £m	2008 £m
Current		
Due within one year or on demand:		
Finance lease obligations	**7.3**	6.9

	2009 £m	2008 £m
Non-current		
Finance lease obligations	**72.3**	58.9
Preference shares	**–**	0.1
	72.3	59.0
The total value of obligations under finance leases repayable by instalments:		
- between one to two years	**7.5**	2.0
- between two to five years	**18.3**	16.6
- over five years	**46.5**	40.3
	72.3	58.9

The present value of minimum lease payments are as follows:

	2009 £m	2008 £m
- within one year	**10.5**	9.5
- greater than one year but less than five years	**36.0**	26.3
- after five years	**53.6**	48.6
Total minimum lease payments	**100.1**	84.4
Less future finance charges	**(20.5)**	(18.6)
Present value of minimum lease payments	**79.6**	65.8

Preference share capital

	2009 £m	2008 £m
Authorised, issued, called up and fully paid:		
100,000 4% cumulative preference shares of £1 each	**–**	0.1

Following High Court approval on 11 June 2008, the Group cancelled and repaid the 4% cumulative preference shares of Guardian Media Group plc together with the accrued dividend up to and including the date of cancellation.

Notes relating to the financial statements
continued

19. Trade and other payables – current

	2009 £m	2008 £m
Trade payables	**20.8**	23.0
Taxation and social security	**4.7**	8.2
Other creditors	**4.8**	2.6
Accruals and deferred income	**30.7**	36.6
	61.0	70.4

20. Other non-current liabilities

	2009 £m	2008 £m
Other creditors	**4.8**	0.4
Accruals	**0.2**	0.7
	5.0	1.1

21. Provisions

	£m
At 31 March 2008	42.9
Charged to profit and loss account:	
- Additional provisions	10.8
- Unused amounts reversed	(9.2)
Utilised in year	(28.5)
At 29 March 2009	**16.0**

Provisions have been analysed between current and non-current as follows:	
Current	9.1
Non-current	6.9
	16.0

Provisions at 29 March 2009 relate primarily to onerous leases and restructuring costs in the Guardian News & Media and GMG Regional Media divisions. More than half is expected to be settled within one year, with the remainder being utilised over the longer term.

	£m
At 2 April 2007	17.5
Charged to profit and loss account	29.7
Utilised in year	(4.3)
At 30 March 2008	42.9

Provisions have been analysed between current and non-current as follows:	
Current	12.3
Non-current	30.6
	42.9

Notes relating to the financial statements
continued

22. Deferred taxation
Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 28% (2008 28%).

The movement on the deferred taxation account is as shown below:

	2009 £m	2008 £m
At 31 March 2008	**21.7**	30.5
Profit and loss credit	**(12.6)**	(16.2)
Acquisitions – through business combinations	**2.2**	7.2
Statement of recognised income and expense credit	**0.1**	0.2
At 29 March 2009	**11.4**	21.7

	Accelerated capital allowances on fixed assets £m	**Tax losses carried forward £m**	**Short-term and other timing differences £m**	**Acquired intangible assets £m**	**Total £m**
Deferred taxation liabilities					
At 31 March 2008	3.3	–	0.4	36.2	39.9
Profit and loss credit	(0.3)	–	–	(5.7)	(6.0)
Reclassification	(2.8)	–	–	–	(2.8)
Acquisitions – through business combinations	–	–	–	1.2	1.2
At 29 March 2009	**0.2**	**–**	**0.4**	**31.7**	**32.3**
Deferred taxation assets					
At 31 March 2008	(4.1)	(0.1)	(14.0)	–	(18.2)
Profit and loss credit	(3.1)	–	(3.5)	–	(6.6)
Reclassification	2.8	–	–	–	2.8
Statement of recognised income and expense credit	–	–	0.1	–	0.1
Acquisitions – through business combinations	0.1	(0.4)	1.3	–	1.0
At 29 March 2009	**(4.3)**	**(0.5)**	**(16.1)**	**–**	**(20.9)**
Net deferred tax liability at 29 March 2009					**11.4**
Net deferred tax liability at 30 March 2008					21.7

Deferred tax assets have not been recognised where they relate to losses in companies where their future utilisation against profits cannot be reasonably foreseen. There is an unrecognised deferred tax asset at the balance sheet date of £6.1 million (2008 £1.8 million).

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to do so and there is an intention to settle the balances net.

No deferred tax has been provided for on unremitted earnings of Group companies overseas as these are considered permanently employed in the business of these companies and, in the case of joint ventures and associates, the taxes would not be material. The aggregate amount of temporary differences associated with interests in joint ventures for which deferred tax liabilities have not been recognised totalled approximately £1.3 million at 29 March 2009.

23. Share capital

	2009 £m	2008 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9
	0.9	0.9

Notes relating to the financial statements
continued

24. Reserves
The movement on retained profits is analysed below:

	Revaluation reserve £m	Non distributable reserve £m	Profit and loss reserve £m	Total reserves £m
At 2 April 2007	–	–	532.4	532.4
Retained profit for the year	–	–	307.2	307.2
Losses recognised directly in equity	–	–	(4.2)	(4.2)
At 30 March 2008	–	–	835.4	835.4
Repayment of 4% cumulative preference shares	–	0.1	(0.1)	–
Dividends paid	–	–	(0.1)	(0.1)
Retained loss for the year	–	–	(74.0)	(74.0)
Losses recognised directly in equity	0.7	–	(9.0)	(8.3)
At 29 March 2009	**0.7**	**0.1**	**752.2**	**753.0**

Cumulative goodwill written off directly to Group reserves £58.4 million (2008 £58.4 million).

25. Preference dividends paid
Preference dividends paid during the year amounted to £1,792 (2008 £4,000).

On 2 March 2009, the Board declared a dividend of 11.1p per share on the ordinary share capital amounting to £100,000 which was paid to The Scott Trust Limited on 6 March 2009.

26. Statement of changes in equity

	£m
At 2 April 2007	533.3
Retained profit for the year	307.2
Losses recognised directly in equity	(4.2)
At 30 March 2008	836.3
Dividends paid	(0.1)
Retained loss for the year	(74.0)
Losses recognised directly in equity	(8.3)
At 29 March 2009	**753.9**

Notes relating to the financial statements
continued

27. Cash flow from operating activities
Reconciliation of operating profit before tax to net cash inflow from operating activities:

Cash generated from operations

	2009 £m	2008 £m
Continuing operations		
Net (loss)/profit	**(74.0)**	307.2
Adjustments for:		
Tax	**(15.8)**	(0.8)
Depreciation	**12.5**	15.1
Impairment of property, plant and equipment	**0.5**	46.6
Profit on part disposal of subsidiary	**–**	(334.8)
Profit on sale of trade and assets	**–**	(0.4)
Profit on disposal of property, plant and equipment	**(0.3)**	(39.0)
Negative goodwill	**(2.9)**	–
Impairment of goodwill	**16.9**	26.6
Amortisation of intangibles	**16.8**	12.0
Impairment of intangibles	**6.2**	–
Impairment of associates	**3.3**	0.4
Income from non-current financial assets	**(4.2)**	(0.1)
Interest receivable and similar income	**(95.3)**	(69.7)
Interest payable and similar charges	**5.6**	8.0
Other financing expenses	**24.4**	–
Pensions	**(1.6)**	(1.0)
Share of results of joint ventures after taxation	**67.3**	27.1
Share of results of associates after taxation	**(0.1)**	0.3
Changes in working capital (excluding effects of reclassifications, acquisitions and disposals of subsidiaries):		
Increase in inventories	**(0.1)**	(0.6)
Decrease/(increase) in trade and other receivables	**12.5**	(30.8)
(Decrease)/increase in trade and other payables	**(8.9)**	3.4
(Decrease)/increase in provisions	**(7.8)**	25.4
Cash used in continuing operations	**(45.0)**	(5.1)

Notes relating to the financial statements
continued

28. Pension commitments

Defined contribution schemes
All of the Group's employees are eligible for membership of defined contribution pension schemes and of those eligible more than 99% are members of such schemes. Pension schemes' assets are held in separate trustee-administered funds.

Pension costs for defined contribution schemes are as follows:

	2009 £m	2008 £m
Defined contribution schemes	**11.8**	9.4

Defined benefit schemes
The Group has two (2008 three) defined benefit pension schemes, all of which have been accounted for in accordance with IAS 19 "Employee benefits".

The Surrey Advertiser Newspaper Holdings Ltd Pension & Life Assurance Scheme was closed to future accrual with effect from 31 March 2006. The most recent actuarial valuation of this Scheme was performed on 5 April 2006.

The Trafford Park Printers 1990 Pension Scheme was closed to future accrual with effect from 31 December 2006. The most recent actuarial valuation for this Scheme was performed on 1 April 2007. This scheme was acquired during the year as part of a business combination.

The valuations for both of the Schemes have been updated to 29 March 2009 by a qualified independent actuary. The main assumptions made by the actuary were:

	2009	2008
Rate of increase for pensions in payment	**3.50% pa**	3.60% pa
Rate of increase in deferred pensions	**3.50% pa**	3.10% pa
Discount rate	**6.80% pa**	5.90% pa
Inflation assumption	**3.50% pa**	3.60% pa
Expected return on plan assets:		
Equities	**6.25% pa**	6.40% pa
Real Estate	**6.25% pa**	6.40% pa
Bonds	**6.80% pa**	5.90% pa
Gilts	**4.25% pa**	4.40% pa
Cash	**4.00% pa**	5.00% pa

The Group has assumed that mortality will be in line with nationally published PMA92 and PFA92 mortality tables related to members' years of birth and incorporating projected medium-term improvements to life expectancy. The assumptions are that a non-pensioner who retires in 2030 at age 65 will live on average a further 23 years after retirement if they are male and a further 26 years after retirement if they are female. A current pensioner aged 70 will live on average a further 17 years if they are male and a further 20 years if they are female.

The amounts recognised in the balance sheet are determined as follows:

	2009 £m	2008 £m
Present value of funded obligations – all fully or partly funded	**23.1**	14.8
Fair value of plan assets	**(21.2)**	(13.7)
	1.9	1.1
Plan liabilities not disclosed	**–**	0.1
Net liability recognised in the balance sheet	**1.9**	1.2

Notes relating to the financial statements
continued

28. Pension commitments continued

The amounts recognised in the profit and loss account are as follows:

	2009 £m	2008 £m
Interest cost	1.3	0.8
Expected return on plan assets	(1.0)	(0.7)
Total pension cost recognised in the profit and loss account	0.3	0.1

These charges are included in operating costs.

The amounts recognised in the statement of recognised income and expense are as follows:

	2009 £m	2008 £m
Actuarial gains immediately recognised	0.5	0.7

Changes in the present value of the defined benefit obligation are as follows:

	2009 £m	2008 £m
At 31 March 2008	14.8	16.0
Acquisitions – through business combinations	12.2	–
Interest cost	1.3	0.8
Actuarial gains	(4.0)	(1.3)
Benefits paid	(1.2)	(0.7)
At 29 March 2009	23.1	14.8

Changes in the fair value of the schemes' assets are as follows:

	2009 £m	2008 £m
At 31 March 2008	(13.7)	(13.3)
Acquisitions – through business combinations	(9.6)	–
Employer contributions	(1.6)	(1.0)
Expected return on assets	(1.0)	(0.7)
Actuarial loss	3.5	0.6
Benefits paid	1.2	0.7
At 29 March 2009	(21.2)	(13.7)

The actual return on plan assets was a loss of £2.5 million.

The Group expects to contribute £1.6 million to the defined benefit pension schemes during the year ending 28 March 2010.

The major categories of schemes' assets are as follows:

	2009 £m	2008 £m
Equities	8.4	4.7
Bonds	6.3	2.0
Gilts	4.9	6.0
Real Estate	0.7	–
Cash	0.9	1.0
	21.2	13.7

Notes relating to the financial statements
continued

28. Pension commitments continued

Analysis of the movement in the balance sheet liability:

	2009 £m	2008 £m
At 31 March 2008	**1.1**	2.7
Total expense recognised in the profit and loss account	**0.3**	0.1
Acquisitions – through business combinations	**2.6**	–
Contributions	**(1.6)**	(1.0)
Net actuarial gain recognised in the year	**(0.5)**	(0.7)
At 29 March 2009	**1.9**	1.1

Cumulative actuarial losses recognised in equity:

	2009 £m	2008 £m
At 31 March 2008	**4.3**	5.0
Acquisitions – through business combinations	**2.6**	–
Net actuarial gain recognised in the year	**(0.5)**	(0.7)
At 29 March 2009	**6.4**	4.3

The expected return on assets assumption has been derived by considering the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return assets assumption for the portfolio.

29. Operating lease and similar commitments

The Group has entered into a number of non-cancellable operating leases and similar annual commitments. The total amount payable under these leases is as follows:

	Land and buildings		Other	
	2009 £m	2008 £m	2009 £m	2008 £m
Expiring within one year	**7.3**	10.3	**4.3**	10.6
Expiring between two and five years inclusive	**30.0**	32.2	**25.3**	39.3
Expiring in over five years	**112.5**	116.4	**37.8**	51.2
	149.8	158.9	**67.4**	101.1

30. Capital commitments authorised

Contracts entered into, but not provided for, for property, plant and equipment for the Group amounted to approximately £1.0 million (2008 £18.1 million).

31. 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 undertakings, principally Trader Media Group, Emap and Trafford Park Printers (until 1 October 2008 when it became a subsidiary). The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2009 £m	2008 £m
Sales	**0.4**	11.0
Purchases	**13.1**	58.6
Loans made	**72.1**	145.3
Preference shares issued	**235.4**	102.0
Interest on loans and preference shares	**84.0**	35.5

At year end, balances outstanding in relation to these transactions amounted to £674.7 million (2008 £320.5 million).

During the year Guardian Media Group plc paid £59,229 (2008 £112,480) to eight (2008 eight) members of the Scott Trust in relation to their duties as trustees. A further £71,299 (2008 £142,196) was paid to two (2008 two) of the trustees, neither of whom are directors of the Group, for services rendered to Guardian News & Media Limited in the normal course of business and paid on a normal arm's length basis. In addition, the Group paid £1,406,404 (2008 £304,000) to a law firm of which a further member of the Scott Trust is a partner.

The Group paid a further £83,509 to two directors of The Scott Trust Limited for services rendered to Guardian News & Media Limited in the normal course of business and paid on a normal arm's length basis. The Group also paid a further £301,540 to a law firm of which a Scott Trust Limited director is a partner.

Notes relating to the financial statements
continued

32. Ultimate controlling party
The ultimate controlling party of the Group is The Scott Trust Limited which owns 100% of the issued ordinary share capital of Guardian Media Group plc.

33. Principal subsidiaries, joint ventures and associates
The principal activity of the subsidiaries, joint ventures and associates is the dissemination of news, information and advertising matter by way of print and other media. The following information relates to those subsidiary undertakings which, in the opinion of the directors, principally affected the results or financial position of the Group.

(a) Subsidiary undertakings	Description of shares held	Equity holding
Guardian News & Media		
Guardian News & Media Limited^	£1 ordinary shares	100%
GMG Regional Media		
MEN Media Limited^	£1 ordinary shares	100%
Surrey and Berkshire Media Limited^	£1 ordinary shares	100%
	£1 deferred shares	100%
Channel M Television Limited^	£1 ordinary shares	100%
GMG Radio		
GMG Radio Holdings Limited	£1 ordinary shares	100%
Real Radio Limited^	£1 ordinary shares	100%
Real Radio (Scotland) Limited^-	£1 ordinary shares	100%
Real Radio (Yorkshire) Limited^	£1 ordinary shares	100%
Smooth Radio London Limited^	£1 ordinary shares	100%
Smooth Radio Limited^	£1 ordinary shares	100%
Real Radio (North East) Limited^	£1 ordinary shares	100%
Real Radio (North West) Limited^	£1 ordinary shares	100%
Smooth Radio Midlands Limited^	£1 ordinary shares	100%
Smooth Radio Scotland Limited^-	£1 ordinary shares	100%
Smooth Radio NE Limited^	£1 ordinary shares	100%
Rock Radio Manchester Limited^	£1 ordinary shares	100%
GMG Property Services		
Vebra Solutions Limited^	£1 ordinary shares	100%
Core Estates Limited^	£1 ordinary shares	100%
CFP Software Limited^	£1 ordinary shares	100%

(b) Joint venture companies	Description of total shares	Percentage holding
Trader Media Group Limited^	10p ordinary shares	50.1%
Eden 2 & Cie SCA	30p ordinary shares	29.5%
Eden Acquisition 2 Limited*+	£1 preference shares	100%
Eden Acquisition 4 Limited*+	£1 preference shares	100%

(c) Associates	Description of total shares	Percentage holding
Seven Publishing Group Limited	£0.01 ordinary shares	41.9%
MXR Holdings Limited^	£1 ordinary shares	24.3%

^ Investments not held directly by Guardian Media Group plc
- Registered in Scotland
* Registered in the Cayman Islands
+ An intermediate holding company of Emap International Limited

All the above subsidiary undertakings, joint ventures and associate companies are incorporated in Great Britain and registered in England and Wales except where noted.

Group five year review

	Year to 29 March 2009 £m	Year to 30 March 2008 £m	Year to 1 April 2007 £m	Year to 2 April 2006 £m	Year to 3 April 2005 £m
Turnover	**405.4**	502.1	716.1	700.3	705.0
Operating costs excluding exceptional items	**(473.2)**	(505.8)	(610.9)	(583.9)	(577.8)
Operating (loss)/profit before exceptional items	**(67.8)**	(3.7)	105.2	116.4	127.2
Exceptional items	**(21.0)**	(59.5)	8.1	(31.8)	(40.3)
Operating (loss)/profit after exceptional items	**(88.8)**	(63.2)	113.3	84.6	86.9
Income from other financial assets	**4.2**	0.1	0.1	0.3	0.9
Profit on disposal of subsidiaries	**–**	335.2	–	–	–
Net interest receivable/(payable) and other financing expenses	**65.3**	61.7	(14.8)	(17.7)	(30.9)
Share of losses of joint ventures and associates	**(70.5)**	(27.4)	(0.9)	(0.8)	(3.2)
(Loss)/profit before taxation	**(89.8)**	306.4	97.7	66.4	53.7
Taxation	**15.8**	0.8	(33.5)	(20.5)	(19.8)
(Loss)/profit for the year from continuing operations	**(74.0)**	307.2	64.2	45.9	33.9
Profit for the year from discontinued operations	**–**	–	–	–	10.2
(Loss)/profit attributable to equity shareholders	**(74.0)**	307.2	64.2	45.9	44.1
Assets employed					
Intangible assets (including goodwill)	**235.9**	261.3	255.0	655.0	650.5
Tangible assets	**84.1**	54.9	113.2	146.4	130.4
Investments	**409.1**	240.8	13.7	17.7	16.9
Cash and cash equivalents	**83.2**	577.5	35.3	75.4	67.3
Net assets held for sale	**–**	–	311.1	–	–
Other net liabilities	**(58.4)**	(298.2)	(195.0)	(427.2)	(440.2)
Net assets	**753.9**	836.3	533.3	467.3	424.9

Guardian Media Group plc

2009 Company financial statements

Report of the directors

The directors present their report and the audited financial statements of the Company for the year ended 29 March 2009.

Activities and review of the business
The Company is the holding company for Guardian Media Group plc.

Business review and future developments
The profit for the year was £507.1 million (2008 £422.6 million). Following High Court approval on 11 June 2008, the Company cancelled and repaid the 4% cumulative preference shares of Guardian Media Group plc together with the accrued dividend up to and including the date of cancellation of 1.792p (2008 4.0p) per share amounting to £1,792 (2008 £4,000). On 2 March 2009, the Board declared a dividend of 11.1p per share on the ordinary share capital amounting to £100,000 which was paid to The Scott Trust Limited on 6 March 2009.

Creditor payment policy
The Company has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors. Payments are made to these creditors in line with the CBI's Prompt Payers Code. The creditor days figure for the Company for the year was 30 days.

Directors and directors' interests
This information is shown in the Group section of the annual report on pages 26, 27 and 47.

Tax status
The Company is a close company for tax purposes.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors and disclosure of information to auditors
The directors confirm that so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern
After reviewing the Company's cash balances and projected cash flows the directors believe that the Company has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Independent auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

Phil Boardman
Secretary
25 June 2009

Independent auditors' report

To the members of Guardian Media Group plc

We have audited the Parent Company financial statements of Guardian Media Group plc for the year ended 29 March 2009 which comprise the balance sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Guardian Media Group plc for the year ended 29 March 2009.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the Parent Company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the report of the directors and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 March 2009
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the report of the directors is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 June 2009

Company balance sheet

As at 29 March 2009

	Note	2009 £m	2008 £m
Assets			
Fixed assets			
Tangible assets	3	**0.1**	0.2
Investment fund	4	**185.0**	–
Investments			
Subsidiary undertakings	5	**619.5**	164.1
Joint ventures	6	**317.5**	316.0
Associates	7	**3.1**	5.9
Other investments	8	**1.5**	1.4
		1,126.7	487.6
Current assets			
Debtors	9	**161.2**	98.4
Cash at bank and in hand		**72.8**	561.5
		234.0	659.9
Current liabilities			
Creditors: due within one year	10	**129.6**	423.1
Net current assets		**104.4**	236.8
Creditors: due after more than one year	11(a)	**0.1**	0.4
Net assets		**1,231.0**	724.0
Capital and reserves			
Share capital	12	**0.9**	0.9
Non distributable reserve	13	**0.1**	–
Profit and loss reserve	13	**1,230.0**	723.1
Total shareholders' funds		**1,231.0**	724.0

These financial statements were approved by the Board of directors on 25 June 2009 and signed on its behalf by:

Amelia Fawcett
Chair

Nick Castro
Finance director

The notes on pages 93 to 98 form part of these financial statements.

Notes relating to the financial statements

1. Accounting policies

Accounting basis
The financial statements on pages 92 to 98 have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. Set out below is a summary of the more important accounting policies, which have been applied consistently.

A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 230(4) of the Companies Act 1985.

Cash flow statement
As the Group prepares consolidated financial statements under IFRS and prepares its own separate financial statements in accordance with UK accounting standards, the Company is exempt from publishing a cash flow statement.

Depreciation
Tangible fixed assets, other than freehold land, are stated at cost less depreciation. Depreciation of tangible fixed assets has been calculated to write off original cost by equal instalments over the expected useful life of the asset concerned. The principal annual rates used for depreciation are:

Plant and vehicles	10 - 33%
Fixtures and fittings	10%

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the Board.

No timing differences are recognised in respect of:

- fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset
- gains on the sale of assets where those gains have been rolled over into replacement assets
- additional tax which would arise if the profits of overseas subsidiary undertakings, joint ventures and associates were distributed, in excess of those dividends that have been accrued.

Deferred tax assets and liabilities are not discounted.

Investments
Fixed asset investments are stated in the financial statements at cost less any provision required to reflect a diminution in value.

Pensions
The Company operates the G and MEN Lifestyle Plan which is a defined contribution scheme; all Company employees are eligible to be members of this scheme. Contributions are charged to the profit and loss account in the period in which they are payable.

The Company is complying with FRS 17, "Retirement Benefits".

Investment income
Income from bank and short-term deposits is included in the financial statements when receivable. Dividends are included in the accounting period in which they are received.

Notes relating to the financial statements
continued

2. (a) Staff costs during the period including executive directors

	2009 £m	2008 £m
Wages and salaries	**3.7**	4.6
Employer's social security costs	**0.4**	0.5
Employer's pension costs	**0.5**	0.5
	4.6	5.6

(b) Average monthly number of persons employed including executive directors

	2009 No.	2008 No.
Administration	**38**	38

(c) Auditors' remuneration

	2009 £m	2008 £m
Audit services	**0.1**	0.1
Other services	**0.2**	0.2

3. Tangible assets

	Plant and vehicles £m	Fixtures and fittings £m	Total £m
Cost			
At 31 March 2008	0.2	0.4	0.6
Disposals	–	(0.4)	(0.4)
At 29 March 2009	**0.2**	**–**	**0.2**
Accumulated depreciation			
At 31 March 2008	0.1	0.3	0.4
Disposals	–	(0.3)	(0.3)
At 29 March 2009	**0.1**	**–**	**0.1**
Net book value at 29 March 2009	**0.1**	**–**	**0.1**
Net book value at 30 March 2008	0.1	0.1	0.2

Notes relating to the financial statements
continued

4. Investment fund

	2009 £m	2008 £m
At 31 March 2008	–	–
Additions at cost	212.6	–
Disposals	(27.6)	–
At 29 March 2009	185.0	–

Fixed asset investments comprise investments in hedge funds and other managed funds. The fair values of investments are detailed in note 9(a) in the Group section of this report on page 68.

The financial risk objectives and policies of the Company and exposure to risk are shown in the Group section of this report on page 62.

5. Subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 31 March 2008	396.7	–	396.7
Additions	31.6	495.6	527.2
Reclassification from joint ventures	8.1	–	8.1
Disposals	(34.3)	–	(34.3)
At 29 March 2009	402.1	495.6	897.7
Amounts written off			
At 31 March 2008	232.6	–	232.6
Charge for the period	45.6	–	45.6
At 29 March 2009	278.2	–	278.2
Net book value at 29 March 2009	123.9	495.6	619.5
Net book value at 30 March 2008	164.1	–	164.1

Details of the principal operating subsidiaries which are either wholly owned by the Company or its subsidiaries are shown in the Group section of this report on page 86.

6. Joint ventures

	Ordinary shares £m	Loans and preference shares £m	Total £m
Cost			
At 31 March 2008	15.1	307.5	322.6
Interest on preference shares rolled up	–	9.6	9.6
Reclassification to subsidiaries	(8.1)	–	(8.1)
At 29 March 2009	7.0	317.1	324.1
Amounts written off			
At 29 March 2009 and 31 March 2008	6.6	–	6.6
Net book value at 29 March 2009	0.4	317.1	317.5
Net book value at 30 March 2008	8.5	307.5	316.0

Details of the principal joint ventures are shown in the Group section of this report on page 86.

Notes relating to the financial statements
continued

7. Associates

	Unlisted shares £m
Cost	
At 31 March 2008	10.4
Additions	0.4
At 29 March 2009	**10.8**
Amounts written off	
At 31 March 2008	**4.5**
Impairment	**3.2**
At 29 March 2009	**7.7**
Net book value at 29 March 2009	**3.1**
Net book value at 30 March 2008	5.9

Details of the principal associates are shown in the Group section of this report on page 86.

8. Other investments

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 31 March 2008	0.2	1.2	1.4
Additions	–	0.1	0.1
At 29 March 2009	**0.2**	**1.3**	**1.5**

9. Debtors

	2009 £m	2008 £m
Amounts owed by subsidiaries	**124.4**	93.3
Amounts owed by joint ventures and associates	**25.1**	1.2
Corporation tax	**4.0**	1.0
Deferred tax	**6.4**	0.3
Other debtors	**1.0**	1.3
Prepayments and accrued income	**0.3**	1.3
	161.2	98.4

10. Creditors: due within one year

	2009 £m	2008 £m
Trade creditors	**0.1**	0.2
Amounts owed to subsidiaries	**120.7**	208.7
Taxation and social security	**0.3**	1.1
Other creditors	**6.5**	1.0
Deferred consideration	**–**	209.0
Accruals and deferred income	**2.0**	3.1
	129.6	423.1

Notes relating to the financial statements
continued

11(a). Creditors: due after more than one year

	2009 £m	2008 £m
Accruals and deferred income	**0.1**	0.3
Preference shares	**–**	0.1
	0.1	0.4

11(b). Preference share capital

	2009 £m	2008 £m
Authorised, issued, called up and fully paid:		
100,000 4% cumulative preference shares of £1 each	**–**	0.1

Following High Court approval on 11 June 2008, the Company cancelled and repaid the 4% cumulative preference shares of Guardian Media Group plc together with the accrued dividend up to and including the date of cancellation.

12. Share capital

	2009 £m	2008 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

13. Reserves

	Note	**Non distributable reserve £m**	**Profit and loss reserve £m**
At 31 March 2008		–	723.1
Repayment of 4% cumulative preference shares		0.1	(0.1)
Dividends paid	18	–	(0.1)
Profit for the period		–	507.1
At 29 March 2009		**0.1**	**1,230.0**

A separate profit and loss account dealing with the results of the Company has not been presented as permitted by Section 230(4) of the Companies Act 1985.

14. Pensions

Defined contribution scheme

The Company operates the G and MEN Lifestyle Plan which is a defined contribution scheme. The scheme's assets are held in a separately administered fund. Contributions are paid into the scheme by the Company and some of its subsidiaries.

15. Operating lease and similar commitments

There are no material operating leases and similar annual commitments.

16. Contingent liabilities and financial commitments

In the normal course of business the Company has given guarantees in respect of commercial transactions.

These include:

(a) the Company has given a guarantee to The Royal Bank of Scotland plc to secure the overdrafts of certain of its subsidiary companies

(b) the Company has given a guarantee to Lloyds Bank PLC in respect of certain leasing obligations of certain subsidiary companies amounting to £79.6 million (2008 £65.8 million).

17. Capital commitments authorised

There are no contracts for capital expenditure for the Company (2008 £nil).

Notes relating to the financial statements
continued

18. Dividends paid
Preference dividends paid during the year amounted to £1,792 (2008 £4,000).

On 2 March 2009, the Board declared a dividend of 11.1p per share on the ordinary share capital amounting to £100,000 which was paid to The Scott Trust Limited on 6 March 2009.

19. 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.

During the year Guardian Media Group plc paid £59,229 (2008 £112,480) to eight (2008 eight) members of the Scott Trust in relation to their duties as trustees.

20. Ultimate controlling party
The ultimate controlling party of the Company is The Scott Trust Limited which owns 100% of the issued ordinary share capital of Guardian Media Group plc.

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