ANNUAL**REPORT**AND**ACCOUNTS** | 2008

Guardian Media Group

gmg

theguardian

smooth RADIO

TheObserver

real RADIO

guardian.co.uk

Trader Media Group

Manchester Evening News

emap

thinkproperty.com

Contents

Guardian Media Group plc is one of the UK's leading multimedia businesses, with a diverse portfolio including national and regional newspapers, websites, magazines, radio stations and business-to-business media. Our flagship brand is the Guardian newspaper and website.

The Group is wholly owned by the Scott Trust, which was created in 1936 to secure the financial and editorial independence of the Guardian in perpetuity.

The Trust takes no financial return on its investment. Under this unique form of media ownership the Group's profits are used solely to sustain journalism that is free from political and commercial interference, and to uphold values of public service in business. gmgplc.co.uk

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Guardian Media Group

gmg

Guardian News & Media

Publishes the Guardian and Observer national newspapers and the guardian.co.uk network of websites

Also operates Guardian Professional, which provides services in the education, media and public sectors

GMG Regional Media

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

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 Manchester broadcasting free to air, online and on digital, cable and satellite

GMG Radio

Operates regional radio stations under the following brands:
Real Radio
(in south Wales, south and west Yorkshire and central Scotland);
Smooth Radio
(in north-west and north-east England, west and east Midlands, Glasgow and London);
Century Radio
(in the north-west and north-east);
and Rock Radio
(in Scotland and Manchester)

Owns a share in MXR (24.3%), a company that holds regional digital multiplex licences

GMG Property Services

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

The division also operates a web design service

Trader Media Group (joint venture)

Publishes a range of leading classified advertising titles and websites. The flagship brands are the Auto Trader magazine and autotrader.co.uk website

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

Operates other businesses and services including 2ndByte and Ad Trader

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

Emap (joint venture)

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

Other interests

Seven Publishing (42.8%)
Publishes consumer and customer magazines (delicious., Sainsbury's) and other titles

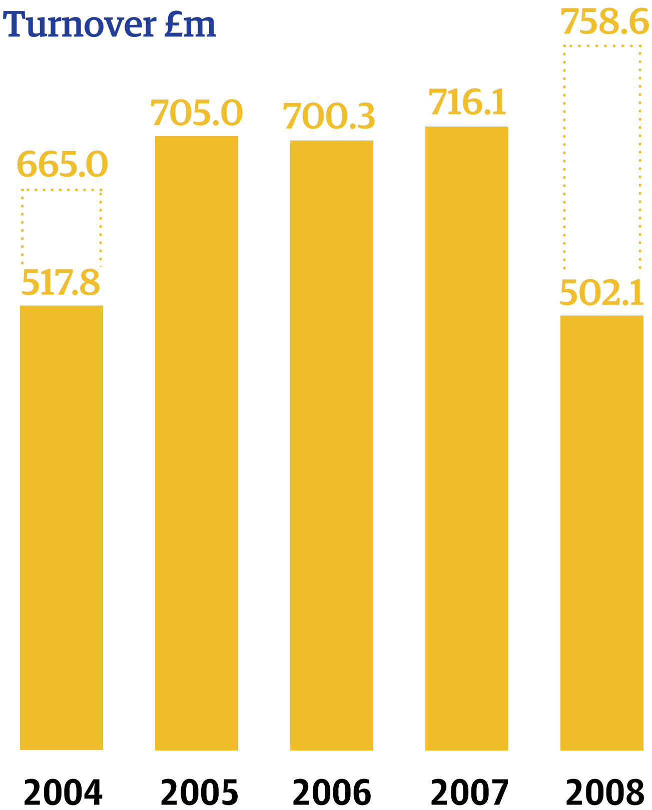
Trafford Park Printers (50%)
Prints the Guardian, the Observer, the Daily Telegraph and the Sunday Telegraph

Financial highlights

The financial highlights for 2005 to 2008 have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. For 2004 the figures shown are as originally reported under UK GAAP.

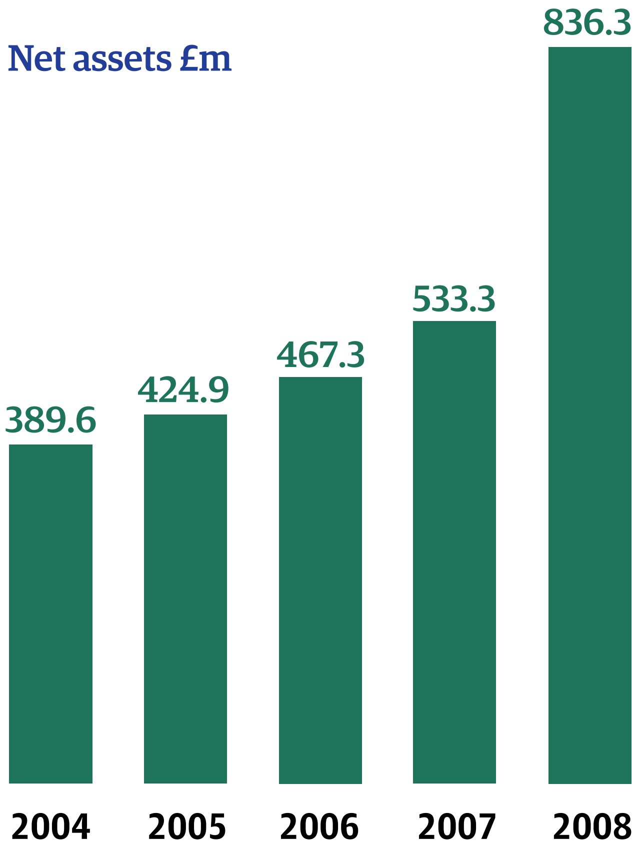
The principal adjustments to restate these figures to comply with IFRS comprise goodwill amortisation and defined benefit pension fund liabilities.

Turnover £m

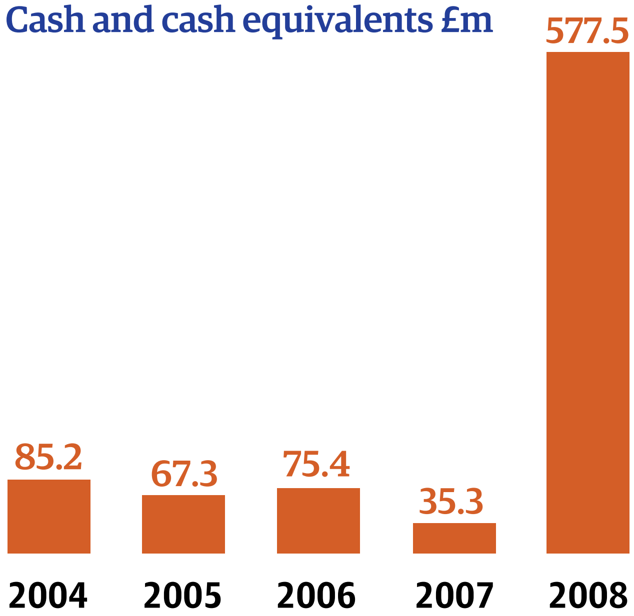


The reduction in turnover in 2008 is explained in the financial review on page 27. The dotted lines shown in 2004 and 2008 depict Group turnover as if Trader Media Group Limited had been 100% owned throughout the year.

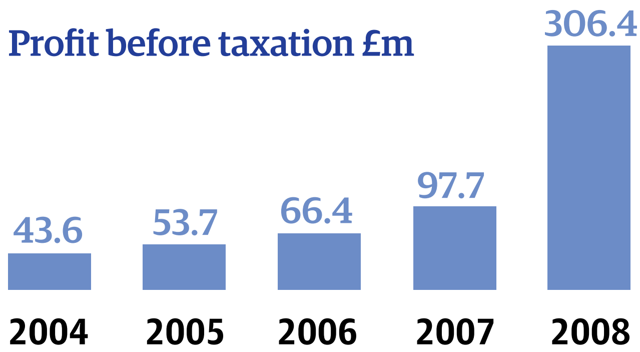
Net assets £m



Cash and cash equivalents £m

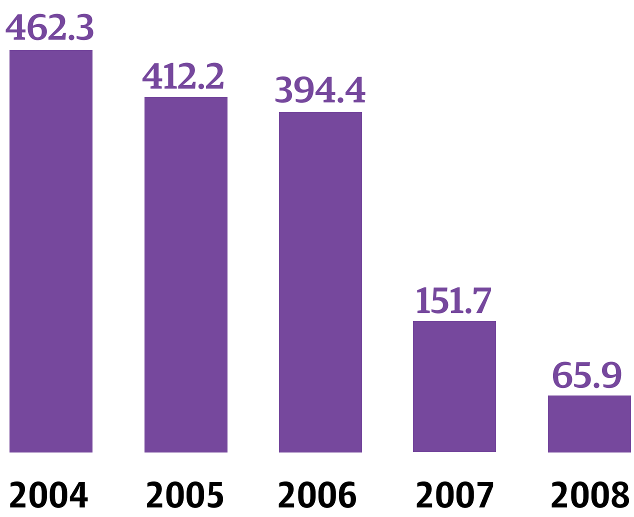


Profit before taxation £m



Profit before taxation in 2008 includes the exceptional profit on the part disposal of Trader Media Group.

Debt (net of issue costs) £m



Statement from the chair

It has been an exceptional year for Guardian Media Group, which, as it passes its centenary, has never been in a stronger position. This applies equally to our journalism and to our financial status.

Steps to diversify our business portfolio mean we are well placed to fulfil our core purpose: securing the financial and thereby editorial independence of the Guardian in perpetuity.

The sale of 49.9% of Trader Media Group, the acquisition - with funds advised by Apax Partners - of Emap and the planned creation of an externally managed long-term investment fund will leave us with a much broader range of asset classes and revenue streams, and reduce our exposure to the risks associated with print media, classified advertising and the UK economy.

At the same time, the Guardian's journalism is reaching record audiences due to the global expansion of its online presence and its continued editorial excellence.

The Group's financial performance was solid and operating profit was in line with our expectations for the year. Profit before tax increased substantially, reflecting the proceeds of the Trader Media Group sale and property disposals in central London.

In the year ended 30 March 2008, profit before taxation increased to £306.4 million (2007 £97.7 million).

As anticipated, our investment in two large-scale joint ventures (Trader Media Group and Emap) has introduced an additional level of complexity into our financial reporting, making comparisons with the previous year less straightforward. This is explained in detail, using proformas, in the financial review on page 27.

Operating profit for the year, excluding exceptional items and amortisation of acquired intangibles, was £5.1 million, as shown in note 3 to the accounts.

Exceptional operating items totalled £59.5 million and included a write-down of print assets, impairment of goodwill and an onerous print contract provision less profits on disposal of land and buildings.

Net interest received was £61.7 million.

Statutory profit after taxation and exceptional items was £307.2 million (2007 £64.2 million).

This satisfactory performance was achieved against the backdrop of ongoing structural change in media markets and significant challenges to traditional media business models, as well as an uncertain economic environment.

As the chief executive reports, there were positive performances from our operating businesses. Our core division, Guardian News & Media, continued to grow the audience of our flagship brands. Trader Media Group again delivered outstanding results. Our regional media division made a significant contribution in a challenging year, and our radio business continued to grow in a market that has seen major changes of ownership.

It has been a year of substantial and sustained investment across the Group. Guardian News & Media benefited from continued investment in the newspapers, along with additional funding to support the move to a new technical platform for guardian.co.uk, the introduction of video on the site, the upgrade of Guardian Jobs and the launch of a variety of new sites, including Guardian America.

Other key areas of investment around the Group included the part-paid, part-free Manchester Evening News, digital launches throughout the regional division, the expansion of the Smooth Radio network, targeted acquisitions to support divisional objectives and large-scale marketing campaigns for Auto Trader and thinkproperty.com.

We continue to place the highest value on our talented and dedicated staff, and remain committed to investing in their development.

The Group has a first-class executive team. They exceeded performance expectations during the year. Chief executive Carolyn McCall, in her first full financial year in the role, completed two transformational deals and has proved an inspirational leader since her appointment in the summer of 2006. The Board and I congratulate Carolyn on receiving the OBE for services to women in business in this year's Queen's Birthday Honours List.

Securing and retaining the best management talent is central to our ability to deliver our core objectives. In a highly competitive environment it is necessary to reward our senior executives appropriately. We have updated the senior executive bonus scheme to bring greater accountability and more sharply defined performance targets to the reward process.

Our new non-executive directors – Brent Hoberman, Nick Backhouse and Amelia Fawcett – have made an invaluable contribution in their first year with the Group. The Board also thanks senior independent director Giles Coode-Adams, who retired in May 2008 and has been succeeded by John Bartle. Giles made a strong and consistent contribution to Guardian Media Group's success following his appointment to the Board in 1999. We intend to recruit a further non-executive director from a commercial background, who will sit on the audit committee.

Guardian Media Group is now involved in two large-scale joint ventures – Trader Media Group and Emap – in each case with funds advised by Apax Partners.

Apax Partners is one of the world's leading private equity firms, investing on behalf of a wide range of clients including pension funds and endowments. It is a growth investor with a strong track record of building the value of media businesses. We selected our joint venture partner very carefully and enjoy a good working relationship with them. Guardian Media Group and Apax Partners have equal representation on the boards of both Trader Media Group and Emap.

Our new long-term investment fund, which will be created during 2008/09, will help the Group to fulfil its core purpose by spreading risk globally across a wide range of asset classes and sectors. A focus on socially responsible investment has been an important criterion in selecting our fund managers.

The year ahead will be one of renewed energy and major activity for Guardian Media Group. Guardian News & Media will move to a new home and new working practices at Kings Place, and will quicken the pace of its international development. We expect the growth of digital revenues and traffic to accelerate in our divisions. We will support the nascent businesses like GMG Property Services in our portfolio, and along with our partners we will oversee and finance the growth plans for Trader Media Group and Emap.

The media industry will continue to confront disruption to its traditional sources of revenue. Our businesses must evolve if they are to continue to be successful. Our portfolio is strong but we will keep it under constant review to ensure it is delivering the best support to our central objective.

We expect the uncertainty within the UK economy to have an impact on a number of the Group's revenue streams in the coming year. Nonetheless, we end this financial year and look ahead to the next with confidence – not only in our ability to fulfil our fundamental purpose (securing the Guardian's continued independence) but also in the Guardian's journalistic future as the world's leading liberal voice: courageous, compassionate, often radical and always independent, and now global in reach.

Paul Myners
Chair, Guardian Media Group

Chief executive's review of operations

Over the last year, as the media landscape has continued to reshape itself, Guardian Media Group has undergone its own transformation.

While many media owners have struggled to keep their balance as the ground shifted beneath them, we have built ever more solid foundations for our company. We have also maintained high levels of investment in our core businesses and flagship brands.

As reported in the statement from the chair, the portfolio has been strengthened significantly as a result of two major transactions – the sale of a minority stake in Trader Media Group and the partial acquisition of Emap – and the establishment of an external investment fund.

This long-term fund will be weighted away from media and UK investments to further reduce the level of risk in our portfolio. We have taken particular care to select fund managers that take into account issues of social responsibility in their approach.

We now have a clear investment portfolio strategy for the Group based on four asset classes. This comprises continued investment in our core division, Guardian News & Media; investment in "safe-haven" assets such as Trader Media Group and Emap which have characteristics of low volatility with strong cash generation; growth assets where the focus is more on capital growth than cash generation; and, finally, the investment fund.

Guardian News & Media has continued to invest in the growth of the Guardian and Observer newspapers and guardian.co.uk. It has also made great progress in its transition from a UK newspaper operation to a 24/7 international print and digital publisher, ahead of its move to new offices at the end of 2008.

GMG Regional Media has grown its reputation as the leading innovator in the regional press with its ground-breaking convergence strategy, a series of online launches and the ongoing circulation success of the part-paid, part-free Manchester Evening News.

GMG Radio has continued its expansion through the launch of new stations and investment in the Smooth Radio brand, and delivered record audiences and revenues during the year.

Trader Media Group has once again achieved exceptional financial results and accelerated its development under the combined ownership of Guardian Media Group and Apax Partners.

Our most recently formed division, GMG Property Services, has performed well, acquiring two new businesses and increasing the audience of consumer portal thinkproperty.com.

Across the Group, a consistent theme has been the growth of our digital businesses. With Group-wide digital revenues (including 50.1% of Trader Media Group) in the last year increasing by 36% to reach £85.1 million (2007 £62.5 million) and average monthly unique users climbing by 32% to 24.2 million (2007 18.4 million), we are no longer a predominantly print-based operation but a true multimedia organisation.

All our businesses operate in an intensely competitive, rapidly changing media environment and this, coupled with the worsening economic picture for the UK as a whole, has made it a challenging and difficult year for some parts of the Group. In this context, we are very pleased with our overall performance and the progress we have made. The quality of our people at all levels of the business has been a major factor in this success.

Guardian News & Media

It has been a year of important change and significant growth for our flagship division, Guardian News & Media (GNM), as it transforms itself into a 24/7, international multimedia publisher,

equips its staff with digital skills, and prepares to move to new headquarters in King's Cross at the end of 2008.

In a national newspaper market that remains extremely competitive, GNM's dual strategy of continuing to invest in its print titles, while increasing investment in digital content and expanding its digital businesses, delivered substantial rewards.

Operating loss before exceptional items was £26.4 million (2007 £15.9 million) on turnover of £261.9 million (2007 £245.7 million). The increase in operating loss reflects increased investment and restructuring costs and amortisation of acquired intangibles.

The Guardian and the Observer have both enjoyed sustained circulation success and increased market share, and lead their respective markets in terms of the percentage of their sales which are at full price, as competitors continue to rely on discounted or bulk sales. Both titles have continued to see the benefits of the full-colour Berliner presses, and most other newspaper groups are now also having to invest significantly in colour press capacity in order not to fall further behind.

Nonetheless, in light of the significant ongoing changes to the structure of the media market, and the economic slowdown, provision has been made to impair the print assets.

During the year the Guardian Unlimited website was relaunched as guardian.co.uk, bringing the online and print brands into closer alignment. As part of a £19 million investment programme in the site, much of guardian.co.uk's content was migrated to a new technical platform, improving its design, functionality and usability. Alongside this major undertaking, GNM launched embedded video, upgraded the award-winning Guardian Jobs site, and launched new sites and blogs.

GNM also launched Guardian America to enhance its news and comment output for a US audience, and forged a new commercial partnership with Reuters to sell advertising in the US – the first steps in support of the Guardian's ambition to become the world's leading liberal voice.

The Guardian's online audience continued to grow strongly through the year, and in January 2008 it set a new record by attracting 19.7 million unique users and serving 182 million pages, a year-on-year increase of 26% and 18% respectively.

This was GNM's best year for revenue growth since 2000/01, and the business outstripped its direct competitors. Newspaper display advertising revenues grew by 6.6% and digital display by 49%. The decline in print recruitment advertising revenues was offset by a 49% increase in digital recruitment revenues.

Guardian Professional, GNM's new business-to-professional division, has continued to create commercial opportunities in the heartland markets of media, public sector and education, and posted year-on-year revenue growth of 34%. During the year Guardian Professional acquired Kable Limited, a leading provider of market intelligence, events and publications to ICT suppliers targeting the public sector market.

The commercial arm of GNM has undergone a process of significant reorganisation to ensure it is efficiently structured and resourced as GNM grows and changes shape. While this has inevitably resulted in a reduction in headcount in some areas, more than 100 new roles have been created in GNM's digital businesses in the past year alone.

GNM's editorial operations are also engaged in a fundamental reorganisation after a ground-breaking agreement was reached with the National Union of Journalists, paving the way for greater flexibility to allow journalists to work across the Guardian and Observer and guardian.co.uk, a critical step on the path to creating a 24/7 digital publishing operation.

The Guardian's journalism continues to be recognised and esteemed around the world. The increasing breadth of GNM's editorial activity in both print and digital media is illustrated by the range of awards it held during the year: winner of the UK Newspaper of the Year award for 2006 and 2007 for the Guardian and Observer respectively; winner of the US-based Society for News Design 2008 award for the world's best designed newspaper for the second time in three years; winner of the Webby 2007 award for the world's best online newspaper for the third year in succession; website of the year at the 2008 British Press Awards; the first newspaper company to win an International Emmy award, for the Guardian Films documentary "Baghdad: A Doctor's Story"; and the first newspaper company to win a Royal Television Society award, for Guardian photographer and film-maker Sean Smith's film "Iraq: Apache Company".

The Guardian is increasingly conscious of its place in the world, and its expanding communities of readers. Two-thirds of the Guardian's reach is now outside the UK. In many countries the Guardian offers a service and a perspective that is otherwise not available, an opportunity GNM is determined to develop.

At the end of 2008 GNM will move into new offices in King's Cross in north London. This will be more than a change of address – it will also mean changes in the way the business and its people work. Kings Place will create an environment that will encourage unprecedented editorial and commercial collaboration, provide the appropriate technical infrastructure for 24/7 multimedia publishing and help GNM achieve its sustainability objective of becoming a carbon-regenerative company. It will be the start of another significant chapter in the Guardian's long and remarkable history.

GMG Regional Media

Of all our businesses, the regional division has been the most seriously affected by the difficult advertising market conditions and migration of revenues – particularly those from classified advertising – from print to online.

GMG Regional Media has continued to reorganise its commercial and editorial operations to meet these challenges and to take advantage of the opportunities that arise from the changes in its markets.

Nonetheless, sharp revenue falls in key advertising categories and continued high levels of operational investment in the business contributed to a decline in profitability during the year.

Operating profit was £14.3 million (2007 £19.4 million) on turnover of £120.5 million (2007 £122.2 million).

In common with other local and regional players, the downturn in performance was driven by declines in classified advertising revenues, which fell by 8.1%. The categories under most pressure were recruitment and motors, which fell by 9.0% and 15.5% respectively.

Display advertising revenues were strong, outperforming the market and rising by 1.0% year-on-year. Revenues from digital media and city TV station Channel M also rose, by 6.4% and 44.7% respectively.

Operating margin for those businesses which traded throughout the financial year declined only slightly to 16.0%, reflecting sound cost management and improved operating efficiencies coupled with organic revenue growth from non-traditional activities such as digital media.

Although facing very difficult conditions our regional division has remained focused on innovation – especially in the digital arena. Across the division there was strong growth in unique users, up 16.9% year-on-year.

In January 2008 MEN Media launched thejobsmine.co.uk, a new recruitment site for Greater Manchester. A new property site, thehomesmine.co.uk, will launch during the year. Other online launches scheduled for 2008 include a new entertainment site for the region, citylife.co.uk, to complement the existing print editions of City Life. The aim is that within a year this site becomes the number one destination in Greater Manchester for entertainment and leisure searches.

The 17 websites of the MEN weekly titles underwent a major redesign during the year, and have since achieved record traffic figures.

The Surrey & Berkshire business launched five new sites including getreading.co.uk and getsurrey.co.uk in the first half of 2008. There has also been investment in online journalism with web reporters recruited to work across the company's sites. Digital growth has been substantial: usage of Surrey & Berkshire's websites doubled over the year and revenues increased by more than 45%.

MEN Media has continued to develop its pioneering converged news desk, which now has representatives from daily and weekly press, online, TV and most recently GMG Radio. This innovative approach has enabled a much greater flow of information between the company's different media, improved the

refocus the output. The Smooth Radio network has seen significant increases in listening hours over the year, to more than 22 million per week. We anticipate continued growth from the network.

A number of improvements were made to the output and market positioning of the Real and Century stations in order to build on their existing success. There has also been investment in the division's online properties, which have seen significant increases in unique users and revenues.

An important theme for the radio industry is the future of Digital Audio Broadcasting (DAB), which has been the subject of some debate over the course of the year. GMG Radio's view is that radio must have a digital future, and the division has worked with industry body the RadioCentre, alongside the Department for Culture, Media and Sport and Ofcom, to find a way for digital to happen at a cost and speed that is acceptable to the consumer and to commercial radio owners.

The radio sector is experiencing rapid and substantial change, most notably in the form of large-scale consolidation. While this presents a number of challenges, GMG Radio is now a major player within the industry and we are well placed to take advantage of any opportunities that arise. There will continue to be change in the radio market and our team's willingness to embrace it, and seize opportunities, will be the key to the division's future success.

GMG Property Services

Our property services division was formed in June 2007 when Guardian Media Group retained full ownership of software provider Vebra Solutions and consumer portal thinkproperty.com following the sale of a minority stake in Trader Media Group.

overall quality of MEN Media's output, and delivered more flexibility in terms of how the news is presented to readers, viewers, users and listeners.

In the core print business, the Manchester Evening News maintained its position as the UK's most widely read regional newspaper as its radical part-paid, part-free distribution model delivered a total circulation of 180,000 copies a day, in line with the previous year's performance.

Channel M's audience has continued to grow, with daily reach increasing by 33%. The station is well positioned to face the Digital Dividend Review in the autumn, which will determine whether Channel M can look forward to a digital future on Freeview following analogue switch-off in 2009.

GMG Regional Media continues to be a leader in its markets. While trading conditions have suppressed financial performance, the business has the potential for future growth and remains a strong, profitable asset within the portfolio.

GMG Radio

Our radio division has enjoyed another positive year of growth and development.

During the year GMG Radio launched two new stations, relocated others to new premises, invested in the new Smooth Radio network and underwent a strategic review of its branding and positioning. A further new station – Rock Radio in Manchester – was launched in May 2008. The division also achieved record audiences and turnover.

However, high levels of brand investment, the challenges associated with integrating the Saga stations acquired in February 2007 and a soft national advertising market resulted in a decline in profit.

Operating profit for the division excluding exceptional items and amortisation of acquired intangibles was £0.1 million (2007 £3.5 million). The statutory operating loss for the division was £31.9 million (2007 profit £1.9 million), while turnover was £48.8 million (2007 £35.7 million).

The substantial revenue growth of 36.7% over the year reflected the addition of new stations through acquisition and organic growth from existing operations.

The division performed well in terms of total listening hours, which were 48 million per week at the end of the financial year.

The five Real Radio and Century Radio stations occupy the number one position in all but one of their markets. Real Radio Scotland has been particularly successful, celebrating an unrivalled 31% reach and a record audience of more than 800,000 listeners a week.

Following the acquisition of Saga Radio in February 2007 a new national network was launched under the Smooth Radio brand in March 2007, accompanied by a substantial investment programme to

The division has seen its profile as a leading supplier of solutions to the property sector rise significantly over the year. Due to acquisitions and organic development it has grown substantially in terms of revenue, headcount and products sold into the market. Its range of activity now encompasses software provision to property management and lettings businesses as well as residential estate agencies, alongside the consumer-facing operation.

The division made an operating loss of £2.1 million due to investment in marketing for thinkproperty.com and amortisation of acquired intangibles. Turnover was £7.7 million.

During the year the division increased its scale by acquiring two further providers of software to the estate agency sector: Core Systems and CFP Software. Software provision will continue to be the main driver of profits as we invest in the development of thinkproperty.com.

Thinkproperty.com is now one of the most popular property websites in the UK, with 2.2 million unique users in March 2008. The site carries over 600,000 properties and leads the market in terms of functionality.

Despite uncertainty in the UK housing market our property division is well placed to continue its expansion, and we anticipate continued growth in revenues and unique users in the coming financial year.

Our experience in classified advertising gives us confidence that we can become a significant player in the online property sector.

Trader Media Group

In its first year under the joint ownership of GMG and Apax Partners, and led by new chief executive John King, Trader Media Group has again performed strongly. The business increased revenues and strengthened the key Auto Trader brand.

Trader Media Group's total operating profit was £90.4 million (2007 £104.6 million). Turnover was £319.8 million (2007 £312.5 million). The decline in profit reflects restructuring costs and substantial investment in marketing for the core brand.

Auto Trader, the division's flagship, remains by far the leading automotive classifieds brand in the UK and Ireland. The magazine and website now carry some 400,000 vehicles, seen by over 10 million unique users a month and nearly 1.5 million readers each week.

Trader Media Group has continued successfully and profitably to manage the transition from print to online. The digital business contributed the greater proportion of profit for the second year in succession and was the key driver of growth. Profit from Auto Trader's digital operation increased by 30% year-on-year.

The publishing business, although experiencing declines in classified advertising revenues, maintained a vibrant and commercially successful magazine that remains effective for both advertisers and motorists.

This excellent performance should be seen in the context of challenging and competitive market conditions as motorists continue to shift from paper-based products to online media. As a result the business has rapidly needed to evolve its organisation and processes to adapt to these changes.

The partnership between GMG and Apax Partners has brought increased impetus for change. The last year has seen the introduction of a new sales structure unifying the digital and publishing teams, and the launch of a redesigned Auto Trader website and magazine supported by the brand's biggest ever marketing campaign.

These actions are already showing commercial results. Trader Media Group has reinforced its clear leadership of its market, with over 90% of UK car retailers doing business with the company. The Auto Trader website has also continued to grow, attracting record numbers of unique users (more than 10 million in March 2008).

As part of its increased focus on the motors sector the company disposed of non-core assets such as TNT, Marine Trader Media and Contact Advantage in the year. Trader Data Systems was closed and Vebra and thinkproperty.com were transferred to GMG.

Challenging market conditions for Trader Media Group's other titles and associated websites, such as Bike Trader, Top Marques and Ad Trader, resulted in a marginal decline in profit from this part of the portfolio. Truck and Plant Trader, Motorhome and Caravan Trader and Farmers Trader, however, again delivered strong performance.

The performance of the overseas divisions in Holland, South Africa and Italy was in line with the previous year, while the print division grew revenues.

Trader Media Group has strengthened its core brands, restructured its business and gained market share over the year. With a clear strategy in place it is on track to deliver sustainable growth and increased value for both GMG and Apax Partners.

Emap

GMG acquired Emap with Apax Partners in March 2008. The business is operated as a joint venture, with equal representation for GMG and Apax Partners on the board, which I chair. We have appointed a new chief executive, David Gilbertson, who has restructured the organisation.

Emap is a very good business from which we expect continued growth. It comprises a series of leading business-to-business brands primarily in retail, construction, public sector and healthcare, media, automotive and the Middle East. The acquisition is central to our diversification strategy – 60% of Emap's revenues are from non-print activities such as information and events, and it has significant overseas operations. We have a strong partnership with Apax Partners and look forward to growing the business with them.

Group outlook

Ownership by the Scott Trust and the strength of our portfolio allow us to make plans for the future with greater certainty than many of our competitors.

These remain challenging times for all media businesses, and the continuing economic downturn will have a significant impact on important revenue streams for the Group in the coming financial year. We will need to be ever more efficient in the management of our businesses, and both nimble and flexible in our approach to tackling the difficult challenges we face.

However, one of the key points of difference between GMG and our rivals is our ability and determination to continue to invest in the development of our core businesses. In addition, the further diversification of the Group's assets has substantially reduced our reliance on print and UK advertising revenues, and our aim is to emerge from the downturn an even stronger organisation.

Guardian Media Group has established a clear set of strategic priorities for the year ahead to drive growth and value. The foremost of these are supporting the Guardian's plan to become the world's leading liberal voice through its international online expansion and developing our capability at senior executive level.

We have the benefit of highly skilled and uniquely talented people across the company, and our commitment to their development will be critical to our continued success.

We enter the new financial year with confidence in the health of our Group, and with enthusiasm as we pursue ambitious new goals for the Guardian.

Carolyn McCall

Carolyn McCall
Chief executive, Guardian Media Group

Board of directors

Paul Myners*+^#
Chair
Joined the Group in 2000. He is chair of the remuneration, nominations and investment committees. He is also chair of Land Securities Group PLC, the Low Pay Commission and the Trustees of Tate, and a member of the Court of the Bank of England

Amelia Fawcett CBE+^#
Independent
Joined the Board in June 2007. She was vice chair of Morgan Stanley's European operations. She is currently chair of a new capital markets company, Pensions First, based in London, and a non-executive director of State Street Corporation in Boston. She is a member of the Court of the Bank of England, deputy chair of the National Portrait Gallery, and chair of the London International Festival of Theatre

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

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

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

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 chair of Opportunity Now and a board member of Business in the Community

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

Alan Rusbridger

Editor-in-chief, the Guardian and Observer

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

John Myers

Chief executive, GMG Radio

Joined the Group in 1999 and was appointed to the Board in January 2006. He is chair of the Radio Academy, sits on the board of the RadioCentre and is a board member of the Sony Radio Awards. He was awarded a fellowship for his contribution to radio in 2002

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 became chief executive of Greater Manchester Weekly Newspapers in 1998. He is also on the board of the Newspaper Society

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


THE MANCHESTER GUARDIAN
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EVENING NEWS

The Scott Trust

The Guardian's journalism reached a record audience this year through the outstanding performance of the guardian.co.uk website, which also won its third Webby in a row.

By traditional standards some of this journalism was hard to recognise, with not only moving pictures and audio to enrich every page of the site, but also an increasingly vigorous assertion of the dynamic nature of the relationship between "send" and "receive" functions in modern journalism.

Roger Alton retired as editor of the Observer, having led the paper to an exceptional circulation performance in a turbulent market place. His successor John Mulholland, an Observer man through and through, has the task of maintaining the paper's distinctive voice as converging audiences demand new editorial structures across the industry.

Those new structures, still taking shape, will mean hard thinking about how the essential quality of our journalism, national and regional, can be maintained and strengthened in the multimedia world. After long and arduous negotiations, Guardian News & Media has a new House agreement with the National Union of Journalists, paving the way for new, more nimble working practices as we prepare to leave Farringdon Road for Kings Place.

We are extremely fortunate that the strength of the Group, now expanded and diversified though the Board's strategic changes, allows us to hold our course through economic turbulence and even to plan new initiatives towards our core purposes of securing the future of the Guardian and supporting liberal journalism.

The Trust has embarked on a strategic review of its own operations, starting with a restructuring of the bursary scheme to encourage talented candidates from diverse and disadvantaged backgrounds to train as journalists. This year the bursaries will include multimedia training and will offer experience across our newspapers, our online operations and our radio stations.

The charitable Scott Trust Foundation, which includes the Guardian Foundation, has supported a variety of projects associated with independent journalism, journalist ethics, media literacy and journalist training, both in the UK and abroad. A list of the beneficiaries can be found on the Scott Trust website: gmgplc.co.uk/ScottTrust

The move to Kings Place, when the Newsroom (the Trust's archive and visitor centre) will for the first time be sited in the heart of the GNM building, offers exciting opportunities to build on the educational and community work we support as part of the Trust's remit.

Following on from last year's discussion of the values of liberal journalism in the modern communications age, Alan Rusbridger, editor-in-chief of GNM, has drawn up a contemporary statement of purpose for all our media, based on CP Scott's original values.

As part of a programme to make it easier for all staff to know about the origins and meaning of Trust ownership, CP's Centenary Leader has been republished in a booklet, along with Alan Rusbridger's statement. This booklet, along with other information, can be found on the relaunched Scott Trust website. In addition, the starter pack for new joiners now includes a short film about the history of the Trust.

The application of Trust values to modern business has sometimes produced lively debate across the Group, notably in relation to industrial relations changes, our relationship with private equity through the partnership with Apax Partners and questions about ethical investment of Group resources.

The Trust is robust in its support for the Group's determination to treat its employees fairly and well while pursuing high standards of efficiency. Capitalism will always pose us ethical questions, which we shall tackle as they arise, but successful business has been the lifeblood of the Guardian since the days of CP Scott and the Board's strategy has the full support of Trustees.

This year saw the retirement of Martin Scott, a greatly valued link to the family, an executive of the company for many years, a champion of Manchester and a man who has always been deeply committed to the Trust and its doings. We wish him and Marjorie very well and hope to see them often.

Paul Myners, chair of Guardian Media Group, is also standing down as a Trustee but will continue to attend Trust meetings as of right, as I do Board meetings.

This report was to have celebrated the appointment of Sir Derek Higgs to the Scott Trust. Instead we must record our great sadness at his premature and

The Scott Trustees

unexpected death, only a few short months after he joined us. Sir Derek brought with him an outstanding reputation in the business world and his long experience would have been invaluable in the Trust's increasingly complex function of holding the developing Guardian Media Group to account. Following his influential report on corporate governance, Derek Higgs's name was a byword for high standards of integrity and accountability, making him a natural champion of the values which the Trust exists to safeguard. We shall greatly miss his wise counsel and keen judgment.

During the year Maleiha Malik was also appointed as a new Trustee. Maleiha is university lecturer at the School of Law, King's College London, and specialises in political and legal philosophy, feminist theory and discrimination law. She has already brought an important external perspective to our work, and we are delighted to welcome her to the Trust.

Dame Liz Forgan DBE
Chair, Scott Trust

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 Heritage Lottery Fund

Geraldine Proudler

Joined the 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

Larry Elliott

Joined the 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

Alan Rusbridger

Joined the 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 and joined the Scott Trust in 1997. He is editor-in-chief of the Guardian and Observer, 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

Will Hutton

Joined the Trust in 2004. He is chief executive 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

Jonathan Scott

Joined the 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

Andrew Graham

Joined the 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

Carolyn McCall OBE

Joined the 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 chair of Opportunity Now

Maleiha Malik

Joined the Trust in 2007. She is university lecturer at the School of Law, King's College London. A former member of the council of Liberty, the independent human rights organisation, her main teaching, research interests and publications are in political and legal philosophy, feminist theory and discrimination law. From 2000 to 2005 she was a member of the home secretary's steering group on the implementation of the recommendations of the Stephen Lawrence Inquiry

Phil Boardman

Secretary

Appointed secretary of the 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

Sustainability
The news agenda continues to be dominated by concerns about climate change and the need for governments, businesses and individuals to take responsibility for reducing their impact on the planet's resources.

Both Guardian Media Group and the Scott Trust regard sustainability as a priority for the company. Dame Liz Forgan, chair of the Trust, wrote in Guardian News & Media's annual, independently-audited sustainability report: "That does not mean sudden, dramatic and costly decisions that could damage GMG at a time when it is already grappling with profound change across the industry. But it does mean a determination from the very top of the company that we will develop a sustainability strategy which we can monitor to ensure it has a real impact on behaviour."

GMG has already launched a number of initiatives aimed at bringing down our emissions as well as being more responsible in the way we do business.

The largest environmental impact we have as a business is through the 200,000 tonnes of paper we buy annually and the printing of our various newspapers and magazines.

We have therefore put in place a Group paper purchasing policy, which means that we audit all our supplies and set annual targets for improving the recycled content in our newspapers and magazines, as well as increasing the percentage of virgin fibre from certified sustainable sources. The first account of our performance in this area will be published in Guardian News & Media's next sustainability report.

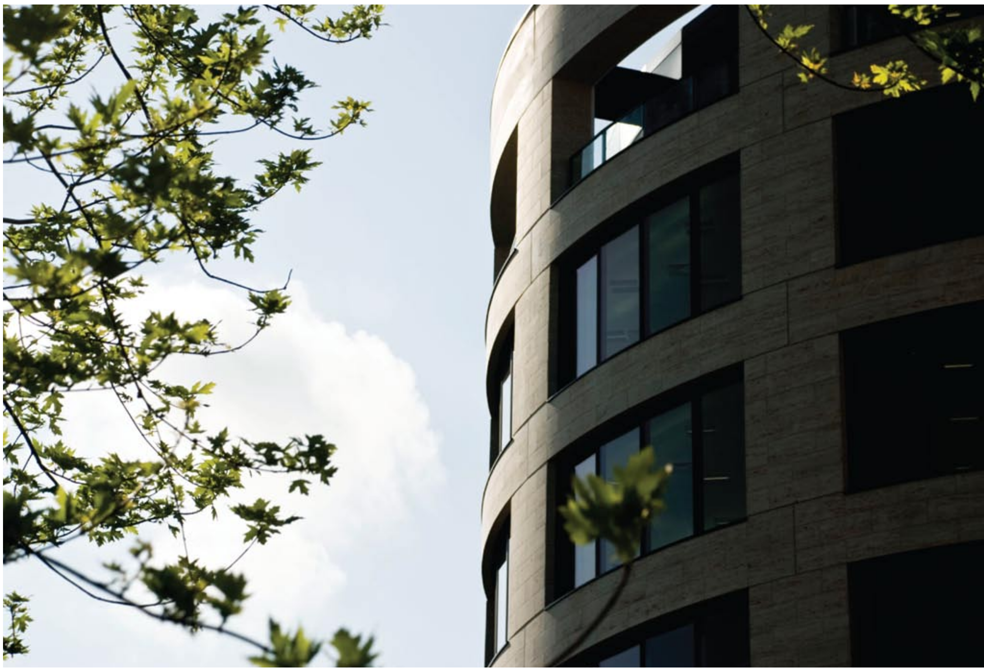
Our print sites, which account for the second largest proportion of emissions, have also improved their environmental credentials. Trader Media Group's Acorn Web Offset site has become a market leader by achieving "chain of custody" certification from the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). Chain of custody requires that certified products are identified, segregated and accompanied by appropriate documentation from the moment the tree is cut down to the moment the paper arrives at the print site.

Both Trader Media Group's Apple Web site and Guardian News & Media's Stratford printing plant achieved external certification to the internationally recognised environmental management system ISO14001. Manchester-based Trafford Park Printers has reduced printed waste by half, saving 1,600 tonnes of newsprint, as well as reducing CO_2 emissions by more than 670,000 kilogrammes per annum.

GMG is also working with the Carbon Trust to create a carbon management programme across each of the Group's divisions.

A scoping study has been completed to identify early opportunities, risks and priorities for each of the divisions. The report concludes there are areas of best practice within the Group, such as renewable energy accounting for 62% of GMG's electricity supply and GNM's decision to move to a new headquarters building with leading sustainability credentials. However, it adds there is significant scope for improving energy and carbon performance across all divisions.

GNM's fifth annual Living our Values sustainability report outlined a vision developed in partnership with Forum for the Future, the sustainable development charity: to be the leader on sustainability within the media industry and to be environmentally regenerative in its activities.
guardian.co.uk/socialaudit



Community

Across the Group we continue to place an emphasis on our relationships with our communities, reflecting one of the Scott Trust's core values: "a sense of duty to the reader and the community".

Scott Trust Foundation

The Scott Trust Foundation encompasses all charitable activities taking place under the direction of the Trust. Its three parts - the Guardian Foundation, the Newsroom archive and visitor centre, and the Scott Trust Charitable Fund - help the Trust to deliver against one of its key objectives: "promoting the causes of freedom of the press and liberal journalism both in Britain and elsewhere".

The Guardian Foundation provides journalism training to support editorially independent newspapers overseas. In the past year it has worked with journalists and news organisations from Lebanon, Syria, Oman, South Africa and the Balkans.

One of its activities is to run seminars for journalists from around the world, with recent topics including reporting climate change and the use of cartoon and satire in the media. More intensive support and advice from individual journalists is also provided, such as lectures on investigative reporting and election coverage in the Balkans.

Through a longer-term partnership with the Mail and Guardian in Johannesburg, the Foundation continues to train young South African journalists.

The Newsroom - the Trust's archive and visitor centre in London - runs an extremely popular programme of free education workshops for school groups, further education students, adult learners and families. Over 10,000 educational visitors benefit from the centre's activities each year.

It also holds educational events and conferences, often linked with exhibitions in the adjoining gallery, and has its own archive to preserve the heritage of our papers. guardian.co.uk/newsroom

The Scott Trust Charitable Fund supports projects associated with independent journalism, journalist ethics, media literacy and journalist training, both in the UK and abroad.

One new beneficiary of the fund was Manchester-based Radio Regen, which works with marginalised communities to tackle disadvantage through participation in community radio. radioregen.org

A full list of beneficiaries can be found on the Scott Trust website. gmgplc.co.uk/ScottTrust

Guardian News & Media

GNM's community activities moved up a gear in 2007/08 with the launch of a £2.6 million three-year integrated development project, in partnership with AMREF (African Medical & Research Foundation) and Barclays Bank, to improve the lives of nearly 30,000 impoverished people in Katine sub-county in Uganda.

The project includes water, health, education, livelihoods and governance. Apart from creating sustainable change, the project is also aimed at informing and educating the Guardian's global audience about how aid works, by allowing them to follow progress on a day-to-day basis online. guardian.co.uk/katine

GNM kick-started the project with a £100,000 donation, while the rest of the money came from readers and match-funding by Barclays.

GNM is also developing a community strategy ahead of its move to a new headquarters building - Kings Place - at the end of 2008. This will involve forming partnerships with a number of organisations and charities, including

Pentonville Prison, a homeless centre and an inner-city nature reserve, as well as maintaining existing volunteering schemes with a number of schools in the area.

GMG Regional Media

The regional media division developed a number of initiatives which put its brands at the heart of its local communities.

In Manchester, MEN Media gave high-profile support to the New Children's Hospital Appeal, which aims to raise £20 million to furnish the new "super hospital" in Manchester.

The Manchester Evening News itself has heightened awareness of environmental issues with the first of a series of debates held at its headquarters.

MEN Media's weekly newspapers have also been active in supporting their communities. The Oldham Advertiser, for example, worked extensively with the local council to increase recycling in every area of the borough and has followed this up by running a campaign on green waste recycling, while the Accrington Observer is leading a drive to raise £50,000 to restore the Accrington Pals' Memorial Chapel.

Examples of community initiatives in Surrey & Berkshire Media include the Reading Evening Post's continued post-Asian tsunami support. The paper has built a fourth house in Sri Lanka and helped twin four schools in Reading with schools in Beruwela.

GMG Radio

The radio division has expanded its annual flagship fundraising campaign Bring A Pound To Work Day. The two Century stations in the north-west and north-east and the entire Smooth Radio network of stations have joined Real Radio in raising awareness and funds for worthy regional causes.

Charities benefiting include Macmillan Cancer Support in north-west England, the British Heart Foundation in the east Midlands and Race for Life, Childline Wales, Sheffield Children's Hospital and CLIC Sargent throughout GMG Radio's transmission areas.

As in previous years, each station has worked individually within its region to partner good causes and promote activity that benefits the local community it serves. Both Real and Century broadcast features and events which highlight initiatives and projects run by local and community organisations. All GMG Radio stations offer community organisations the opportunity to post details of any fundraising activity or community event on their websites.

Trader Media Group

The Auto Trader publisher has continued to support four principal charities in the UK and Ireland: Samaritans, Brake, Outward Bound and Fix-It. Each receives a lump sum from the business, in addition to help from employee fundraising and volunteering. Other charities are supported through a small corporate match-funding bursary for individual employees' donations.

In June 2007, the Charity Aid Foundation awarded Trader Media Group the Bronze Award for its success in the Give As You Earn scheme, established to allow Trader Media Group employees to donate money from their pre-tax pay.

Financial review

This review covers the year to 30 March 2008 and provides an overview of the Group's financial performance and position.

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

There have been two significant transactions in the year under review, together with planning for the establishment of an investment fund to be created in 2008/09, as the Group enacted its strategy to broaden its asset base. These actions have transformed the Group, and not only in terms of its operating assets. The investment in two major trading joint ventures also impacts on Group reporting, particularly when comparing the Group's financial performance with the previous year.

Set out below is an explanation of the financial reporting implications.

Partial disposal of Trader Media Group

On 8 June 2007 the Group sold, to Apax Partners, 49.9% of its interest in its wholly owned subsidiary Trader Media Investments Limited (TMG), a wholly owned subsidiary of Trader Media Group Limited, in a transaction that valued 100% of TMG at £1.35 billion. From this date, TMG has been treated as a joint venture company.

In the tables below, the results have been split between the continuing GMG businesses and TMG to allow a like-for-like comparison. The proformas set out the Group results as if TMG had been wholly owned throughout 2007/08.

Turnover

	2008 £m	2007 £m	Proforma 2008 £m
Continuing GMG businesses	438.8	403.6	438.8
TMG businesses	63.3*	312.5	319.8
Group turnover	502.1	716.1	758.6

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

Turnover for the continuing GMG businesses was £438.8 million, an increase of 8.7% (2007 £403.6 million). This was achieved through growth in new media revenues which increased by 167% to £39.8 million. Advertising revenue fell slightly, by £3.8 million, 1.4% year on year, to £259.1 million. Circulation revenues continued to rise in the year, increasing by 5.4% to £105.1 million.

As a joint venture, TMG's turnover is only included for the period up to 8 June 2007, the date of its part disposal. TMG's turnover in the year to 30 March 2008 was £319.8 million, an increase of 2.3% (2007 £312.5 million).

Profit before taxation

	2008 £m	2007 £m	Proforma 2008 £m
Continuing GMG businesses	(24.8)	0.6	(24.8)
TMG businesses	21.1*	104.6	90.4
Group operating profit before exceptional items	(3.7)	105.2	65.6
Exceptional items	(59.5)	8.1	
Operating (loss)/profit after exceptional items	(63.2)	113.3	
Income from other financial assets	0.1	0.1	
Profit on part disposal of subsidiary	335.2	-	
Interest payable and similar charges	(8.0)	(27.0)	
Interest receivable and similar income	69.7	12.2	
Share of post tax profits/(losses) of joint ventures excluding pre tax interest payable and similar charges	38.4	(0.3)	
Share of pre tax interest payable and similar charges of joint ventures	(65.5)	-	
Share of post tax losses of associates	(0.3)	(0.6)	
Profit before taxation	306.4	97.7	

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

As a result of significant ongoing investment in the business, the continuing GMG businesses made an operating loss before exceptional items of £24.8 million in the year (2007 profit £0.6 million). Guardian News & Media benefited from increased investment in the newspapers and guardian.co.uk and incurred restructuring costs and amortisation on acquired intangibles. GMG Regional Media was affected by difficult advertising market conditions and also incurred restructuring costs. GMG Radio continued to invest in recent acquisitions and was also affected by market conditions. The GMG Radio division results include charges for goodwill impairment and amortisation of acquired intangibles. During the year the Group invested in marketing at the GMG Property Services division.

As a joint venture, operating profit for TMG is no longer separately disclosed but included in the "share of post tax results of joint ventures" which includes operating profit, interest expense and tax.

To assist comparative analysis, the operating profit of TMG in the year to 30 March 2008 was £90.4 million (2007 £104.6 million) as disclosed in the 2008 proforma. This decrease relates to the costs incurred in restructuring the business and strengthening the core brand.

Interest receivable of £69.7 million includes £35.5 million (2007 £nil) of interest receivable from the TMG joint venture. Correspondingly, the share of interest payable of joint ventures totalling £65.5 million (2007 £nil) includes £35.5 million payable by TMG to GMG.

Acquisition of Emap plc

On 20 March 2008, the Group purchased Emap plc in a joint venture with Apax Partners. On this date the listing of Emap shares on the Official List was cancelled. In the 2008/09 financial year, the Group will equity account for its share of Emap's profit or loss. The table presented explains how the 2007/08 results would have been affected if the Group had held Emap as a joint venture for the entire year.

	Actual results 2008 £m	**Proforma Emap accounted for as a joint venture 2008 £m**
Turnover	502.1	502.1
Operating costs	(565.3)	(565.3)
Operating loss	(63.2)	(63.2)
Income from other financial assets	0.1	0.1
Profit on part disposal of subsidiary	335.2	335.2
Interest payable and similar charges	(8.0)	(8.0)
Interest receivable and similar income	69.7	86.6
Share of post tax profits of joint ventures excluding pre tax interest payable and similar charges	38.4	47.5
Share of pre tax interest payable and similar charges of joint ventures	(65.5)	(108.8)
Share of post tax losses of associates	(0.3)	(0.3)
Profit before taxation	306.4	289.1
Taxation	0.8	6.5
Profit attributable to equity shareholders	307.2	295.6

Note: the proforma profit and loss account set out above explains how the 2007/08 Group results would have been affected if the acquisition of Emap had taken place on 2 April 2007. For the purposes of the proforma, discontinued operations have been excluded as they are considered to be exceptional and non-recurring and amortisation of intangibles has not been factored in as a formal fair value exercise has not yet been carried out. It has also been assumed that the debt and financing structure following the acquisition was in place all year.

Note: the proforma profit and loss account includes interest receivable of £86.6 million, which includes £35.8 million receivable from the Emap joint venture. Correspondingly, the share of interest payable of joint ventures totalling £108.8 million includes £35.8 million payable by Emap to GMG.

Exceptional items

Exceptional items of £59.5 million have been charged in the year. These include a 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 profits on disposal of land and buildings of £34.9 million. These costs have been separately disclosed due to their size and non-recurring nature.

Taxation

The tax charge for the year before exceptional items is £15.3 million (2007 £32.3 million). This includes a credit of £2.1 million (2007 £0.4 million) in respect of prior year adjustments. The tax charge excluding the adjustments in respect of prior periods represents an effective rate of 30% (2007 36%) on profit before taxation and before share of post tax losses of joint ventures and associates of £58.1 million (2007 £90.5 million).

The tax credit of £16.1 million on exceptional items is after reflecting the allowable tax reliefs on the gain on disposal of 49.9% of TMG and the gains on property disposals.

There is a deferred tax liability recognised in the balance sheet of £21.7 million (2007 £30.5 million) which includes a liability of £7.2 million arising on new acquisitions made by the Group during the year. This has been recognised in accordance with IAS12. The deferred tax asset not recognised has reduced marginally to £1.8 million (2007 £1.9 million). Trader Media Group has been accounted for as a joint venture.

Profit before tax

Group profit before tax for the year was £306.4 million (2007 £97.7 million) which includes profit on the sale of subsidiary companies, primarily the part disposal of TMG, of £335.2 million.

Cash flow

The Group generated £542.2 million cash in the year (2007 consumed £40.1 million). Net cash outflow from operating activities was £5.1 million (2007 inflow £111.7 million).

Cash inflows include net interest receivable of £59.1 million (2007 payable £16.2 million) and net cash generated from investing activities of £611.1 million (2007 used £197.0 million). This includes £713.3 million received in respect of the part disposal of Trader Media Group less £99.9 million paid in respect of the acquisition of Emap plc with a further £209.0 million being paid in early April 2008.

Other cash outflows include tax of £23.2 million (2007 £15.4 million) and net cash used in financing activities of £84.0 million (2007 generated £80.6 million).

Capital structure and liquidity management

The Group had net assets of £836.3 million as at 30 March 2008 (2007 £533.3 million), an increase of £303.0 million, which reflects the profit on the part disposal of TMG.

Leasing facilities totalling £65.8 million are in place for the Guardian News & Media and GMG Regional Media printing projects. The leases have a fixed interest rate for the entire life of the leases.

In the prior year, a short-term £100 million bank loan facility was arranged to fund acquisitions within the Group of which £79 million had been drawn down at last year end. This loan was repaid in full on 8 June 2007.

The Group does not currently have any other debt.

Cash balances

Group cash balances at year end totalled £577.5 million. In early April 2008, the deferred consideration in respect of the Emap transaction amounting to £209.0 million was paid. The Group also plans to invest £200 million in an investment fund during 2008/09 as part of the Group's strategy to diversify its asset base.

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.

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. Two trustees are directors of the Group, and the chair of the Trust 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 Scott Trust meetings. All trustees 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. 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 his position as chair.

Details of all the directors and the company secretary, set out on pages 16 and 17, indicate the directors' wide range of business and other relevant experience.

All directors are subject to election by the Scott Trustees 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 the chair, the independent directors, excluding any executive directors, met formally during the year. The senior independent director also led a meeting of independent directors, without the chair present, which appraised the chair's performance.

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 undertake biennial performance appraisals of all Board members and reviews of the effectiveness of the Board and its four committees, with the intervening years having scheduled progress meetings to follow up identified actions.

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

The Scott Trust, which is self-perpetuating, chooses to ensure that only a minority of its members are executive directors of the Group. At present two trustees, Carolyn McCall and Alan Rusbridger, fall into that category.

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

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

During 2007/08, the Scott Trust and its registered charity, the Scott Trust Foundation, undertook a review of their corporate governance using the methodology set out in the Code for the Voluntary and Community sector issued in June 2005.

The review identified a number of actions which are now being worked through including:

- a review of documentation, for example formally documenting roles and responsibilities
- considering introducing effectiveness reviews for the trustees and meetings
- enhancement of the induction programme for trustees
- providing trustees with access to update/development courses
- undertaking a periodic strategic review of the Scott Trust Foundation.

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
Paul Myners	Member	Chair	Chair	Chair
Nick Backhouse (appointed 2 April 2007)	Member[1]		Member	Member
John Bartle	Member[2]	Member	Member	
Giles Coode-Adams	Chair[1]		Member	
Amelia Fawcett (appointed 1 June 2007)		Member	Member	Member
Brent Hoberman		Member	Member	
Frequency of meetings per financial year	4	6	As and when necessary	4

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

[2] John Bartle became a member of the audit committee on the retirement of Giles Coode-Adams but will be succeeded by the new independent director when appointed.

The number of meetings of the Board and committees held in the financial year ended 30 March 2008 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
Paul Myners	9	3	6	4	4
Carolyn McCall	9	4*	5*	4*	4
Tim Brooks	9				
Nick Castro	9	4*			4
Mark Dodson	9				
John Myers	9				
Alan Rusbridger	9				
Nick Backhouse (appointed 2 April 2007)	9	4		4	3
John Bartle	9		6	4	
Giles Coode-Adams	8	4		4	
Amelia Fawcett (appointed 1 June 2007)	6		1	1	1
Brent Hoberman	8		4	4	
Number of meetings held	9	4	6	4	4

* 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. gmgplc.co.uk

Audit committee

The audit committee, which consists of the chair and two independent directors, is chaired by Giles Coode-Adams (Nick Backhouse from 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 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 30 March 2008 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:
    - 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.

Remuneration committee

The remuneration committee is chaired by Paul Myners, and consists of three independent directors and Dame Liz Forgan, chair of the Scott Trust. 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 other senior executives earning a salary above a level determined by the committee, and 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 review of the effectiveness of the committee was undertaken in 2007/08.

Details of Board remuneration are set out on page 39.

Nominations committee

Chaired by Paul Myners, it 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.

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

Scott Trust 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 Nick Backhouse and Amelia Fawcett.

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 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 are planned to be 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 will appoint / dismiss managers in respect of each asset class selected. The committee will monitor the performance of the investment fund and report to the Board accordingly.

The committee is chaired by Paul Myners 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.

This is a new committee with duties and responsibilities which continue to develop. An effectiveness review of the committee will be undertaken once its processes and procedures have matured.

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. The risk management process throughout the Group has been reviewed and refreshed during 2007/08
- certain key Group functions including taxation, treasury and insurance 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.

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 throughout the year, 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, the Scott Trust, as described above, the Board has no current plans to increase to a majority the independent director representation on the Board. The Scott Trustees have considered and approved the composition of the Board
- The chair also chairs the remuneration committee. In the Board's view, the presence of Dame Liz Forgan, chair of the Scott Trust, at all remuneration committee meetings ensures the Combined Code objective is met
- 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 consider the biennial review outlined above to be effective
- 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.

Report of the directors

The directors present their report and audited financial statements of the Group for the year ended 30 March 2008.

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 42. A review of the Group's performance, future prospects and financial risks are contained in the statement from the chair on pages 8 to 9, the chief executive's review of operations on pages 10 to 15 and the financial instruments accounting policy on pages 45 to 51. The Company has paid a preference dividend of 4.0p (2007 4.0p) per share amounting to £4,000 (2007 £4,000). The directors do not recommend payment of any dividend on the ordinary shares.

Land and buildings

The market value of land and buildings is estimated by the directors to be approximately £5.0 million greater than its balance sheet value of £11.0 million.

Employee involvement

There is regular contact between management and 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 25 days (2007 25 days).

Donations

Charitable donations amounted to £627,749 (2007 £503,731). 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.

Directors

The directors are listed on pages 16 and 17.

Jerry Fowden, who was a director on 1 April 2007, resigned on 13 April 2007. Giles Coode-Adams, who was a director on 1 April 2007, retired on 1 May 2008. Nick Backhouse and Amelia Fawcett were appointed as independent directors on 2 April 2007 and 1 June 2007 respectively. All other directors served throughout the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and the financial statements comply with International Financial Reporting Standards. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 30 March 2008 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking responsible steps for the prevention of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the Group's website. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After reviewing the Group's cash balances and projected cash flows, the directors believe that the Group 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.

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.

Post balance sheet events

Details of post balance sheet events are given in note 28 on page 70.

By Order of the Board

Phil Boardman
Secretary
26 June 2008

Directors' remuneration report

The remuneration committee has been established in accordance with the recommendations of the Combined Code. Chaired by Paul Myners, the committee consists of three independent directors, John Bartle, Brent Hoberman, and Amelia Fawcett, 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.

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.

We have updated the senior executive bonus scheme to bring greater accountability and more sharply defined performance targets to the reward process.

Executive directors are able to earn a performance 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 targets, and the percentage based on personal objectives, is set out below for each executive director.

	% based on financial performance targets	% based on personal objectives
Carolyn McCall	65%	35%
Tim Brooks	60%	40%
Nick Castro	65%	35%
Mark Dodson	70%	30%
John Myers	100%	0%

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.

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.

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 is required 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
Paul Myners	31 March 2006	1 year	-	None
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	12 month rolling	12 months	Notice period
Alan Rusbridger	20 April 2007	12 month rolling	12 months	Notice period
Independent directors				
Nick Backhouse	2 April 2007	2 years	-	None
John Bartle	26 June 2008	2 years 9 months	-	None
Giles Coode-Adams	*Retired as an independent director on 1 May 2008*			
Amelia Fawcett	1 June 2007	2 years 3 months	-	None
Brent Hoberman	1 January 2007	1 year 9 months	-	None

Directors' emoluments

	Salary/fees £000	Performance related bonus £000	Benefits in kind £000	**Total 2008 £000**	Total 2007 £000	Employer's contribution to money purchase pension scheme **2008 £000**	2007 £000
Paul Myners	50	-	-	**50**	50	**-**	-
Carolyn McCall	424	385	18	**827**	670	**130**	108
Tim Brooks[1]							
(* from 28 September 2006)	240	146	-	**386**	192	**141**	82
Nick Castro	273	258	-	**531**	429	**93**	83
Mark Dodson[2]	226	153	24	**403**	295	**64**	63
Jerry Fowden[3]							
(* to 13 April 2007)	15	-	28	**43**	421	**44**	325
John Myers[4]	209	-	18	**227**	394	**19**	17
Sir Robert Phillis[5]							
(* to 31 December 2006)	-	-	1	**1**	274	**168**	103
Alan Rusbridger[6]	385	-	16	**401**	355	**143**	118
Independent directors							
Nick Backhouse							
(* from 2 April 2007)	34	-	-	**34**	-	**-**	-
John Bartle	34	-	-	**34**	32	**-**	-
Giles Coode-Adams	42	-	-	**42**	57	**-**	-
Richard Eyre							
(* to 27 March 2007)	-	-	-	**-**	32	**-**	-
Amelia Fawcett							
(* from 1 June 2007)	28	-	-	**28**	-	**-**	-
Brent Hoberman							
(* from 1 January 2007)	34	-	-	**34**	8	**-**	-
Andrew Karney							
(* to 30 November 2006)	-	-	-	**-**	21	**-**	-
	1,994	942	105	**3,041**	3,230	**802**	899
Compensation for loss of office[3]				**-**	1,313		
				3,041	4,543		

* Date of appointment, resignation or other changes to directorships

[1] Tim Brooks elected to take £60,000 of his performance bonus as an additional pension contribution.

[2] 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.

[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) £39,186 was credited to Jerry Fowden's EFRBS account with the company in the year ended 30 March 2008.

[4] John Myers has been provided with a loyalty bonus arrangement, provided he remains employed by the Group at least until 1 April 2010. The loyalty bonus will be paid in equal instalments on 1 April 2008, 1 April 2009 and 1 April 2010 provided John Myers is in employment with the Group on the date of payment.

[5] 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.

[6] 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 23 February 2008 of £67,000 (2007 £62,000). She resigned as a director on 10 April 2008.

Remuneration policy for the 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.

Paul Myners
Chair of the remuneration committee
26 June 2008

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 30 March 2008 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 30 March 2008.

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 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.

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. 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 30 March 2008 and of its profit and cash flows for the year then ended
- The 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
26 June 2008

Profit and loss account

For the year ended 30 March 2008

	Note	**2008 Before exceptional items £m**	**2008 Exceptional items £m**	**2008 Total £m**	2007 Before exceptional items £m	2007 Exceptional items £m	2007 Total £m
Continuing operations							
Turnover	2,3	**502.1**	**-**	**502.1**	716.1	-	716.1
Operating costs	4	**(505.8)**	**(59.5)**	**(565.3)**	(610.9)	8.1	(602.8)
Operating (loss)/profit		**(3.7)**	**(59.5)**	**(63.2)**	105.2	8.1	113.3
Income from other financial assets	6	**0.1**	**-**	**0.1**	0.1	-	0.1
Profit on part disposal of subsidiary	9	**-**	**335.2**	**335.2**	-	-	-
Interest payable and similar charges	7	**(8.0)**	**-**	**(8.0)**	(27.0)	-	(27.0)
Interest receivable and similar income	7	**69.7**	**-**	**69.7**	12.2	-	12.2
Share of post tax losses of joint ventures	13(a)	**(24.6)**	**(2.5)**	**(27.1)**	(0.3)	-	(0.3)
Share of post tax losses of associates	13(b)	**(0.3)**	**-**	**(0.3)**	(0.6)	-	(0.6)
Profit before taxation	4	**33.2**	**273.2**	**306.4**	89.6	8.1	97.7
Taxation	8	**(15.3)**	**16.1**	**0.8**	(32.3)	(1.2)	(33.5)
Profit attributable to equity shareholders		**17.9**	**289.3**	**307.2**	57.3	6.9	64.2

The notes on pages 45 to 75 form part of these financial statements.

Statement of recognised income and expense

For the year ended 30 March 2008

	Note	**2008 £m**	2007 £m
Profit attributable to equity shareholders		**307.2**	64.2
Actuarial gains/(losses)	29	**0.7**	(0.2)
Deferred taxation on actuarial gains/(losses)		**(0.2)**	-
Joint venture - actuarial gains	13(a)	**1.5**	0.6
Joint venture - deferred taxation	13(a)	**(0.4)**	(0.2)
Fair value (losses)/gains - interest rate swap		**(1.0)**	2.4
Joint venture - fair value losses - interest rate swap	13(a)	**(4.7)**	-
Currency translation differences on foreign currency net investments		**(0.1)**	(0.8)
Net (expense)/income not recognised in the profit and loss account		**(4.2)**	1.8
Total recognised income for the year		**303.0**	66.0

Balance sheet

As at 30 March 2008

	Note	2008 £m	2007 £m
Assets			
Non-current assets			
Goodwill	10	**118.4**	135.3
Intangible assets	11	**142.9**	119.7
Property, plant and equipment	12(a)	**54.9**	113.2
Investments accounted for using the equity method	13(a),13(b)	**239.0**	12.2
Other financial assets	13(c)	**1.8**	1.5
		557.0	381.9
Current assets			
Inventories	14	**1.6**	1.0
Trade and other receivables	15	**118.6**	82.8
Cash and cash equivalents	17	**577.5**	35.3
Assets held for sale	9	**-**	708.2
		697.7	827.3
Liabilities			
Current liabilities			
Financial liabilities	18	**6.9**	86.4
Trade and other payables	19	**70.4**	60.4
Deferred consideration - owed to joint venture	13(a)	**209.0**	-
Current tax liabilities	16	**6.2**	13.2
Provisions	21	**12.3**	2.3
Liabilities held for sale	9	**-**	397.1
		304.8	559.4
Net current assets		**392.9**	267.9
Non-current liabilities			
Financial liabilities	18	**59.0**	65.3
Retirement benefit liabilities	29	**1.2**	3.4
Other non-current liabilities	20	**1.1**	2.1
Deferred tax liabilities	22	**21.7**	30.5
Provisions	21	**30.6**	15.2
		113.6	116.5
Net assets		**836.3**	533.3
Shareholders' equity			
Share capital	23	**0.9**	0.9
Retained earnings	24	**835.4**	532.4
Total shareholders' equity	26	**836.3**	533.3

These financial statements were approved by the Board of directors on 26 June 2008 and signed on its behalf by:

Paul Myners
Chair

Nick Castro
Finance director

The notes on pages 45 to 75 form part of these financial statements.

Cash flow statement

For the year ended 30 March 2008

	Note	2008 £m	2007 £m
Cash flow from operating activities			
Cash (used)/generated from operations	27	**(5.1)**	111.7
Interest received		**67.4**	7.0
Interest paid		**(8.3)**	(23.2)
Tax paid		**(23.2)**	(15.4)
Net cash from operating activities		**30.8**	80.1
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash acquired)	10	**(26.8)**	(166.8)
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**	0.5
Acquisition of shares in joint ventures	13(a)	**(99.9)**	-
Acquisition of shares in associates	13(b)	**(2.4)**	(0.4)
Proceeds of disposal of shares in associates		**0.1**	-
Loans made to associates		**(1.0)**	-
Purchase of intangibles	11	**(8.5)**	(9.5)
Proceeds from sale of property, plant and equipment		**46.6**	1.6
Purchase of property, plant and equipment	12	**(11.5)**	(22.6)
Other loans advanced		**(0.3)**	-
Dividends received		**0.1**	0.2
Net cash generated/(used) in investing activities		**611.1**	(197.0)
Cash flow from financing activities			
Finance lease principal payments		**(6.0)**	(6.9)
Increase in finance lease debt		**-**	17.9
Proceeds from borrowings		**-**	78.0
Repayment of borrowings		**(78.0)**	(8.4)
Net cash (used)/generated in financing activities		**(84.0)**	80.6
Non-cash - financing		**(0.1)**	4.9
Assets held for sale	9	**(15.6)**	(8.7)
Net increase/(decrease) in cash and cash equivalents		**542.2**	(40.1)
Cash and cash equivalents at beginning of the period		**35.3**	75.4
Cash and cash equivalents at end of the period	17	**577.5**	35.3

Notes relating to the financial statements

1. Accounting policies

Accounting policies for the year ended 30 March 2008

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 42 to 75 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. 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 47. 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.

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for the financial year ended 30 March 2008. 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.

IFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to IAS 1 "Presentation of financial statements - Capital disclosures" have been adopted in the current financial year. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 30 March 2008, with the exception of the companies within the GMG Radio division which are made up to 31 March 2008.

Subsidiaries are those entities in which the Group has the ability to exercise control, which means it has 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.

1. Accounting policies (continued)

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.

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

Turnover represents the amount of goods and services (net of VAT, trade discounts and anticipated returns) provided to external customers.

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 shareholders' 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.

1. Accounting policies (continued)

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.

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 on 31 December, 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.

1. Accounting policies (continued)

(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.

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.

1. Accounting policies (continued)

(c) Other financial assets

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.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Other financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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.

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. Preference shares are classified as liabilities.

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
More than 99% of the Group's employees are members of defined contribution pension 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 cost of such schemes are recognised separately in the profit and loss account, service costs are spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Finance costs are included in operating costs.

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 government securities, 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.

1. Accounting policies (continued)

(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.

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 currently has limited operations overseas and accordingly is not exposed to significant foreign exchange risk. The Group may use derivative financial instruments, primarily foreign currency forward contracts, to hedge its risks associated with foreign currency fluctuations arising from certain assets, liabilities and firm commitments.

ii) 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 £0.3 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 Aa3 are accepted.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient funds available to meet its liabilities when due, through careful cash management.

(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 is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

2. Turnover

Sales are made substantially in the UK.

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 pages 4 and 5 in the Guardian Media Group plc operational structure. Other Group activities principally includes the Group's investments and its share of its joint ventures and associates, Trader Media Group Limited, Emap International Limited, Trafford Park Printers Limited, Paper Purchase & Management Limited and Seven Publishing Group Limited and the costs associated with the head office.

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 profit/(loss) before exceptional items and amortisation of acquired intangibles	(24.9)	14.3	0.1	(0.2)	15.8	**5.1**
Operating profit/(loss) before exceptional items	(26.4)	14.3	(5.3)	(2.1)	15.8	**(3.7)**
Operating profit/(loss)	(82.4)[1]	14.3	(31.9)[2]	(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 expense	(2.0)	(1.0)	-	-	(5.0)	**(8.0)**
Interest income	0.2	-	-	-	69.5	**69.7**
Post tax results joint ventures and associates	-	-	-	-	(27.4)	**(27.4)**
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	616.3	**1,013.3**
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	854.8	**1,252.3**
Segment liabilities	(90.2)	(53.1)	(32.0)	(10.3)	(230.4)	**(416.0)**
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**

[1] 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.
[2] GMG Radio operating loss of £31.9 million includes the impairment of goodwill of £26.6 million.

Notes relating to the financial statements - continued

3. Segmental information (continued)

For the year ended 1 April 2007

	Guardian News & Media £m	GMG Regional Media £m	Trader Media Group £m	GMG Radio £m	Other Group activities £m	Total £m
Continuing operations						
Turnover	245.7	122.2	312.5	35.7	-	716.1
Operating profit/(loss) before exceptional items and amortisation of acquired intangibles	(15.9)	19.4	108.2	3.5	(4.8)	110.4
Operating profit/(loss) before exceptional items	(15.9)	19.4	104.6	1.9	(4.8)	105.2
Operating profit/(loss)	(12.4)	24.0	104.6	1.9	(4.8)	113.3
Income from other financial assets	-	-	-	-	0.1	0.1
Interest expense	(2.1)	(1.1)	(22.6)	(1.1)	(0.1)	(27.0)
Interest income	0.2	-	0.3	-	11.7	12.2
Post tax results joint ventures and associates	-	(0.2)	0.1	-	(0.8)	(0.9)
Profit before tax	(14.3)	22.7	82.4	0.8	6.1	97.7
Taxation						(33.5)
Profit for the year from continuing operations						64.2
Segment assets	115.5	67.6	732.7	240.9	40.3	1,197.0
Investment in equity accounted joint ventures and associates	-	0.6	-	0.2	11.4	12.2
Total assets	115.5	68.2	732.7	241.1	51.7	1,209.2
Segment liabilities	(83.3)	(61.1)	(403.8)	(114.1)	(13.6)	(675.9)
Other segment items:						
Capital expenditure	1.2	12.7	6.5	1.9	0.3	22.6
Intangible expenditure	4.5	0.1	4.9	-	-	9.5
Depreciation	7.7	3.9	9.4	0.9	0.1	22.0
Amortisation of intangible assets	1.7	0.5	5.3	1.6	-	9.1
Impairment of trade receivables	-	0.6	1.0	0.1	-	1.7

4. Profit before taxation

	2008 £m	2007 £m
Raw materials and consumables	**69.2**	87.8
Other external charges	**30.2**	67.9
Staff costs (see note 5)	**185.2**	234.1
Depreciation of tangible fixed assets:		
- Owned assets	**13.4**	16.3
- Under finance leases	**1.7**	5.7
Other expenses	**265.6**	191.0
	565.3	602.8

Exceptional items total a £59.5 million charge (2007 £8.1 million credit) and include 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. In the prior year, the exceptional items related to the release of a prior year provision and lease incentives.

The following items have been included in arriving at operating profit:	2008 £m	2007 £m
Amortisation of intangibles	**12.0**	9.1
Impairment of goodwill	**26.6**	-
Impairment of property, plant and equipment	**46.6**	-
Profit on sale of property, plant and equipment	**(39.0)**	(0.2)
Other operating lease rentals payable:		
- Plant and machinery	**8.6**	9.2
- Property	**6.9**	7.9
Repairs and maintenance expenditure on property, plant and equipment	**1.8**	4.3
Trade receivables impairment	**0.4**	1.7

Services provided by the Group's auditors

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

	2008 £m	2007 £m
Statutory audit	**0.1**	0.1
Audit of subsidiaries	**0.3**	0.5
Further assurance services	**-**	2.5
Tax services:		
- Compliance services	**0.1**	0.1
- Advisory services	**0.3**	0.3
Other services not covered above	**0.3**	0.3
	1.1	3.8

5. Employees and directors

	2008 £m	2007 £m
Staff costs for the Group during the period including executive directors		
Wages and salaries	**159.3**	202.9
Employer's social security costs	**16.4**	20.9
Employer's pension costs	**9.5**	10.3
	185.2	234.1

	No.	No.
Average monthly number of persons employed including executive directors		
Production	**1,936**	2,677
Selling and distribution	**1,475**	2,639
Administration	**903**	1,680
	4,314	6,996

The reduction in headcount reflects the part disposal of Trader Media Group Limited on 8 June 2007.

Key management compensation	**£m**	£m
Salaries and short-term employee benefits	**8.6**	9.3
Post employment benefits	**0.9**	1.5
Termination benefits	**0.3**	2.3
	9.8	13.1

Directors' remuneration information required for the financial statements is shown on page 39.

6. Income from other financial assets

	2008 £m	2007 £m
Dividends from unlisted investments	**0.1**	0.1

7. Finance income and costs

	2008 £m	2007 £m
Interest expense		
Interest payable on bank and other borrowings	**(4.8)**	(20.8)
Interest payable on hedging instruments	**(0.1)**	(1.1)
Debt issue costs amortised	**(0.1)**	(1.9)
Interest payable on finance leases	**(3.0)**	(3.2)
Interest payable and similar charges	**(8.0)**	(27.0)
Interest income		
Interest receivable on cash and cash equivalents	**32.1**	6.5
Interest receivable on loans with joint ventures	**35.5**	-
Other interest receivable	**0.9**	-
Fair value gains on forward exchange contracts	**1.2**	5.7
Interest receivable and similar income	**69.7**	12.2
Finance income/(cost) - net	**61.7**	(14.8)

8. Taxation

Analysis of charge in year	2008 £m	2007 £m
Current tax		
Continuing operations for the period	**17.5**	35.9
Adjustments in respect of prior periods	**(2.1)**	(0.4)
	15.4	35.5
Deferred taxation		
Continuing operations	**(16.2)**	(2.0)
Taxation	**(0.8)**	33.5

Tax on items charged to the statement of recognised income and expense	2008 £m	2007 £m
Deferred tax charge on actuarial losses	**0.2**	-

Factors affecting tax charge for the year

The tax for the period is lower (2007 higher) than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2008 £m	2007 £m
Profit before tax	**306.4**	97.7
Profit before taxation multiplied by standard rate of corporation tax of 30%	**91.9**	29.3
Effects of:		
Expenses not deductible for tax purposes	**7.0**	7.3
Income not taxable	**(1.9)**	(0.1)
Current year movement on deferred tax	**(1.0)**	0.6
Foreign taxes	**-**	0.3
Utilisation of tax losses not previously recognised	**(10.5)**	(1.8)
Deferred tax asset not previously recognised	**-**	(2.1)
Impairment of subsidiary goodwill and joint venture company	**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	**7.7**	0.4
Adjustment to tax charge in respect of previous periods	**(2.1)**	(0.4)
Adjustment for change in tax rate	**(1.5)**	-
Total taxation (continuing operations)	**(0.8)**	33.5

Factors affecting that may affect future tax charges

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008.

A number of changes to the UK Corporation Tax system are expected to be enacted in the 2008 Finance Act. The changes had not been substantially enacted at the balance sheet date and, therefore, are not included in these financial statements. The rate of capital allowances on plant and machinery is to be reduced from 25% per annum to 20% (10% for certain fixtures integral to a building).
This will impact when the deferred tax is expected to reverse rather than the amount of the deferred tax provided at the year end. In addition, there is an abolition of balancing adjustments on the sale of an industrial building (FA 2007), and the phasing out of industrial building allowances over four years from 2008 onwards (FA 2008).

9. Assets and liabilities held for sale

On 8 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. Further information is given in the financial review on page 27. In 2007, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” the gross assets and gross liabilities were reclassified in the balance sheet.

10. Goodwill

	£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

Goodwill of £9.7 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	0.5	-	0.5
Intangible assets	-	26.8	26.8
	0.5	26.8	27.3
Current assets	1.8	-	1.8
Current liabilities	(4.4)	(0.4)	(4.8)
Deferred taxation	-	(7.2)	(7.2)
Net current liabilities	(2.6)	(7.6)	(10.2)
Fair value of net assets acquired	(2.1)	19.2	17.1
Purchase consideration - net of cash acquired			26.8
Goodwill			9.7

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.

10. Goodwill (continued)

	£m
Cost	
At 3 April 2006	669.7
Acquisitions - through business combinations	92.1
Reclassification - assets held for sale	(617.4)
At 1 April 2007	**144.4**
Accumulated impairment	
At 3 April 2006	24.0
Reclassification - assets held for sale	(14.9)
At 1 April 2007	**9.1**
Net book value at 1 April 2007	**135.3**

Goodwill relates principally to the GMG Radio division.

At 1 April 2007 £602.5 million of goodwill in respect of Trader Media Group was reclassified as “assets held for sale”.

During the year ended 1 April 2007, goodwill was tested for impairment in accordance with IAS 36 “Impairment of assets” and was found not to be impaired.

During the year ended 1 April 2007, the Group completed the following acquisitions for a total consideration of £180.7 million:

On 12 April 2006 the Group acquired 100% of the ordinary share capital of 2nd Byte Limited and Faxpress Limited.

On 9 August 2006 the Group acquired 100% of the ordinary share capital of Vebra Investments Limited.

On 18 October 2006 the Group acquired 100% of the ordinary share capital of Century Radio Limited and Century Radio 105 Limited.

On 1 February 2007 the Group acquired 100% of the ordinary share capital of Saga Radio Limited, Saga Radio (North East) Limited, Saga Radio (Scotland) Limited and Saga Regional Digital Radio Limited.

Other non-material acquisitions made by the Group during the year were:
- the acquisition of 100% of the ordinary share capital of Contact Advantage Group Limited
- the acquisition of the trade and assets of Sicit, a publishing company incorporated in Italy
- the acquisition of 100% of the ordinary share capital of Boatshop 24 Software GmbH, a company incorporated in Germany
- the acquisition of the remaining 50% of the ordinary share capital of Hurst Italia srl not already owned by the Group
- the acquisition of 100% of the ordinary share capital of 96.3 QFM Limited
- the acquisition of 30% of the ordinary share capital of Autofocus (UK) Limited, trading as CVi.

11. Intangible assets

	£m
Cost	
At 2 April 2007	130.1
Acquisitions - through business combinations	26.8
Additions at cost	8.5
Disposals	(1.3)
At 30 March 2008	**164.1**
Accumulated amortisation	
At 2 April 2007	10.4
Disposals	(1.2)
Charge for period	12.0
At 30 March 2008	**21.2**
Net book value at 30 March 2008	**142.9**

Intangible assets mainly comprises radio licences and computer software which are 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.

	£m
Cost	
At 3 April 2006	23.0
Acquisitions - through business combinations	120.4
Additions at cost	9.5
Reclassifications - assets held for sale	(21.0)
Disposals	(1.8)
At 1 April 2007	**130.1**
Accumulated amortisation	
At 3 April 2006	13.7
Reclassifications - assets held for sale	(10.6)
Disposals	(1.8)
Charge for period	9.1
At 1 April 2007	**10.4**
Net book value at 1 April 2007	**119.7**

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 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**

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.

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 3 April 2006	47.4	189.2	20.0	17.4	274.0
Additions at cost	1.2	9.0	1.3	11.1	22.6
Acquisitions - through business combinations	2.0	3.4	0.4	-	5.8
Reclassifications - assets held for sale	(16.9)	(75.2)	(3.3)	(0.9)	(96.3)
Reclassifications	3.4	21.6	1.7	(26.7)	-
Disposals	-	(10.3)	(0.7)	(0.4)	(11.4)
At 1 April 2007	**37.1**	**137.7**	**19.4**	**0.5**	**194.7**
Accumulated depreciation					
At 3 April 2006	10.6	104.3	12.7	-	127.6
Charge for the period	2.0	17.2	2.8	-	22.0
Acquisitions - through business combinations	-	1.8	-	-	1.8
Reclassifications - assets held for sale	(5.3)	(52.2)	(2.4)	-	(59.9)
Reclassifications	(0.2)	-	0.2	-	-
Disposals	-	(9.3)	(0.7)	-	(10.0)
At 1 April 2007	**7.1**	**61.8**	**12.6**	**-**	**81.5**
Net book value at 1 April 2007	**30.0**	**75.9**	**6.8**	**0.5**	**113.2**

12. (b) Property, plant and equipment

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

	2008 £m	2007 £m
Cost	**91.0**	91.0
Accumulated depreciation including impairment	**(68.5)**	(20.2)
Net book value	**22.5**	70.8

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

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

	2008 £m	2007 £m
Freehold	**6.0**	8.0
Long leasehold	**3.4**	3.5
Short leasehold	**1.6**	18.5
	11.0	30.0

In accordance with IAS 36 “Impairment of assets”, the Group’s land and buildings were valued by independent third party valuers as at 31 December 2005 and were found not to be impaired.

13. Investments

(a) Interests in joint ventures

	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	-	117.9	-	117.9
Goodwill	-	102.2	-	102.2
Repayment of loans	-	-	(3.5)	(3.5)
Loans advanced	-	87.8	2.5	90.3
Profit and loss account - continuing	(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	(229.6)	117.9	8.0	(103.7)
- Goodwill	-	102.2	-	102.2
- Loans	145.3	87.8	-	233.1
	(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. The goodwill figure of £102.2 million is provisional. A fair value exercise will be carried out within one year of acquisition to identify intangible assets, at which time the goodwill figure will be amended.

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.

13. Investments (continued)

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	182.3	5.8	233.1
Current liabilities	(83.2)	(428.0)	(4.6)	(515.8)
Non-current liabilities	(676.6)	(9.5)	(19.8)	(705.9)
Net (liabilities)/assets	**(229.6)**	**117.9**	**8.0**	**(103.7)**
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)**

	Other £m
At 3 April 2006	
- Net assets	6.4
- Loans	1.5
	7.9
Repayment of loans	(0.5)
Profit and loss account - continuing	(0.3)
Statement of recognised income and expense	0.4
At 1 April 2007	
- Net assets	6.5
- Loans	1.0
	7.5

The Group's share of amounts relating to joint ventures

	Other £m
Non-current assets	30.8
Current assets	10.5
Current liabilities	(9.8)
Non-current liabilities	(25.0)
Net assets	**6.5**
Turnover	85.6
Expenses	(86.1)
Loss before taxation	**(0.5)**
Taxation	0.2
Share of post tax results from joint ventures	**(0.3)**

Details of the Group's joint ventures' contingent liabilities are included in note 15 on page 86.
The Group's share of joint ventures' capital commitments are included in note 31 on page 73.

13. Investments (continued)

(b) Interests in associates

	2008	2007
At 2 April 2007	£m	£m
- Net assets excluding goodwill	**4.0**	4.1
- Goodwill	**0.7**	1.2
	4.7	5.3
Additions		
- Net assets (transfer from amounts owed by related parties)	**0.4**	0.4
- Net assets	**3.4**	0.4
Disposals		
- Net assets	**(0.1)**	-
- Net assets (transfer to debtors)	**(0.3)**	-
- Net assets (reclassification - assets held for sale)	**-**	(0.4)
- Net assets (reclassification - subsidiary)	**-**	(0.2)
Impairment of goodwill	**(0.4)**	(0.5)
Share of retained loss	**(0.3)**	(0.2)
Dividends	**-**	(0.1)
At 30 March 2008		
- Net assets excluding goodwill	**7.1**	4.0
- Goodwill	**0.3**	0.7
	7.4	4.7

The Group's share of amounts relating to associates

	2008	2007
	£m	£m
Total assets	**13.2**	6.7
Total liabilities	**(6.1)**	(2.7)
Turnover	**16.2**	12.4
Trading loss	**(0.3)**	(0.2)
Profit on disposal of associate	**-**	0.1

A list of principal subsidiary undertakings, joint ventures and associates is given in note 34. 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.

13. Investments (continued)

(c) Other financial assets

	2008	2007
	£m	£m
At 2 April 2007	**1.5**	4.5
Additions at cost	**0.3**	-
Disposals	**-**	(3.0)
At 30 March 2008	**1.8**	1.5
Other financial assets include the following:		
Unlisted shares	**0.3**	0.3
Term deposits/loans	**1.5**	1.2
	1.8	1.5

14. Inventories

	2008	2007
	£m	£m
Raw materials and consumables	**1.6**	1.0

The Group consumed £69.2 million (2007 £87.8 million) of inventories during the year (note 4).

15. Trade and other receivables

	2008	2007
	£m	£m
Amounts falling due within one year:		
Trade receivables	**64.0**	68.4
Less: Provision for impairment of receivables	**(1.1)**	(1.0)
Trade receivables - net	**62.9**	67.4
Amounts owed by related parties	**36.9**	3.1
Other debtors	**2.7**	1.7
Prepayments and accrued income	**16.1**	10.6
	118.6	82.8

As at 30 March 2008, trade receivables of £1.0 million (2007 £1.2 million) were impaired. The ageing of these receivables is as follows:

	2008	2007
	£m	£m
Up to 3 months	**0.4**	0.3
3 or 6 months	**0.3**	0.5
Over 6 months	**0.3**	0.4
	1.0	1.2

15. Trade and other receivables (continued)

As at 30 March 2008, trade receivables of £10.6 million (2007 £15.3 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008	2007
	£m	£m
Up to 3 months	**9.7**	14.7
3 or 6 months	**0.8**	0.4
Over 6 months	**0.1**	0.2
	10.6	15.3

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

	2008	2007
	£m	£m
At 2 April 2007	**1.0**	3.1
Additions in year	**0.1**	0.1
Transfer to assets held for sale	**-**	(1.0)
Provision for receivables impairment	**0.6**	1.7
Receivables written off during the year as uncollectible	**(0.4)**	(2.9)
Unused amounts reversed	**(0.2)**	-
At 30 March 2008	**1.1**	1.0

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

16. Current tax

	2008	2007
	£m	£m
Current tax liability	**6.2**	13.2

17. Cash and cash equivalents

	2008	2007
	£m	£m
Cash at bank and in hand	**61.7**	35.3
Short term bank deposits	**515.8**	-
	577.5	35.3

18. Financial liabilities - borrowings

Current	2008 £m	2007 £m
Bank loan and overdrafts due within one year or on demand:		
Bank loan	**-**	79.0
Finance lease obligations	**6.9**	7.4
	6.9	86.4

Non-current	2008 £m	2007 £m
Bank loans:		
Finance lease obligations	**58.9**	65.2
Preference shares	**0.1**	0.1
	59.0	65.3
The total value of obligations under finance leases repayable by instalments:		
- between one to two years	**2.0**	3.5
- between two to five years	**16.6**	17.1
- over five years	**40.3**	44.6
	58.9	65.2

Preference share capital

	2008 £m	2007 £m
Authorised, issued, called up and fully paid:		
100,000 4% cumulative preference shares of £1 each	**0.1**	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.

19. Trade and other payables - current

	2008 £m	2007 £m
Trade creditors	**23.0**	19.8
Taxation and social security	**8.2**	7.1
Other creditors	**2.6**	2.7
Accruals and deferred income	**36.6**	30.8
	70.4	60.4

20. Other non-current liabilities

	2008 £m	2007 £m
Other creditors	**0.4**	-
Accruals	**0.7**	1.1
Preference shares	**-**	1.0
	1.1	2.1

21. Provisions

	£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

The provisions at 30 March 2008 relate primarily to an onerous print contract and relocation and restructuring costs in the Guardian News & Media and GMG Regional Media divisions. The onerous print contract provision of £21.2 million is expected to be utilised over 15 years, being the life of the contract. Of the remaining provisions more than half is expected to be settled within one year, with the remainder being utilised over the longer term.

	£m
At 3 April 2006	47.9
Charged to profit and loss account	8.0
Acquisitions - through business combinations	0.6
Reclassifications - liabilities held for sale	(6.5)
Reclassifications - creditors	0.5
Utilised in year	(33.0)
At 1 April 2007	17.5
Provisions have been analysed between current and non-current as follows:	
Current	2.3
Non-current	15.2
	17.5

22. Deferred taxation

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 28% (2007 30%).

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

	2008	2007
	£m	£m
At 2 April 2007	**30.5**	(1.5)
Profit and loss credit	**(16.2)**	(2.0)
Acquisitions - through business combinations	**7.2**	36.0
Reclassifications - assets held for sale	**-**	(2.0)
Statement of recognised income and expense credit	**0.2**	-
At 30 March 2008	**21.7**	30.5

	Accelerated capital allowances on fixed assets £m	Tax losses carried forward £m	Short-term and other timing differences £m	Other[1] £m	Total £m
Deferred taxation liabilities					
At 2 April 2007	1.7	-	-	36.4	38.1
Profit and loss credit	(0.2)	-	-	(5.3)	(5.5)
Acquisitions - through business combinations	(0.1)	-	-	7.4	7.3
At 30 March 2008	**1.4**	**-**	**-**	**38.5**	**39.9**
Deferred taxation assets					
At 2 April 2007	(3.7)	(2.6)	(1.3)	-	(7.6)
Profit and loss credit/(charge)	(0.7)	2.6	(11.6)	(1.0)	(10.7)
Statement of recognised income and expense credit	-	-	0.2	-	0.2
Acquisitions - through business combinations	0.3	(0.1)	(0.3)	-	(0.1)
At 30 March 2008	**(4.1)**	**(0.1)**	**(13.0)**	**(1.0)**	**(18.2)**
Net deferred tax liability at 30 March 2008					**21.7**
Net deferred tax liability at 1 April 2007					30.5

[1] Other comprises capital gains/revaluations and deferred tax on acquired intangible assets.

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 £1.8 million (2007 £1.9 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 £0.5 million at 30 March 2008.

23. Share capital

	2008	2007
	£m	£m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9
	0.9	0.9

24. Retained earnings

The movement on retained profits is analysed below:

	£m
At 2 April 2006	466.4
Retained profit for the year	64.2
Profits recognised directly in equity	1.8
At 1 April 2007	532.4
Retained profit for the year	307.2
Losses recognised directly in equity	(4.2)
At 30 March 2008	**835.4**

Cumulative goodwill written off directly to Group reserves £58.4 million (2007 £58.4 million).

25. Preference dividends paid

Preference dividends paid during the year amounted to £4,000 (2007 £4,000).

26. Statement of changes in equity

	£m
At 2 April 2006	467.3
Retained profit for the year	64.2
Profits recognised directly in equity	1.8
At 1 April 2007	533.3
Retained profit for the year	307.2
Losses recognised directly in equity	(4.2)
At 30 March 2008	**836.3**

27. Cash flow from operating activities

Reconciliation of profit before tax to net cash inflow from operating activities:

Cash generated from operations	**2008**	2007
	£m	£m
Continuing operations		
Net profit	**307.2**	64.2
Adjustments for:		
Tax	**(0.8)**	33.5
Depreciation	**15.1**	22.0
Impairment of property, plant and equipment	**46.6**	-
Profit on part disposal of subsidiary	**(334.8)**	-
Profit on sale of trade and assets	**(0.4)**	-
Profit on sale of associates	**-**	(0.1)
Profit on disposal of property, plant and equipment	**(39.0)**	(0.2)
Impairment of goodwill	**26.6**	-
Amortisation of intangibles	**12.0**	9.1
Impairment of associates	**0.4**	0.5
Income from non-current financial assets	**(0.1)**	(0.1)
Interest income	**(69.7)**	(12.2)
Interest expense	**8.0**	27.0
Pensions	**(1.0)**	(1.0)
Share of results of joint ventures after taxation	**27.1**	0.3
Share of results of associates after taxation	**0.3**	0.1
Changes in working capital (excluding effects of reclassifications, acquisitions and disposals of subsidiaries):		
(Increase)/decrease in inventories	**(0.6)**	0.5
Increase in trade and other receivables	**(30.8)**	(3.5)
Increase/(decrease) in trade and other payables	**3.4**	(4.5)
Increase/(decrease) in provisions	**25.4**	(23.9)
Cash (used)/generated from continuing operations	**(5.1)**	111.7

28. Post balance sheet events

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.

29. Pension commitments

Defined contribution schemes

More than 99% of the Group's employees are members of defined contribution pension schemes operated by the Group. Pension schemes' assets are held in separate trustee-administered funds.

Pension costs for defined contribution schemes are as follows:

	2008	2007
	£m	£m
Defined contribution schemes	**9.4**	10.1

Notes relating to the financial statements - continued

29. Pension commitments (continued)

Defined benefit schemes

The Group has three (2007 four) defined benefit pension schemes, all of which have been accounted for in accordance with IAS 19 "Employee benefits".

At the year-end the Rochdale Observer Executive Pension Plan and the GMG Supplementary Pension Scheme (which has commenced formal wind-up with effect from 6 November 2006) had no active members. These schemes are not material to the Group and as such full IAS 19 disclosures have not been made.

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 The Surrey Advertiser Newspaper Holdings Ltd Pension & Life Assurance Scheme was performed on 5 April 2006 and updated to 30 March 2008 by a qualified independent actuary. The main assumptions made by the actuary were:

	2008	2007
Rate of increase for pensions in payment	**3.60% pa**	3.10% pa
Rate of increase in deferred pensions	**3.10% pa**	3.10% pa
Discount rate	**5.90% pa**	5.20% pa
Inflation assumption	**3.60% pa**	3.10% pa
Expected return on plan assets:		
Equities	**6.40% pa**	6.40% pa
Bonds	**5.90% pa**	5.20% pa
Gilts	**4.40% pa**	4.40% pa
Cash	**5.00% 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:

	2008	2007
	£m	£m
Present value of funded obligations - all fully or partly funded	**14.8**	16.0
Fair value of plan assets	**(13.7)**	(13.3)
	1.1	2.7
Plan liabilities not disclosed[1]	**0.1**	0.7
Net liability recognised in the balance sheet	**1.2**	3.4

[1] An amount of £0.1 million (2007 £0.7 million) is shown in the balance sheet as a liability. As the Star Newspapers Staff Benefits Plan is in the process of being wound up and has been fully provided for on a solvency valuation basis no further disclosures have been made in these accounts.

29. Pension commitments (continued)

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

	2008	2007
	£m	£m
Current service cost	**-**	0.1
Interest cost	**0.8**	0.7
Expected return on plan assets	**(0.7)**	(0.6)
Total pension cost recognised in the profit and loss account	**0.1**	0.2

These charges are included in operating costs.

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

	2008	2007
	£m	£m
Actuarial gains/(losses) immediately recognised	**0.7**	(0.2)

Changes in the present value of the defined benefit obligation are as follows:	**2008**	2007
	£m	£m
At 2 April 2007	**16.0**	28.2
Reclassification - held for sale	**-**	(12.5)
Current service cost	**-**	0.1
Interest cost	**0.8**	0.8
Actuarial (gains)/losses	**(1.3)**	0.1
Benefits paid	**(0.7)**	(0.7)
At 30 March 2008	**14.8**	16.0

Changes in the fair value of the scheme's assets are as follows:	**2008**	2007
	£m	£m
At 2 April 2007	**(13.3)**	(24.9)
Reclassification - held for sale	**-**	12.4
Employer contributions	**(1.0)**	(1.0)
Expected return on assets	**(0.7)**	(0.6)
Actuarial loss	**0.6**	0.1
Benefits paid	**0.7**	0.7
At 30 March 2008	**(13.7)**	(13.3)

The actual return on plan assets was £0.03 million.

The Group expects to contribute £0.5 million to the defined benefit pension scheme during the year ending 29 March 2009.

29. Pension commitments (continued)

The major categories of scheme's assets are as follows:

	2008	2007
	£m	£m
Equities	**4.7**	5.3
Bonds	**2.0**	2.0
Gilts	**6.0**	6.0
Cash	**1.0**	-
	13.7	13.3

Analysis of the movement in the balance sheet liability:	2008	2007
	£m	£m
At 2 April 2007	**2.7**	3.3
Total expense recognised in the profit and loss account	**0.1**	0.2
Contributions	**(1.0)**	(1.0)
Net actuarial (gain)/loss recognised in the year	**(0.7)**	0.2
At 30 March 2008	**1.1**	2.7

Cumulative actuarial (gains)/losses recognised in equity:	2008	2007
	£m	£m
At 2 April 2007	**5.0**	10.3
Reclassification - held for sale	**-**	(5.5)
Net actuarial (gain)/loss recognised in the year	**(0.7)**	0.2
At 30 March 2008	**4.3**	5.0

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.

30. 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	
	2008	2007	2008	2007
	£m	£m	£m	£m
Expiring within one year	**10.3**	5.7	**10.6**	8.2
Expiring between two and five years inclusive	**32.2**	34.3	**39.3**	33.9
Expiring in over five years	**116.4**	146.6	**51.2**	47.2
	158.9	186.6	**101.1**	89.3

The balances in the current year do not include disclosures in respect of Trader Media Group Limited following the part disposal during the year.

31. Capital commitments authorised

Contracts entered into, but not provided for, for property, plant and equipment for the Group amounted to approximately £18.1 million (2007 £10.8 million).

32. 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 Limited, Trafford Park Printers Limited and Paper Purchase & Management Limited. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2008	2007
	£m	£m
Sales	**11.0**	0.2
Purchases	**58.6**	86.7
Loans made	**288.0**	0.4
Interest on loans	**35.5**	0.6

At year-end, balances outstanding in relation to these transactions amounted to £320.5 million (2007 £0.4 million).

During the year Guardian Media Group plc paid £112,480 (2007 £105,000) to eight (2007 seven) members of the Scott Trust in relation to their duties as trustees. A further £142,196 (2007 £154,070) was paid to two (2007 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 £304,000 (2007 £391,000) to a law firm of which a further member of the Scott Trust is a partner.

33. Ultimate controlling party

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

34. 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 FM London Limited^	£1 ordinary shares	100%
Smooth FM Limited^	£1 ordinary shares	100%
Century Radio Limited^	£1 ordinary shares	100%
Century Radio 105 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%
Thinkproperty.com 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%
Emap International Limited^	30p ordinary shares	29.5%
Eden Acquisition 2 Limited*+	£1 preference shares	100%
Eden Acquisition 4 Limited*+	£1 preference shares	100%
Trafford Park Printers Limited	£1 ordinary shares	50%

(c) Associates	Description of total shares	Percentage holding
Seven Publishing Group Limited	£0.01 ordinary shares	42.8%
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

The analysis for 2005-2008 has been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. For 2004 the figures shown are as originally reported under UK GAAP. The principal adjustments to restate these figures to comply with IFRS comprise goodwill amortisation and defined benefit pension fund liabilities.

	Year to 30 March 2008 £m	Year to 1 April 2007 £m	Year to 2 April 2006 £m	Year to 3 April 2005 £m	Year to 28 March 2004 £m
Turnover	**502.1**	716.1	700.3	705.0	517.8
Operating costs excluding exceptional items	**(505.8)**	(610.9)	(583.9)	(577.8)	(457.7)
Operating (loss)/profit before exceptional items	**(3.7)**	105.2	116.4	127.2	60.1
Exceptional items	**(59.5)**	8.1	(31.8)	(40.3)	(22.4)
Operating (loss)/profit after exceptional items	**(63.2)**	113.3	84.6	86.9	37.7
Income from other financial assets	**0.1**	0.1	0.3	0.9	0.4
Profit on part disposal of subsidiary	**335.2**	-	-	-	-
Net interest receivable/(payable)	**61.7**	(14.8)	(17.7)	(30.9)	(18.9)
Share of (losses)/profits of joint ventures and associates	**(27.4)**	(0.9)	(0.8)	(3.2)	24.4
Profit before taxation	**306.4**	97.7	66.4	53.7	43.6
Taxation	**0.8**	(33.5)	(20.5)	(19.8)	(10.9)
Profit for the year from continuing operations	**307.2**	64.2	45.9	33.9	32.7
Profit for the year from discontinued operations	**-**	-	-	10.2	-
Profit attributable to equity shareholders	**307.2**	64.2	45.9	44.1	32.7
Assets employed					
Intangible assets (including goodwill)	**261.3**	255.0	655.0	650.5	643.5
Tangible assets	**54.9**	113.2	146.4	130.4	82.8
Investments	**240.8**	13.7	17.7	16.9	26.9
Cash and cash equivalents	**577.5**	35.3	75.4	67.3	85.2
Net assets held for sale	**-**	311.1	-	-	-
Other net liabilities	**(298.2)**	(195.0)	(427.2)	(440.2)	(448.8)
Net assets	**836.3**	533.3	467.3	424.9	389.6

Guardian Media Group plc

2008 Company financial statements

Report of the directors

The directors present their report and the audited financial statements of the Company for the year ended 30 March 2008.

Activities and review of the business

The Company is the holding company for the Group.

Business review and future developments

The profit for the year was £422.6 million (2007 £6.6 million). The Company has paid a preference dividend of 4.0p (2007 4.0p) per share amounting to £4,000 (2007 £4,000). The directors do not recommend payment of any dividend on the ordinary shares.

Creditor payment policy

The Company 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 Company at the year-end was 24 days.

Directors and directors' interests

This information is shown in the Group section of the annual report on pages 16, 17 and 35.

Tax status

The Company is a close company for tax purposes.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 30 March 2008 and that applicable accounting standards have been followed.

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 confirm, so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that they ought to have taken in their duty 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
26 June 2008

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 30 March 2008 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 30 March 2008.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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 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 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 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. 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 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 30 March 2008
- 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
26 June 2008

Company balance sheet

As at 30 March 2008

	Note	2008 £m	2007 £m
Assets			
Fixed assets			
Tangible assets	3	**0.2**	0.4
Investments			
Subsidiary undertakings	4	**164.1**	325.9
Joint ventures	5	**316.0**	9.0
Associates	6	**5.9**	3.1
Other investments	7	**1.4**	1.1
		487.6	339.5
Current assets			
Debtors	8	**98.4**	84.6
Cash at bank and in hand		**561.5**	30.6
		659.9	115.2
Current liabilities			
Creditors: due within one year	9	**423.1**	152.7
Net current assets/(liabilities)		**236.8**	(37.5)
Creditors: due after more than one year	10	**0.4**	0.6
Net assets		**724.0**	301.4
Capital and reserves			
Share capital	11	**0.9**	0.9
Retained earnings	12	**723.1**	300.5
Total shareholders' funds		**724.0**	301.4

These financial statements were approved by the Board of directors on 26 June 2008 and signed on its behalf by:

Paul Myners
Chair

Nick Castro
Finance director

The notes on pages 82 to 86 form part of these financial statements

Notes relating to the financial statements

1. Accounting policies

Accounting basis

The financial statements on pages 81 to 86 have been prepared 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. The financial statements have been prepared on the historical cost basis.

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.

Pension costs

The company is complying with FRS 17, “Retirement Benefits”.

(a) Defined contribution schemes
All Company employees are eligible to be members of a defined contribution pension scheme.

(b) Defined benefit schemes
The Company has a defined benefit pension scheme which commenced formal wind-up with effect from 6 November 2006.

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.

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

	2008 £m	2007 £m
Wages and salaries	**4.6**	3.2
Employer's social security costs	**0.5**	0.4
Employer's pension costs	**0.5**	0.4
	5.6	4.0

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

	2008 No.	2007 No.
Administration	**38**	36

(c) Auditors' remuneration

	2008 £m	2007 £m
Audit services	**0.1**	0.1
Other services	**0.2**	0.4

3. Tangible assets

	Plant and vehicles £m	Fixtures and fittings £m	Total £m
Cost			
At 30 March 2008 and 2 April 2007	**0.2**	**0.4**	**0.6**
Accumulated depreciation			
At 2 April 2007	0.1	0.1	0.2
Charge for the period	-	0.2	0.2
At 30 March 2008	**0.1**	**0.3**	**0.4**
Net book value at 30 March 2008	**0.1**	**0.1**	**0.2**
Net book value at 1 April 2007	0.1	0.3	0.4

4. Subsidiary undertakings

	Unlisted shares £m
Cost	
At 2 April 2007	451.5
Additions	70.0
Disposals	(124.8)
At 30 March 2008	**396.7**
Amounts written off	
At 2 April 2007	125.6
Charge for the period	107.0
At 30 March 2008	**232.6**
Net book value at 30 March 2008	**164.1**
Net book value at 1 April 2007	325.9

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 75.

5. Joint ventures

	Shares £m	Loans £m	Total £m
Cost			
At 2 April 2007	14.6	1.0	15.6
Additions	220.2	87.8	308.0
Repayment of loans	-	(1.0)	(1.0)
At 30 March 2008	**234.8**	**87.8**	**322.6**
Amounts written off			
At 30 March 2008 and 2 April 2007	**6.6**	**-**	**6.6**
Net book value at 30 March 2008	**228.2**	**87.8**	**316.0**
Net book value at 1 April 2007	8.0	1.0	9.0

Details of the principal joint ventures are shown in the Group section of this report on page 75.

6. Associates

	Unlisted shares £m	Loan stock £m	Total £m
Cost			
At 2 April 2007	5.2	2.4	7.6
Additions	5.2	-	5.2
Disposals	-	(2.4)	(2.4)
At 30 March 2008	**10.4**	**-**	**10.4**
Amounts written off			
At 30 March 2008 and 2 April 2007	**4.5**	**-**	**4.5**
Net book value at 30 March 2008	**5.9**	**-**	**5.9**
Net book value at 1 April 2007	0.7	2.4	3.1

Details of the principal associates are shown in the Group section of this report on page 75.

7. Other investments

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 2 April 2007	0.2	0.9	1.1
Additions	-	0.3	0.3
At 30 March 2008	**0.2**	**1.2**	**1.4**

Notes relating to the financial statements - continued

8. Debtors

	2008 £m	2007 £m
Amounts owed by subsidiaries	**93.3**	82.2
Amounts owed by joint ventures and associates	**1.2**	2.0
Corporation tax	**1.0**	-
Deferred tax	**0.3**	0.3
Other debtors	**1.3**	-
Prepayments and accrued income	**1.3**	0.1
	98.4	84.6

9. Creditors: due within one year

	2008 £m	2007 £m
Trade creditors	**0.2**	0.1
Amounts owed to subsidiaries	**208.7**	146.5
Taxation and social security	**1.1**	0.3
Corporation tax	**-**	3.5
Other creditors	**1.0**	0.5
Deferred consideration	**209.0**	-
Accruals and deferred income	**3.1**	1.8
	423.1	152.7

10. Creditors: due after more than one year

	2008 £m	2007 £m
Accruals and deferred income	**0.3**	0.5
Preference shares	**0.1**	0.1
	0.4	0.6

Preference share capital

	2008 £m	2007 £m
Authorised, issued, called up and fully paid:		
100,000 4% cumulative preference shares of £1 each	**0.1**	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.

11. Share capital

	2008 £m	2007 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

12. Retained earnings

	£m
The movement on retained profits is analysed below:	
At 2 April 2007	300.5
Retained profit for the period	422.6
At 30 March 2008	**723.1**

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

13. Pensions

The Company operates two pension schemes.

Defined contribution scheme

The G and MEN Lifestyle Plan 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.

Defined benefit scheme

The GMG Supplementary Pension Scheme had no active members remaining at year-end. This scheme is not material to the company and as such full FRS 17 disclosures have not been made. This scheme commenced formal wind-up with effect from 6 November 2006.

14. Operating lease and similar commitments

There are no material operating leases and similar annual commitments.

15. 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 joint and several guarantees and indemnities and sole guarantees in respect of certain leasing obligations of Trafford Park Printers Limited and Surrey & Berkshire Media Limited amounting to £21.1 million (2007 £25.9 million).

(c) The Company has given a guarantee to Lloyds Bank PLC in respect of certain leasing obligations of certain subsidiary companies and of Trafford Park Printers Limited amounting to £65.8 million (2007 £72.6 million).

16. Capital commitments authorised

There are no contracts for capital expenditure for the Company (2007 £nil).

17. Preference dividends paid

Preference dividends paid during the year amounted to £4,000 (2007 £4,000).

18. 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 £112,480 (2007 £105,000) to eight (2007 seven) members of the Scott Trust in relation to their duties as trustees.

19. Ultimate controlling party

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

Advisers

Registered auditors

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London
WC2N 6RH

Solicitors

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

Lovells LLP
65 Holborn Viaduct
London
EC1A 2DY

Bankers

The Royal Bank of Scotland plc
Corporate and Institutional Banking
135 Bishopsgate
London
EC2M 3UR

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Guardian Media Group
Registered Office
No. 1 Scott Place
Manchester M3 3GG
Tel: 0161 832 7200

Guardian Media Group
Head Office
60 Farringdon Road
London EC1R 3GA
Tel: 020 7278 2332

Guardian News & Media
119 Farringdon Road
London EC1R 3ER
Tel: 020 7278 2332

Trader Media Group
6 Thatcham Business Village
Colthrop Lane
Thatcham
Berkshire RG19 4LW
Tel: 01635 292 800

Emap
Greater London House
Hampstead Road
London NW1 7EJ
Tel: 020 7728 5000

MEN Media
No. 1 Scott Place
Manchester M3 3RN
Tel: 0161 832 7200

Surrey & Berkshire Media
Stoke Mill
Woking Road
Guildford
Surrey GU1 1QA
Tel: 01483 508 700

GMG Radio
Laser House
Waterfront Quay
Salford Quays
Manchester M50 3XW
Tel: 0161 886 8800

GMG Property Services
The Grove
Pipers Lane
Harpenden AL5 1AJ
Tel: 0845 230 5333

www.gmgplc.co.uk
Company number 94531