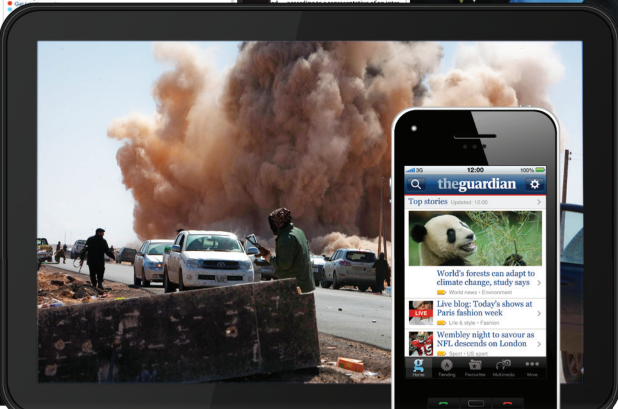
Guardian Media Group

gmg

2011 ANNUAL REPORT AND ACCOUNTS



Annual report and accounts 2011

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Introduction

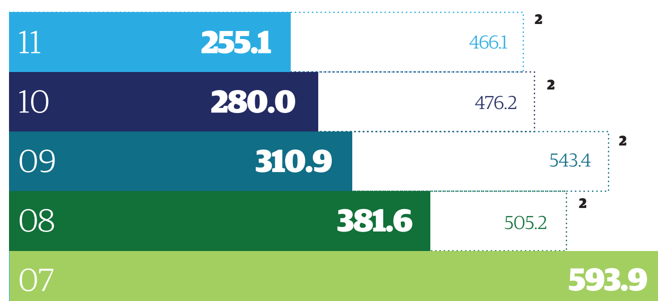
The Guardian is one of the world's leading news organisations. Supported by Parent Company Guardian Media Group (GMG) it delivers its unique brand of independent liberal journalism to a global audience.

GMG is wholly owned by the Scott Trust, which exists to protect the financial and editorial independence of the Guardian.

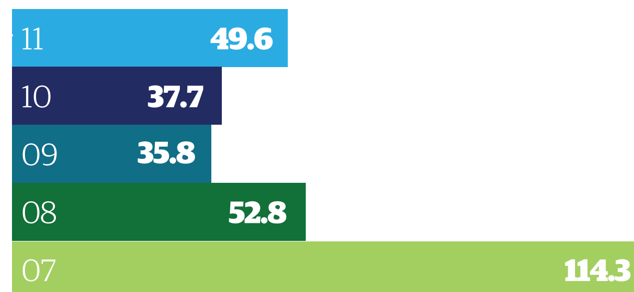
The Group has a portfolio of investments which help to fund our journalism and secure its long-term future.

Financial performance

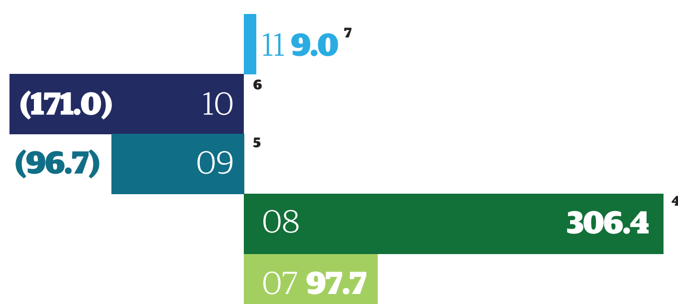
Revenue (£m)[1]



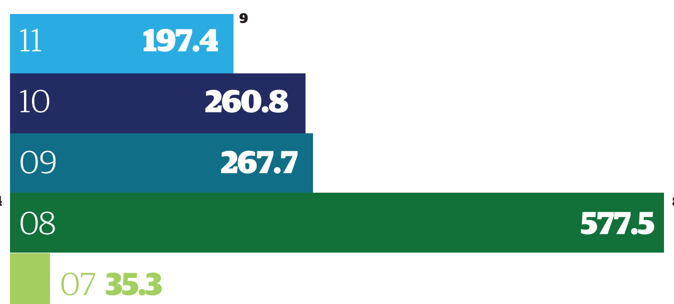
EBITA (before exceptional items) (£m)[3]
(Including share of Trader Media Group and Emap)



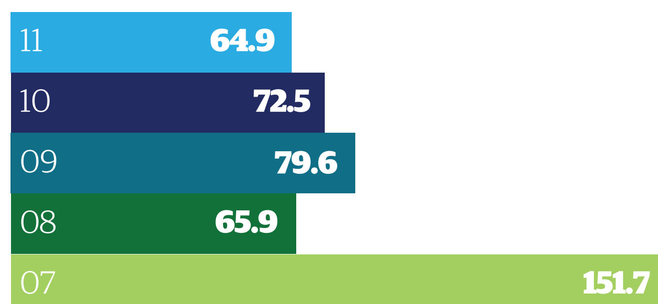
Profit/(loss) before taxation (£m)



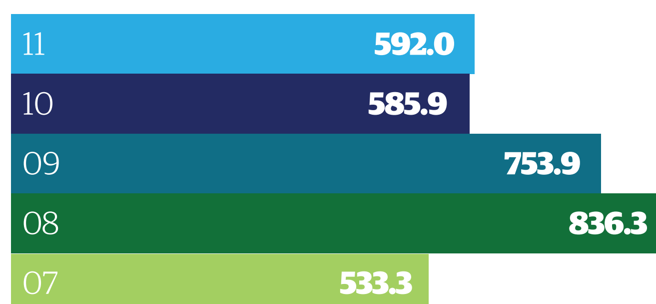
Cash and investment fund (£m)



Debt (net of issue costs) (£m)



Net assets (£m)



[1] Revenue for 2007-2009 has been restated to exclude GMG Regional Media which became a discontinued operation in 2010.

[2] The dotted lines in 2008 depict Group revenue including share of joint venture company Trader Media Group. In 2009, 2010 and 2011, the dotted lines depict Group revenue including share of joint venture companies Trader Media Group and Emap.

[3] EBITA is defined as operating profit before exceptional items and amortisation of intangible assets. To reconcile to statutory operating profit see pages 24 and 25.

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

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

[6] Includes £160.4 million of subsidiary and joint venture company impairment of goodwill and intangibles, £5.4 million of fair value gains on forward exchange contracts and £5.1 million of joint venture fair value losses on interest rate swaps and debt.

[7] Includes £4.1 million of exceptional costs.

[8] Group cash balance at 30 March 2008, reflecting the proceeds of the sale of 49.9% of Trader Media Group in June 2007. In early 2008/09, deferred consideration in respect of the Emap transaction of £209.0 million was paid.

[9] Cash and investment fund balances reduced by £63.4 million during 2010/11, which includes non-operating cash outflows in respect of provisions of £22.6 million and settlement of a loan to a joint venture of £10.8 million. Further details are shown in the statement of cash flows on page 42 and in note 10 on pages 55 and 56.

Group structure

GMG at a glance

Wholly owned business

Guardian News & Media (GNM)

Revenue £198.2 million

GNM is Guardian Media Group's core business. It publishes the Guardian and Observer newspapers and the guardian.co.uk website - among the leading news sites in the world.

Wholly owned business

GMG Radio

Revenue £47.1 million

GMG Radio is one of the UK's largest commercial radio groups. Its brands are Smooth Radio, Real Radio and Rock Radio.

Wholly owned business

GMG Property Services

Revenue £9.6 million

GMG Property Services is a leading provider of software to independent estate agents.

Other interests

Seven Publishing

Revenue £10.1 million (GMG share)

Other interests include Seven, which publishes customer and consumer magazines (Sainsbury's and other titles) and digital content.

Other resources

Cash and investment fund

GMG retains cash in its balance sheet and has £182.6 million in an externally managed investment fund.

Joint venture

Trader Media Group (TMG)

Revenue £131.1 million (GMG share)

TMG is one of Europe's largest specialist media publishers. Its principal brand is Auto Trader, the leading motors classified advertisement website and magazine.

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

ardian
n.co.uk
server

Trader Media Group

Joint venture

Emap

Revenue £79.9 million (GMG share)

emap

Emap is a leading international business-to-business digital intelligence and events business.

Key brands include WGSN, Spring Fair, Pure, Cannes Lions, CAP, MEED, World Retail Congress, Health Service Journal, Retail Week and Broadcast.

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

Statement from the chair

Dame Amelia Fawcett DBE

> **"The Guardian – like other parts of GMG – has demonstrated great ingenuity and vision in adapting to the digital age and attracting a new, global readership."**

The events of 2010/11 proved the value of the financial backing and unique ownership structure that form the bedrock of GMG's support for the Guardian.

Our portfolio of investments provided the backdrop against which the Guardian was able to continue to produce brilliant independent journalism, precisely as envisaged by the Scott Trust – despite intense financial challenges across the industry and a 10.3% reduction in revenue at our core business Guardian News & Media (GNM).

Nevertheless, while the Guardian benefits from the financial strength of GMG's portfolio, under the oversight of the Trust, it does not operate in a vacuum. The forces of change continue to sweep through the industry, irrespective of short-term variations in the advertising market.

The Guardian – like other parts of GMG – has demonstrated great ingenuity and vision in adapting to the digital age and attracting a new, global readership. Its current initiative to develop its US operation, building on an already sizeable audience in the States, is a prime example of this. However, digital revenues, while growing steadily, do not fully offset declining print revenues. This is the challenge facing GNM and news organisations across the world.

In this context, the Board is very pleased that our new chief executive officer, Andrew Miller, has reshaped and streamlined the management structure to facilitate maximum focus on GNM. There is now a clear distinction, strategically and in terms of operational management, between GNM as the core business and the portfolio of assets and investments that are designed to provide for its future.

None of this diminishes in any way the importance of the portfolio companies, nor their achievements in the year under review. The radio and property businesses performed well in difficult markets, outperforming their peers. The companies that we jointly own with Apax Partners, Trader Media Group (TMG) and Emap, are repositories of value for the Group. TMG remains an exemplar of how to manage the transition from print to digital, posting record profits in 2010/11, while Emap is well positioned to take advantage of economic recovery. Such assets, along with our successful investment fund, provide a high level of reassurance for the future.

I have already mentioned Andrew Miller as our new chief executive officer. We were delighted to be able to confirm Andrew in the role, following a rigorous executive search process. Andrew had already made a major contribution to GMG as chief financial officer, first of TMG and then of the Group. We were fortunate to have such an outstanding candidate to step into the role and he has made an excellent start.

Andrew was succeeded as chief financial officer by Darren Singer, who has in-depth experience of the media sector. He joined us in April 2011 from Group M, a WPP company, having previously worked for BSkyB and the BBC. We are very pleased to have him on board.

"The forces of change continue to sweep through the industry, irrespective of short-term variations in the advertising market."

Tim Brooks left the Company when the post of managing director at GNM became redundant, following the changes to the senior management structure of GMG and GNM. We would like to thank Tim for his resolute leadership of GNM and the valuable contribution he made in over four years with the Group.

Senior independent director John Bartle stood down in December 2010 after nine years on the Board. John was a true stalwart of GMG, which has benefited immensely from his insight, experience and wise counsel. The Board is very grateful for everything he has done for the Group and the Guardian. We are very fortunate indeed that Nick Backhouse has taken on the role of senior independent director.

Simon Fox joined the Board as an independent director in May 2010, and has been an excellent member of the team in his first year with GMG.

Following a review of the executive remuneration strategy in 2009/10, GMG's remuneration committee has adopted a set of principles to guide policy, details of which can be found in the directors' remuneration report. An important policy change is that no member of the Senior Executive Compensation Plan will receive a payment for achievement of personal objectives unless Company financial targets are first achieved. This change came into effect at the beginning of the 2011/12 financial year.

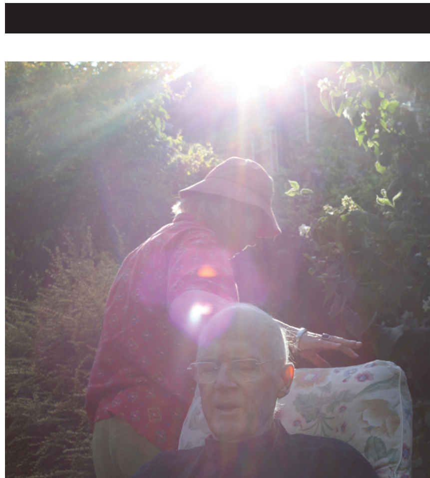
The Board of GMG is very grateful for the contribution and support of people right across the Group, whether in the core business or in the portfolio companies. People who work for GMG show a remarkable level of commitment, often in demanding circumstances. Change is always difficult and the months and years ahead will be as challenging as anything we have experienced so far. Nonetheless, the talent and dedication of our people, our strong core values and the strength of the assets in our portfolio mean we can be confident about our ability to meet our remit from the Scott Trust and, therefore, the future of the Guardian.

Dame Amelia Fawcett DBE
Chair, Guardian Media Group

Our journalism

Whether it's a hard-hitting investigation, a game-changing piece of digital innovation or a revelation that rocks the world, our journalism is the core of what we do.

2010 April



Saying goodbye with my camera

Briony Campbell's father died of cancer in 2009. The moving film she made with him about the last few months of his life was recognised with a People's Choice award at 'online Oscars' the Webbys.

May

Live blogging the general election

The Guardian has pioneered the live blogging of major events in recent years. Andrew Sparrow's coverage of election night 2010 attracted 333,125 unique browsers and comments in the thousands. It also helped Andrew win Political Journalist of the Year at the British Press Awards.

June

World Cup fans' network

The Guardian Fans' Network was a collaborative project that harnessed the talent and expertise of our readers and offered bloggers the chance to be paid for their contributions. The result was a ground-breaking World Cup site based on readers' own comments, analysis, tweets, photos and player ratings.

July

The Afghanistan war logs

An unprecedented collaboration between whistle-blowing site Wikileaks, the Guardian, the New York Times and Der Spiegel gave an amazing insight into how the war in Afghanistan was being conducted. The Guardian spent months sifting through a huge cache of classified information to find the most important stories and to ensure their publication did not compromise the safety of informants or members of the security forces.

Inside 'What's wrong with being a misogynist?' Bret Easton Ellis, cover story, G2 »

theguardian

Massive leak of secret files exposes true Afghan war

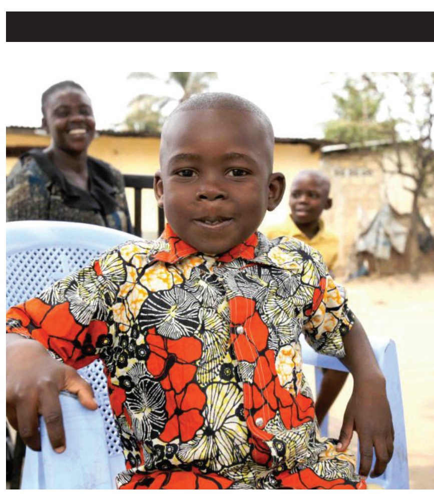
- Hundreds of civilians killed by coalition troops
- Covert unit hunts leaders for 'kill or capture'
- Steep rise in Taliban bomb attacks on Nato

White House condemns Pakistan over aid for Taliban

August

It's because I'm a woman

The case of Sakineh Mohammadi Ashtiani, the Iranian woman sentenced to death by stoning for adultery, provoked international condemnation. In an exclusive interview with the Guardian she accused the Iranian authorities of lying about the charges against her and said "The answer is quite simple, it's because I'm a woman, it's because they think they can do anything to women in this country."



What happened to the millennium development babies

In 2005, the Guardian featured ten newborn babies in countries across Africa, telling the stories of their births, their families and the lives they have been born into. It pledged to track their lives up to 2015 - the date the world had set for achieving the millennium development goals - as a way to tell the story of millions of people across the developing world as they struggled to provide the best chance for their children. Five years later the Guardian returned to find out what had happened to them.

September

October

In today's G2
Marina Hyde's unmissable showbiz column
Tania Branigan on real life in North Korea
John Crace's Digested Westminster
Plus: Why it's OK to hate hipsters

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theguardian

Man who died on deportation flight was 'heavily restrained'

● Witnesses report violent struggle on BA jet ● Detainee shouted 'I can't breathe'

Paul Lewis
Matthew Taylor
Cécile de Comarmond Luanda

A man who died during deportation to Angola was being heavily restrained by security guards and had complained of breathing problems before he collapsed, a witness has told the Guardian.

Jimmy Mubenga, 46, lost consciousness while the British Airways commercial flight was on the runway at Heathrow on Tuesday night. The flight was cancelled and Mubenga was taken to hospital, where he was pronounced dead.

Kevin Wallis, a passenger on the aircraft, said yesterday that he had been sitting across the aisle from Mubenga and had watched as three security guards restrained him with what he believed to be excessive force.

Wallis said he heard Mubenga complain "I can't breathe, I can't breathe" for at least 10 minutes before he lost consciousness, and later observed that handcuffs had been used in the restraint.

On Tuesday night, police confirmed that they were investigating the death of Mubenga, who they said was "deported from the UK under escort by three civilian security guards". A Scotland Yard spokesman said: "Inquiries continue to establish the full circumstances of the incident. There have been no arrests."

The guards worked for G4S, a private security firm contracted to oversee Home Office deportations. In a statement last night, G4S said a man "became unwell" on a flight while being deported.

The wording was echoed by the Home Office, which said Mubenga had "taken ill" – but Wallis, who described himself as having the clearest view of any passenger on the aircraft, said that account was "absolute rubbish".

'The children can't stop crying and I don't know what to say to them'
Jimmy Mubenga's wife describes his battle to stay in Britain, and her final conversation with him as he was held on board BA flight 77
Pages 4-5 »

Wallis said Mubenga had been trying to get up, saying: "I don't want to go". He added: "They must have been forcing him down, because I didn't realise until afterwards that he was handcuffed."

Wallis described receiving a call from his wife, who could hear the incident over the phone. "She said: 'That sounds really nasty – what's going on?' I said: 'They're going to [deport] a bloke, and he didn't want to go'."

Wallis added: "One of [the security guards] – I think it was the one in front – said: 'He'll be alright once we get him in the air – he just doesn't want to go ... once we get him up in the air he'll be alright.'"

Mubenga's complaints about his breathing difficulties continued for "10 minutes, at least" before he lost consciousness, Wallis said.

Asked whether Mubenga been consistently complaining about his breathing during those 10 minutes, Wallis replied: "Yes, he was saying: 'I can't breathe, I can't breathe'." He said Mubenga was not making other complaints, but he could hear him heaving as though being sick. He added: "I think they were scared of him ... they put so much pressure on him because he looked a big lad. The three security guards were big blokes as well."

Security guards accused over death of deportee

Jimmy Mubenga died having lost consciousness on a British Airways flight while being deported to Angola. It emerged that he was being heavily restrained by security guards and had complained of breathing problems before he collapsed. A witness came forward after Guardian journalist Paul Lewis appealed for information about the case via Twitter.

November

Five days inside a Taliban jail

Guardian reporter Ghaith Abdul-Ahad was with a group of Taliban when US and Afghan forces attacked. In a remarkable three-part series he told how, after the assault, he ended up being imprisoned by the fighters he had come to interview.

December

The US embassy cables

The release of more than 250,000 US embassy cables obtained by Wikileaks, and shared with the Guardian and other international media organisations, sent shockwaves around the world. The unveiling of previously secret information on American intelligence gathering and political and military strategy triggered a global diplomatic crisis – and placed the Guardian at the heart of the news event of the year.

2011 January

The Palestine Papers

A cache of thousands of pages of confidential Palestinian records covering more than a decade of negotiations with Israel and the US was obtained by al-Jazeera TV and shared exclusively with the Guardian. The papers provided an extraordinary and vivid insight into the disintegration of the 20-year peace process.

Protests in Egypt

The Guardian's coverage of the Egyptian uprising once again demonstrated the power of digital media. The combination of new journalistic forms such as live blogs (translated into Arabic) and traditional reporting on the ground meant that the Guardian was a key source of independent news for protestors in Tahrir Square and audiences around the world.

February

March

The Observer

Over 250,000 join cuts protest as police battle anarchist rioters

Rally 'shows fury of ordinary people'

Violence targets luxury food shop

Lib Dems in mutiny over benefit cap

The anti-cuts demonstrations

More than a quarter of a million people marched through central London to deliver a powerful message about the government's cuts in public spending. The Observer's exceptional reporting and photo-journalism captured one of the UK's largest protests.

CEO's review of operations

Andrew Miller

> "GMG continued to provide its core business with a stable financial foundation, allowing the Guardian and Observer to focus on producing outstanding journalism."

The media sector continued to face major challenges in 2010/11, of which the greatest was the ongoing transition from traditional to digital media. The development of new business models to meet these challenges remained the key issue for the industry.

Against this background, we have begun to implement a new strategy, including a restructuring of senior management, a new approach to managing our portfolio of investments and the transformation of our core business GNM, with the aim of ensuring the Guardian's long-term economic sustainability.

During the year under review, GMG continued to provide GNM with a stable financial foundation, allowing the Guardian and Observer to focus on producing outstanding journalism. It was a year of huge journalistic success that culminated with the Guardian winning Newspaper of the Year at the British Press Awards.

The purpose of GMG and the Scott Trust is to secure the financial and editorial independence of the Guardian. Central to this task are investments in wholly owned businesses, joint ventures and an externally managed investment fund.

The value of our net assets increased slightly to £592.0 million (2010 £585.9 million) and debt reduced from £72.5 million to £64.9 million.

Group pre-tax profit was sharply improved at £9.0 million compared to a loss of £171.0 million in the previous year, which had been strongly influenced by a number of exceptional items including impairments relating to Emap and GMG Radio. EBITA before exceptional items and including share of joint ventures was £49.6 million (2010 £37.7 million).

Revenue was £255.1 million (2010 £280.0 million), and operating loss before exceptional items was £54.5 million (2010 £53.9 million). The combined value of cash and the investment fund declined to £197.4 million (2010 £260.8 million), which included non-operating cash outflows in respect of provisions of £22.6 million and settlement of a loan to a joint venture of £10.8 million. The investment fund itself performed strongly.

From a financial perspective, GNM had another challenging year. A firm grip was maintained on costs following savings of £26.8 million from restructuring in the previous year, but revenue declined from £221.0 million to £198.2 million. While display advertising revenues were resilient, the Guardian saw a sharp decline in recruitment advertising as a result of the difficult economic environment and unprecedented cuts to public sector spending.

Digital revenues continued to grow, though not at a sufficient rate to offset the decline in print revenues – reflecting the challenge facing our industry as a whole. Thanks to its programme of cost savings and efficiency improvements, GNM was able to limit its operating loss before exceptional items to £38.3 million (2010 £37.8 million), despite the decline in revenues.

The Guardian is sustained by the overall strength of GMG and our portfolio of investments. Nevertheless, GNM will continue to work hard to ensure that its costs and structure properly reflect projected revenues.

Journalistically, it was a landmark year for GNM. The Guardian consistently set the news agenda and pushed back the boundaries of conventional reporting. Its pioneering of open, collaborative, mutualised journalism was the driving force behind this success.

"It was a year of huge journalistic success that culminated with the Guardian winning Newspaper of the Year."

The partnership with Wikileaks – which involved carefully selecting and editing stories from a huge cache of classified information – produced what commentators described as "one of the greatest journalistic scoops of the last 30 years." This unique project, which saw journalists and non-journalists collaborate across continents, combined the Guardian's investigative tradition, instinct for innovation and global ambition to extraordinary effect. The worldwide impact of the story showed how far we have come as a news organisation.

Another example of the Guardian's commitment to investigative journalism was its determined and fearless pursuit, often alone among the UK's news media, of the News of the World phone hacking story.

On naming the Guardian Newspaper of the Year, one British Press Awards judge said the paper was "completely unafraid to take on the powers that be." Another commented: "What an infuriating paper it is, but it does continue to try to take journalism into the future."

A freedom to take risks has long fostered a spirit of innovation at GNM, placing it at the forefront of digital journalism. "Hack Days" brought together journalists and developers for the first time to create new ways of communicating. Experimentation with new digital ideas resulted in the best concepts being tried and tested by the Guardian at the iconic South by Southwest festival in Texas. The Guardian's championing of live blogging was recognised when Andy Sparrow was named Political Journalist of the Year.

The Observer had another strong year journalistically, with a string of exclusive stories and interviews that chronicled 12 months of political and economic upheaval around the world. The financial year began with an exclusive interview recording Gordon Brown's last days in office. It ended with widespread acclaim for the first ever TEDx Observer festival, an event which sold out in just 48 hours and placed the Observer at the heart of the movement for new ideas.

The strong performance of guardian.co.uk reflected the high standard of our journalism and its increased profile. In March 2011 the site had a daily average of 2.7 million unique browsers, a year-on-year increase of 47%. Monthly unique browsers stood at 49.2 million, also an increase of 47% year-on-year. The Guardian's journalism has never been more widely read.

The launch of version two of the Guardian's iPhone app in January 2011 has been a success, with 322,000 downloads to the end of March. The Guardian is looking ahead to further digital launches, in particular its app for the iPad, and most importantly a major expansion in the US with a new digital-only operation based in New York.

"At Group level, we undertook a reshaping of the management structure to ensure that the strategies and interests of GMG are fully aligned with those of GNM, our core business."

The same structural changes in consumer behaviour supporting online growth drove continued decline in the Guardian's print circulation, which fell by 8% during the year, broadly in line with the sector. The Observer fell by 11% during the same period.

The Guardian's digital expansion and journalistic success has been underpinned by its open approach to publishing on the web. While GNM continues to have an open mind about the principle of charging for editorial content on the fixed internet, there is no evidence to date of a paywall model that would be either commercially or editorially attractive to the Guardian.

There was strong performance from the assets within GMG's investment portfolio. Trader Media Group (TMG) performed extremely well, producing a record operating profit before exceptional items of £120.1 million (2010 £111.7 million), of which 85% was generated by its digital operations (2010 75%).

TMG remains one of the most successful and profitable examples of print-to-online transition in the world.

In its core UK market, served by the Auto Trader brand, TMG advertised more than 350,000 used cars and other vehicles at any given time during the year. Of these, around 300,000 were advertised by approximately 13,000 dealers, representing around 90% of UK dealerships.

Auto Trader maintained its position as the UK's leading motoring website. In March 2011 the site attracted 10.8 million unique users, up over a million year-on-year and driving more than a billion page impressions for the month.

Auto Trader's mobile site reached a million unique users in March and the Auto Trader iPhone app is one of the UK's most popular downloads, installed on more than a million handsets.

In challenging economic conditions, Emap grew both revenue and profit in its two major divisions: Emap Insight, which delivers online intelligence; and Emap Connect, which focuses on exhibitions and festivals. It also saw strong growth in its smaller Emap Middle East regional business.

These gains were offset by reductions elsewhere relating to public sector spending cuts in the UK, especially in health and local government. These impacted trading in the company's publishing division, Emap Inform, and in its conference unit, Emap Networks. Recruitment advertising was particularly affected.

However, growth in the rest of the business brought total revenues to £243.0 million (2010 £238.8 million). Continuing investment in new products across Emap's divisions, mainly in digital development, led to a decline in underlying operating

profit to £76.3 million (2010 £78.3 million). This was a solid performance given market conditions, and the business is forecasting a return to profit growth in 2011/12.

Emap continued to reduce its exposure to advertising revenues and grow internationally. Subscription revenues from its pure digital products contributed 30% of its total sales in the year. Advertising online and in hard copy products accounted for less than 13% of overall revenues, while 40% of total revenues came from customers located outside the UK.

After the year-end, David Gilbertson stepped down from his role as chief executive officer of Emap. GMG is very grateful for his valuable contribution and assured leadership during his three years with the business.

Despite economic uncertainty and a 90% reduction in spending by the Central Office of Information (COI) – the radio sector's largest advertiser – GMG Radio increased its operating profit before exceptional items and amortisation to £0.9 million (2010 £0.6 million). Revenue fell to £47.1 million (2010 £50.1 million).

During the year Smooth Radio's five regional stations were transformed into a national service, making it the UK's third largest national commercial music station. Real Radio, Rock Radio and Smooth Radio saw their combined weekly audience of adult listeners increase by 8% during the year.

GMG Radio's national airtime revenue increased 15%, excluding COI, reflecting the strength of the relationship with Global Radio, which is contracted to sell national airtime for the Real Radio and Smooth Radio brands.

The local sales teams performed well in a sector that fell during the year. Revenue from sponsorship and promotions, regional agencies and digital grew ahead of the market. This outperformance, combined with a near 7% reduction in costs, enabled GMG Radio to increase margins.

GMG Property Services continues to operate in one of the UK's most difficult markets. However, both the residential and property management divisions traded strongly, aided by a focused sales and marketing effort and further developments in digital product offerings. Revenue increased to £9.6 million (2010 £8.9 million) and operating profit before exceptional items and amortisation was £1.4 million (2010 £0.5 million loss).

Following the sale of GMG Regional Media in 2010, we were disappointed not to be able to find a buyer for the Woking News & Mail and Woking Review, our only remaining local newspapers, despite strenuous efforts to do so. The papers were closed in March.

Our investment fund performed well during the year, in line with our expectations. Its lower value at the year-end reflected the need to draw down some of the funds as part of our overall management of cash within the Group. Providing flexibility of this kind is of course the purpose of the fund.

At Group level, we undertook a reshaping of the management structure to ensure that the strategies and interests of GMG are fully aligned with those of GNM, our core business. I took direct managerial responsibility for the corporate and commercial operations of GNM, and the separate role of managing director of GNM ceased to exist, with Tim Brooks leaving the Company. I would like to pay tribute to Tim's dedicated stewardship of GNM through a period of great change and challenge over the last four years.

In the year ahead we will accelerate GNM's digital transformation. The changes we have seen to date in our business and in the wider industry will be exceeded by those ahead of us. As print circulation and revenues decline, digital expansion continues and the Guardian's open journalism grows in reach and influence, GNM is transforming itself into a digital-first organisation.

We are building a culture, organisational structure and business model that will support our journalistic ambitions and responsibilities for many years to come. And while reshaping GNM's cost base will be a critical element of the strategy, we will also invest further and draw upon our resources in order to achieve this transformation. This will have an impact on our cash position in the coming year.

I feel very privileged to have been appointed chief executive officer of GMG at a time of such journalistic success and exciting change. We face significant challenges as we continue to manage the transition from an analogue to a digital world. GMG has been at the forefront of digital innovation in our sector, but the task of reflecting editorial and brand success in a sustainable financial model for the digital age is a demanding one. GNM has shown great determination in coming to terms with and often excelling in the new environment; but this remains work in progress, with much still to be done.

The underlying strength of our portfolio of assets gives me great confidence that we will be able to carry through the changes necessary to fulfil our primary function: securing the financial and editorial independence of the Guardian.

Andrew Miller
Chief executive officer, Guardian Media Group

Business highlights

Guardian digital growth continues

In March 2011 the global audience of guardian.co.uk was nearly 50 million unique users a month, an increase of 47% year-on-year, making it one of the leading news sites in the world. The Guardian's journalism has never been more widely read.

New horizons

The Guardian is increasingly an international presence in terms of its reach and influence. The year ahead will see the launch of a new digital-only operation based in New York as the Guardian looks to capitalise on its growing US audience.

Newspaper of the Year

The Guardian's exceptional journalism, and in particular its collaboration with Wikileaks, earned it the highest accolade at the British Press Awards.

Record profits for Trader Media Group

The Auto Trader publisher enjoyed another strong year with operating profits reaching record levels. In excess of 85% of those profits are now generated by its digital operations.

Emap: a diversified group

Emap has continued to reduce its reliance on printed products and the uncertain UK advertising market. Subscription revenues from pure digital products contributed 30% of total sales and just 13% of revenues came from advertising.

Smooth Radio goes national

The transformation of GMG Radio's five regional Smooth stations into a national network saw Smooth Radio become the UK's third largest national commercial music station. Smooth increased adult listening hours by 12% during the year.

GMG board of directors

Amelia Fawcett DBE[*+^#]

Chair
Joined the Board in June 2007 as an independent, appointed as chair in April 2009. She was vice chair of Morgan Stanley's European operations. She is chair of the Hedge Fund Standards Board, and a non-executive director of State Street Corporation in Boston, Mass. USA and Investment AB Kinnevik in Stockholm, Sweden. She is a governor of the London Business School and a Commissioner of the UK-US Fulbright Commission.

Andrew Miller[#]

Chief executive officer
Appointed chief executive officer in July 2010. Andrew joined the Group as chief financial officer and was appointed to the Board in 2009. He was previously group chief financial officer of Trader Media Group, which is jointly owned by GMG and Apax Partners. He has also worked at Pepsico, Bass plc and Procter & Gamble.

Nick Backhouse[*^#]

Senior independent director
Joined the Board in April 2007. Nick was previously deputy chief executive officer of the David Lloyd Leisure Group and has been chief financial officer of National Car Parks, the Laurel Pub Company and Freeserve. He is also a non-executive director of All3Media.

Neil Berkett[*^]

Independent
Joined the Board in November 2009. Neil is chief executive officer of Virgin Media. He joined ntl, Virgin Media's predecessor, as chief operating officer in September 2005 and has also worked for Lloyds TSB plc (UK), Prudential Assurance Company Ltd UK, St George Bank, Eastwest Airlines Australia and ICL Australia. He is also a trustee of the NSPCC and chairs the National Development Committee.

Stuart Taylor

Chief executive officer, GMG Radio
Joined the Group in 1988 and was appointed to the Board in 2009. He was on the board of Guardian News & Media for six years until 2007 before joining GMG Radio. He sits on the board of the RadioCentre, Digital Radio UK and Seven Publishing, chairs GMG Property Services and is a member of the Marketing Group of Great Britain.

Alan Rusbridger

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

Simon Fox*^

Independent
Joined the Board in May 2010. He is chair of the audit committee. Simon is chief executive officer and managing director, UK and Ireland, of HMV Group plc. He has also worked for Kesa Electricals plc, Kingfisher plc, Sandhurst Marketing plc and Boston Consulting Group. He is the founder and former managing director of Office World.

Judy Gibbons+^

Independent
Joined the Board in December 2008. She is currently a non-executive director of Hammerson plc and Virgin Money Giving and was previously a non-executive director of O2. She was corporate vice-president of MSN Global Sales & Marketing at Microsoft and spent five years at Accel Partners, the technology venture investment firm. She has also held senior positions at Apple Computer and Hewlett Packard.

Brent Hoberman+^#

Independent
Joined the Board in January 2007. He is the co-founder and former chief executive officer of lastminute.com. He has worked for LineOne, QXL, Mars & Co and Spectrum Strategy Consultants. He is the founder and executive chair of mydeco.com, chair and co-founder of made.com, a member of the board of TalkTalk and Time Out Group, and he co-founded PROfounders Capital. He is also a governor of University of the Arts College, London and a Young Global Leader for the World Economic Forum.

Darren Singer#

Chief financial officer
Joined the Board in April 2011. He was previously chief financial officer, EMEA at WPP-owned global agency network Group M. He has also worked at BSkyB and the BBC.

Phil Boardman#

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

* Audit committee

+ Remuneration committee

^ Nominations committee

Investment committee

Statement from the chair of the Scott Trust

Dame Liz Forgan DBE

"The journalism is what it is all for, and it is a delight to be able to look back on such a brilliant year in terms of the service we provided to our readers all over the world."

Despite turmoil in the markets, radical change in every form of media and global recession, the year was marked by an extraordinary wealth of journalistic achievement, culminating in the crowning of the Guardian as Newspaper of the Year 2011.

The story of Wikileaks and the Guardian's role in bringing to light the revelations contained in 250,000 previously secret US files was one of deep seriousness but also one of human drama and a measure of low comedy. It was a perfect example of how the skills of the mainstream media – story-shaping, editing, responsible judgement – could enhance the impact of raw revelation from a non-journalistic source. The Guardian's brokering of a consortium of five great newspapers from Europe and the United States to publish this material simultaneously across the world was an unprecedented journalistic enterprise. The consequences of that story will continue to be felt for years to come.

Outstanding reportage of conflicts in Iraq, Afghanistan, Africa and all over the Arab world, and the bitter consequences of terror, torture, repression and the deaths of innocents, came from both the Guardian and the Observer throughout the year.

Nick Davies' dogged pursuit of a story in the teeth of powerful opposition finally resulted in the phone-hacking habits of Fleet Street, and the News of the World in particular, emerging into the light of day. It also raised troubling questions about the treatment of individuals by powerful media and about the behaviour of the Metropolitan Police.

Online the Guardian continues to grow its global traffic, once again hitting record numbers of unique users. Some of the ground we captured in the early days by dint of vision, ingenuity and commitment has been eroded by competitors with deeper pockets but guardian.co.uk punches well above its weight not only in terms of web reporting but also in the battle to be heard on Twitter and in the blogosphere. Journalists have quickly learnt to harness the vast resources of knowledge and expertise to be found on social networks and the result has often been a research base that could not have been bought for a king's ransom. Liveblogging has added another new dimension to our news coverage, from the events of the Arab Spring to the Arts Council cuts.

The journalism is what it is all for, and it is a delight to be able to look back on such a brilliant year in terms of the service we provided to our readers all over the world, both in conveying information and in shaping intelligent opinion and argument.

> **"In the new war of the worlds between open and closed information systems the Guardian has championed the former with passion."**

A highly successful Observer initiative contributed in a different way to that duty of encouraging discussion and thought: the first TEDx Observer conference in March 2011. The overwhelming response from readers and others resulted in the tickets selling out in hours and the event – produced and compered by Observer editor John Mulholland – resembled the finest of newspapers in its breadth of expert argument, testimony, polemic, song and education.

It has also been an eventful year in commercial terms – and one requiring difficult decisions. Andrew Miller was welcomed as the new chief executive officer of GMG and quickly set about a reshaping of the management structure to focus attention on GNM and manage the rest of the Group as arm's length investments. As part of these changes, Tim Brooks, managing director of GNM for four and a half years, left the Company. We are enormously grateful to him for all he did to bring change and renewal and we wish him well for the future.

Along with every other media organisation we face enormous challenges in the coming years as advertising and readers move ever faster from print on paper to the web, resulting in the destabilisation of traditional business models. In the new war of the worlds between open and closed information systems, the Guardian has championed the former with passion. Open is in our DNA, in our liberalism, in our journalism and in our relationship with readers. Our model therefore conforms in a profound sense with our values and our culture. But the challenge to find new sources of revenue in new markets across the world is a tough one to which the whole Company is dedicated.

Larry Elliott, who fulfilled the important and difficult role of journalist trustee for the last 10 years, is retiring from the post. We thank him most warmly for his wisdom and advice.

Despite the harsh economic climate, the Scott Trust Foundation continued to support a range of media projects, from local community radio services to magazines for the homeless, within the UK. The Foundation also funded 11 bursaries in the media sector and through the Guardian Foundation continued to support independent journalism in many countries throughout Africa and Eastern Europe.

Dame Liz Forgan DBE
Chair, the Scott Trust

The Scott Trust board of directors

Dame Liz Forgan DBE

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

Larry Elliott

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

Maleiha Malik

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

Andrew Miller

Joined the Scott Trust in September 2010. Appointed Guardian Media Group plc chief executive officer in July 2010. Andrew joined the Group as chief financial officer and was appointed to the Board in 2009. He was previously group chief financial officer of Trader Media Group, which is jointly owned by GMG and Apax Partners. He has also worked at Pepsico, Bass plc and Procter & Gamble.

Anthony Salz

Joined the Scott Trust in 2009. Anthony is an executive vice chairman of Rothschild. For most of his career he worked as a corporate lawyer with Freshfields, becoming senior partner in 1996. He was vice chairman of the Board of Governors of the BBC from 2004 until the end of 2006. He is a trustee of the Royal Opera House, the Tate Foundation, the Eden Trust, Reprieve and the Paul Hamlyn Foundation. He is the lead non-executive member of the Board of the Department for Education and chair of the Independent Commission on Youth Crime and Antisocial Behaviour.

Jonathan Scott

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

Andrew Graham

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

Will Hutton

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

Geraldine Proudler

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

Alan Rusbridger

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

Phil Boardman

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

Sustainability

GMG last year launched an integrated sustainability vision and strategy to address issues ranging from climate change to ethical procurement.

The "Power of 10" vision is based on the belief that the Group can have a multiplier effect by educating and influencing its millions of readers, web users and listeners as well as working with its thousands of staff, suppliers and advertisers to build a more sustainable future.

GNM is already considered a leader in sustainability in the media sector while the other wholly owned businesses and joint ventures within the GMG portfolio also display areas of excellence.

GMG committed to investigate ten areas of change, ranging from environmental management and ethical procurement to employee and community engagement.

The programme was developed in partnership with Forum for the Future, the sustainable development organisation.

The Power of 10 vision states: "We commit to play our part as a leading media organisation in creating a fair society that lives within the means of our planet. Driven by our unique ownership structure and values, we will enable our audiences, customers, employees, advertisers and suppliers to build a more sustainable future.

"Sustainability has many interlinked strands but the dangers of climate change are so great and immediate that we will pay particular attention to highlighting its hazards and exploring ways of combating it."

Given the diverse nature of the Group, the vision makes clear that "while all our businesses share this common goal, we recognise that each has its own specific contribution to make."

This means that while there are some common targets, each of the businesses has been asked to take responsibility for deciding which of the ten action areas most suit their business and then for developing their own implementation plans.

GMG is playing a supporting and co-ordinating role. Each business has been tasked with providing the Group Board with a quarterly sustainability dashboard, showing progress against the five key performance indicators most relevant to their Power of 10 goals.

Beyond this, GMG chair Amelia Fawcett has taken on the role of Board sustainability champion to ensure that progress is made across the portfolio.

Sustainability governance has been strengthened in each of the wholly owned businesses and joint ventures to ensure that directors are embedding issues such as responsible procurement and carbon management into their operations and products.

At TMG, for instance, a CSR steering committee has been created and is chaired by the chief executive officer. Its remit includes environmental, health and safety and community issues.

GMG recognises that as a media company its biggest impact comes from its ability to inspire audiences and customers to live in a way that does not compromise the ability of future generations to meet their needs.

For example, the Guardian has developed one of the world's most in-depth and popular environment websites. It also helped launch the successful 10:10 campaign, which has led to thousands of businesses, councils and individuals pledging to reduce their carbon footprint by 10% within 12 months.

With regard to the broader issue of social justice, the Guardian in September 2010 launched the global development website, making it the only mainstream media organisation in the world to devote such significant editorial resources to monitor the implementation of the Millennium Development Goals and other key related issues.

GMG Radio has also enthusiastically endorsed the Power of 10, with the editorial teams developing more content on environmental issues such as energy efficiency, clothing recycling and encouraging the use of cycling and public transport.

Emap has a number of products that directly promote sustainability, such as the Recycle Waste Management exhibition and Materials Recycling Week magazine. During 2010, it purchased the Water Energy & Environment magazine, The Energy Event exhibition and Futuresource, the flagship event for The Chartered Institution of Waste Management.

Sustainability offers many commercial opportunities as businesses recognise the need to adapt to a resource-constrained world. GNM has been leading the way in this field with the creation of the Guardian Sustainable Business website and associated seminars and conferences, which seek to provide sustainability professionals with information and intelligence on a wide range of issues.

The Power of 10 vision states: "The passion we have for inspiring our audiences and customers will be matched by our commitment to operating our offices, print sites and digital platforms to high environmental standards, including minimising waste and maximising both efficiency and recycling."

GMG recognises that if it encourages readers to change their behaviour, and seeks to influence suppliers and advertisers, then it must also lead the way in its own operations. For example, the Guardian only went ahead with the 10:10 campaign once it had committed to reducing its own carbon footprint by 10%.

GNM secured Carbon Trust certification for its two print sites and main office in King's Cross, while GMG Radio has created green champions and employee environmental committees across its sites to help monitor and reduce carbon footprints. Real Radio has also achieved Green Dragon accreditation in Wales.

"GNM is already considered a leader in sustainability in the media sector."

Seven Publishing has developed an online carbon reporting tool which will help it achieve a 10% reduction in greenhouse gas direct emissions and measure agreed sustainability KPIs including the carbon cost of print, paper and production.

TMG has a system in place to provide monthly fuel data for review by the executive team and has worked with the Carbon Trust to identify energy efficiency measures that can be implemented at all offices.

As a Group we have been making big inroads in our paper purchasing, setting tough targets on both recycled content and on the certification of virgin paper, to ensure it is coming from sustainable forests.

GMG took a leadership position in 2010 by investigating the carbon intensity of our paper supplies, which led to us switching some supplies to a Norwegian company that uses hydro electricity to power its mills.

On the question of the impacts of digital, GNM has begun a groundbreaking research study in partnership with the universities of Surrey and Bristol to understand the footprint of its digital operations and plan for reducing this in future years. This information will be openly shared to help other businesses to act in this increasingly important but little understood area.

Our community activities continue to be an important element of the Power of 10.

GNM has developed a number of long-term community partnerships and in March 2011 organised a Company-wide volunteering week, during which 240 staff, a fifth of the total, took part in 20 local initiatives.

Emap launched a corporate charity strategy as well as a volunteer scheme last year, which allowed employees to use one working day per year to support charitable activities, while TMG and Seven Publishing selected designated charities and encouraged fundraising and sponsorship events to support them. The charities are supported through a corporate donation, staff fundraising and volunteer efforts.

TMG also endorsed a community involvement policy which supports its employees who wish to work with communities across the UK both as private individuals and as employees.

"A sense of duty" is one of the Scott Trust's core values, and corporate responsibility – with a particular focus on environmental sustainability and community engagement – will continue to be at the heart of the way we do business in the year ahead.

Financial review

This review covers the 53 weeks to 3 April 2011 and provides an overview of the Group's financial performance and position and incorporates joint ventures, associates and the investment fund.

The financial statements on pages 40 to 71 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In recent years, the structure of the Group has been transformed. Significant investments are now held in the form of joint ventures – Trader Media Group Limited (50.1% interest) and Emap (32.9% interest) – and an externally managed investment fund was established in 2008/09.

Set out below is further analysis and explanation of the Group results including further commentary on the performance of the joint ventures and investment fund.

Financial highlights

The financial highlights on page 1 detail total revenue and earnings before interest, tax and amortisation of intangibles (EBITA) and exceptional items for the Group, including the Group's share of its joint venture interests – Trader Media Group (TMG) and Emap. This non-statutory disclosure has been expanded in the tables below. This shows the scale of Group operations, EBITA before exceptional items and contribution from the significant joint venture interests.

Revenue for the continuing GMG businesses was £255.1 million, a decrease of 8.9% (2010 £280.0 million). This was substantially due to a fall in advertising and new media revenues of £21.8 million (14.0% year-on-year) to £134.2 million. Circulation revenues decreased by £3.8 million (4.0% year-on-year) to £90.9 million and other revenues marginally increased by £0.7 million (2.4% year-on-year) to £30.0 million.

2011	**GMG* £m**	**Share of TMG £m**	**Share of Emap £m**	**Total £m**
Group revenue	**255.1**	**131.1**	**79.9**	**466.1**
EBITA (before exceptional items)	**(39.9)**	**64.4**	**25.1**	**49.6**

2010	GMG* £m	Share of TMG £m	Share of Emap £m	Total £m
Group revenue	280.0	125.7	70.5	476.2
EBITA (before exceptional items)	(37.9)	52.5	23.1	37.7

* Excludes discontinued operations.

The Group continues to have significant available resources to fund the cost of Guardian journalism. As detailed in the financial highlights and set out below, GMG's combined cash and investment fund totalled £197.4 million (2010 £260.8 million).

	2011 £m	2010 £m	Decrease £m
Cash	**14.8**	37.0	(22.2)
Investment fund (note 10 to the financial statements)	**182.6**	223.8	(41.2)
	197.4	260.8	(63.4)

The decrease in cash and investment fund during the year includes non-operating cash outflows in respect of provisions of £22.6 million and settlement of a loan to a joint venture of £10.8 million.

(a) Profit/(loss) before taxation

In the table below, the information in the income statement on page 40 has been presented in an alternative format to show the total element of GMG's results attributable to TMG, Emap and the investment fund.

	2011 £m	2010 £m
Operating loss before exceptional items and amortisation of intangibles	(39.9)	(37.9)
Amortisation of intangibles	(14.6)	(16.0)
Group operating loss before exceptional items	(54.5)	(53.9)
Operating exceptional items	(4.1)	(81.4)
Operating loss after exceptional items	(58.6)	(135.3)
Income from other financial assets	–	0.1
Interest payable and similar charges	(2.3)	(2.6)
Interest receivable and similar income (excluding TMG and Emap)	1.5	1.3
TMG (see below)	38.9	35.2
Emap (see page 26)	12.2	(76.5)
Share of post tax loss of associates (including exceptional items)	(0.5)	–
Investment fund (see page 26)	17.8	6.8
Profit/(loss) before taxation	9.0	(171.0)

The continuing GMG businesses made an operating loss before exceptional items of £54.5 million in the year (2010 loss £53.9 million). The increase in loss of £0.6 million year-on-year largely reflects a reduction in overall revenues of £24.9 million offset by cost savings amounting to £24.3 million.

Operating exceptional items

The operating exceptional item of £4.1 million charged in the year relates to restructuring costs and other one-off costs. These items have been separately disclosed in the notes to the financial statements due to their size and non-recurring nature.

(b) TMG

The income statement extract set out below compares 2010/11 share of results with 2009/10. Interest receivable and similar income due to GMG is then included to show in total the element of TMG's results attributable to GMG.

	2011 £m	2010 £m
Share of:		
Revenue	131.1	125.7
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	64.4	52.5
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	59.2	50.3
Net interest payable and similar charges (excluding gain on debt buy-back)	(42.8)	(72.5)
Gain on debt buy-back and other movements	0.7	5.6
Profit/(loss) before taxation	17.1	(16.6)
Taxation	(6.3)	1.8
Profit/(loss) after taxation (see note 14(a))	10.8	(14.8)
Interest receivable and similar income by GMG	28.1	50.0
Element of TMG's result attributable to GMG (see above)	38.9	35.2

(c) Emap

The income statement extract set out below compares 2010/11 share of results with 2009/10. Interest receivable and similar income due to GMG is then included to show in total the element of Emap's results attributable to GMG.

	2011 £m	2010 £m
Share of:		
Revenue	**79.9**	70.5
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	**25.1**	23.1
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	**9.7**	10.8
Net interest payable and similar charges	**(46.6)**	(36.4)
Loss before taxation	**(36.9)**	(25.6)
Taxation	**5.0**	7.8
Loss after taxation (see note 14(a))	**(31.9)**	(17.8)
Interest receivable and similar income by GMG	**44.1**	37.8
Element of Emap's result attributable to GMG before impairment charge	**12.2**	20.0
Impairment charge	**–**	(96.5)
Element of Emap's result attributable to GMG (see page 25)	**12.2**	(76.5)

(d) Investment fund

The income statement, statement of comprehensive income and balance sheet extracts set out below compare 2010/11 information for the investment fund with 2009/10.

	2011 £m	2010 £m
Income statement:		
Net gain on disposals	**15.3**	1.4
Fair value gain on forward exchange contracts	**2.5**	5.4
Investment fund profit reported (see page 25)	**17.8**	6.8
Statement of comprehensive income:		
Derecognition of changes in fair value on disposals – previously recognised directly in equity	**(15.8)**	(1.4)
Fair value gain – investment fund	**10.0**	36.1
	12.0	41.5

Balance sheet – current and non-current other financial assets	
At 29 March 2010	223.8
Additions at cost	83.0
Divestment	(50.0)
Disposals at fair value	(83.7)
Net gain on disposals – income statement	15.3
Derecognition of changes in fair value on disposals – previously recognised directly in equity	(15.8)
Net fair value gain – statement of comprehensive income	10.0
At 3 April 2011 (see note 10)	182.6

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

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

The Board has approved a currency hedging policy for the investment fund which is reviewed on a regular basis and takes account of the investment performance of the portfolio. During 2010/11 a fair value gain of £2.5 million arose on forward foreign exchange contracts. The hedging policy was refined to currency hedge 55% in value of the hedge fund component of the portfolio, reflecting a reduction in US Dollar denominated assets.

Profit before tax
Group profit before tax for the year was £9.0 million (2010 loss £171.0 million). This includes restructuring costs and other one-off costs of £4.1 million (2010 operating exceptional items £177.9 million).

Taxation
The tax charge for the year on the profit before exceptional items of £13.1 million is £3.6 million (2010 charge £2.3 million). The effective rate of tax on this profit of 27.5% (2010 33.3%) represents a lower tax charge than the standard rate of 28% would produce (2010 higher charge than the standard rate of 28%).

The deferred tax liability in the balance sheet of £2.4 million (2010 asset £0.3 million) includes an asset of £1.8 million relating to cumulative foreign exchange losses arising on the investment fund (2010 asset £4.0 million). The deferred tax balances have been adjusted to recognise the decrease in corporate tax rate to 26% (2010 28%). No acquisitions were made by the Group during the year (2010 no acquisitions). The deferred tax asset not recognised has increased from £14.0 million to £24.1 million and represents short term timing differences of £3.0 million and unrelieved trading losses of £21.1 million carried forward at the year end. TMG and Emap are accounted for as joint ventures and therefore their post-taxation results are included in the consolidated income statement.

Cash flows
The Group consumed cash of £22.2 million in the year (2010 £46.2 million). Cash used by operations was £54.6 million (2010 £36.7 million). Details of other inflows and outflows are detailed in the consolidated statement of cash flows on page 42.

Capital structure and liquidity management
The Group had net assets of £592.0 million as at 3 April 2011 (2010 £585.9 million), an increase of £6.1 million.

Leasing facilities totalling £64.9 million are in place, the majority of which relate to the Guardian News & Media printing presses. All leases have a fixed interest rate for their entire life.

The Group does not currently have any other debt.

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

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

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

Treasury policy
The Group maintains a centralised treasury function which operates in accordance with Board-approved policies. Its principal objectives are to minimise financial risk whilst maximising returns on cash deposits.

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

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

Corporate governance

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

In preparing its corporate governance statement, the Board has closely followed the recommendations set out in the Combined Code which was updated in June 2008. The Board has also taken into account the Group's structure, with 100% of the ordinary share capital of the Group being held by The Scott Trust Limited (STL). Two STL directors are also directors of the Group, and the chair of the STL also attends all Board meetings and is a member of the nominations committee. There is also a reciprocal arrangement whereby the chair of the Board is invited to attend all the STL meetings. All STL directors receive copies of financial reports and Board approved minutes on a regular basis. 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, four executive directors and five 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.

Amelia Fawcett was appointed chair in April 2009. Nick Backhouse is the senior independent director with effect from January 2011, succeeding John Bartle on his retirement from the Board.

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

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

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

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

Led by Amelia Fawcett, the independent directors, excluding any executive directors, meet formally during each year.

John Bartle held a meeting of independent directors, without the chair present, to review the chair's performance. The views of executive directors were taken into account at the meeting.

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.

In 2010/11 annual performance appraisals of Board members and reviews of the effectiveness of the Board and some of its committees were deferred, given the number of executive Board member changes and the reassignment of committee responsibilities following John Bartle's retirement. The appraisals and effectiveness reviews will recommence in 2011/12.

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.

The Scott Trust Limited (STL)

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

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

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

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

Committees

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

Director	Audit committee	Remuneration committee	Nominations committee	Investment committee
Amelia Fawcett	Member	Member	Chair	Chair
Nick Backhouse	Member[1]		Member	Member
Neil Berkett	Member		Member	
Judy Gibbons		Chair[1]	Member	
Simon Fox (appointed 1 May 2010)	Chair[1]		Member	
Brent Hoberman		Member	Member	Member
Frequency of meetings per financial year	3	3	2	As and when required

[1] Responsibilities for chairing committees were reassigned in January 2011, following John Bartle's retirement. Nick Backhouse became senior independent director and Simon Fox became chair of the audit committee. Judy Gibbons succeeded him as chair of the remuneration committee.

The number of meetings of the Board and committees held in the financial year ended 3 April 2011 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
Amelia Fawcett	9	3	3	2
Carolyn McCall (resigned 30 June 2010)	2		1*	
Tim Brooks (resigned 9 February 2011)	7			
Andrew Miller	9	3*	3*	2*
Alan Rusbridger	8			
Stuart Taylor	8			
Nick Backhouse	8	3		2
John Bartle (resigned 31 December 2010)	4		1	1
Neil Berkett	8	3		2
Simon Fox (appointed 1 May 2010)	7	3		1
Judy Gibbons	8		3	2
Brent Hoberman	7		3	2
Number of meetings held	9	3	3	2

* In attendance.

Details of the purpose of the committees are set out on page 30 and 31. All the committees have written terms of reference, which are subject to annual review and which are available on request from the company secretary and can be accessed on the Group website www.gmgplc.co.uk

Audit committee

The audit committee, which consists of the chair and three independent directors, is chaired by Simon Fox. The chief executive, group chief financial officer, company secretary, controller of internal audit and senior representatives of the external auditors normally attend the committee's meetings. More than one member of the committee has recent and relevant finance experience. At least once a year, the committee and/or the committee chair meets with the external auditors and separately with the controller of internal audit, without executive members of the Board present. The committee makes recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors and agrees their scope of work and fees prior to the commencement of the annual audit. The committee has a written policy on the engagement of the external auditor to supply non-audit services, which clearly sets out areas where the external auditor cannot provide non-audit services, for example accounting or managing internal audit work, as it could impact on their objectivity and independence.

The committee considers issues arising from the external audit and reviews the annual financial statements and written reports from the external auditors; it monitors internal financial control procedures and reviews the operation and output of the internal audit function. The committee reviews arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee has an agreed annual calendar of activities.

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 3 April 2011, the activities of the audit committee included:

- monitoring the integrity of the Group's financial statements and reviewing the significant and financial reporting judgements 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
- meeting with the managing director and divisional finance director of Guardian News & Media, to discuss:
  - information security
  - finance team changes and the relocation of the division's transaction processing operation from Manchester to London
  - internal and external audit issues
  - timetable adherence
  - resources
  - assistance from the Group
  - the finance team focus and targets for 2011/12

Remuneration committee

The remuneration committee, which consists of the chair and two independent directors, is chaired by Judy Gibbons. 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 the Group's compensation framework and for determining the remuneration packages of the executive directors and key senior managers. It retains the right to scrutinise and, if necessary, veto proposals for individuals outside this group. It advises on executive remuneration policy issues. The committee has access to professional advice where necessary. PricewaterhouseCoopers LLP, who are also the Group auditors, and Towers Watson 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 during the year using a self-evaluation questionnaire.

Details of Directors' remuneration are set out on page 37.

Nominations committee

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

The committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary using the benefit, advice and assistance of external search consultants. The committee ensures that plans are in place for an orderly succession for appointments to the Board and to senior Group management and monitors senior leadership development.

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

External search consultants assisted in the appointment of Andrew Miller as group chief executive, Darren Singer as chief financial officer and Simon Fox as director.

A job specification was prepared for the appointment of the chair which included an assessment of the time commitment expected. The chair's other significant commitments were disclosed before the appointment was made.

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 during the year, using a self-evaluation questionnaire.

Investment committee

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

The committee is chaired by Amelia Fawcett, and consists of two independent directors, the chief executive, the chief financial officer and the company secretary. The investment advisers, Cambridge Associates, normally attend the committee's meetings.

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.

Quarterly reporting on the investment fund performance by the investment fund advisers has been subsumed into GMG Board meetings.

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 including Board review
- certain key Group functions including taxation, treasury, insurance and day-to-day administration of the investment fund are handled centrally with regular reports to the Board through the chief financial officer. 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. 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 on the effective operation of governance processes and systems of internal control 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, with the following exceptions:

- not all current executive directors' contracts 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
- annual performance appraisals of all Board members and review of the effectiveness of the Board and some of its committees were deferred in 2010/11. The deferral arose from both the changes in executive Board members and the reassignment of committee responsibilities
- the annual review of the terms of reference for the audit committee was also deferred until 2011/12.

Report of the directors

The directors present their report and audited financial statements of the Group for the year ended 3 April 2011.

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 consolidated income statement on page 40. A review of the Group's performance and future prospects are contained in the statement from the chair on pages 4 to 5, the chief executive's review of operations on pages 10 to 13, the financial review on pages 24 to 27, and the financial instruments accounting policy on pages 46 to 47.

On 30 March 2011, the Board declared a dividend of 22.2p (2010 22.2p) per share on the ordinary share capital amounting to £200,000 (2010 £200,000) which was paid to The Scott Trust Limited on 30 March 2011.

Principal risks and uncertainties

The Group operates in an increasingly challenging sector which is experiencing both structural as well as cyclical changes.

There is an accelerating rate of migration from print to online consumption of news, with resultant revenue implications for both print and digital business models. At the current time there is uncertainty for GMG, in common with all other media groups, as to the best commercial model to pursue.

There is added risk that the current modest recovery in the UK economy falters, with the Group already facing significantly reduced public sector advertising revenue, particularly in recruitment.

Further details, including strategic plans to mitigate these risks, are set out in the statement from the chair on pages 4 and 5 and the chief executive's review of operations on pages 10 to 13.

Land and buildings

The market value of land and buildings owned by the Group is estimated by the directors to be approximately £2.1 million greater than its balance sheet value of £8.8 million.

Employee involvement

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

Employment of disabled persons

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

Creditor payment policy

The Group has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors and payments are made to these creditors in line with the CBI's Prompt Payment Code. The creditor days figure for the Group at the year end was 25 days (2010 25 days).

Donations

Charitable donations during the year totalled £370,036 (2010 £371,776), of which £284,048 (2010 £328,641) was paid to national charities, £52,854 (2010 £30,604) to local charities and £33,134 (2010 £12,531) to overseas charities. Charitable donations include £235,000 (2010 £282,000) paid to the Scott Trust Foundation, a related party of the Group. There were no contributions to political organisations during the year (2010 £nil).

Ownership

Guardian Media Group plc is a private limited company incorporated in the United Kingdom and all the ordinary shares are owned by The Scott Trust Limited.

Directors

The directors are listed on pages 16 and 17.

Carolyn McCall, John Bartle and Tim Brooks, who were directors on 28 March 2010, resigned on 30 June 2010, 31 December 2010 and 9 February 2011 respectively. Simon Fox was appointed as an independent director on 1 May 2010. Darren Singer was appointed as a director on 18 April 2011. All other directors served throughout the year.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

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

This statement is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the chief executive's report on pages 10 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facility are described in the financial review on pages 24 to 27.

In addition, note 2 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

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

Financial risk management

The financial risk management objectives and policies of the Group are detailed in note 2 of the notes relating to the financial statements.

Independent auditors

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

Events after the reporting period

Details of events after the reporting period are given in note 27 on page 67.

By Order of the Board

Phil Boardman
Secretary
15 June 2011

Guardian Media Group plc
Registered in England and Wales No 94531

Directors' remuneration report

Governance

The executive remuneration policies of the Group are determined by its remuneration committee, which consists of the chair and two independent directors. Judy Gibbons took over as chair from John Bartle in January 2011, following his retirement from the Board. The committee has met on three occasions in the last 12 months in order to discuss and review policies, set and monitor performance targets and determine the levels of remuneration for Group executives.

Principles, policies, plans

The Scott Trust's core purpose (to secure the financial and editorial independence of the Guardian in perpetuity) requires GMG to operate successfully in a competitive commercial environment, which means that the Group must have the ability to attract and retain top executive talent.

Following a detailed review of the executive remuneration strategy in 2009/10, the committee has now adopted a set of principles to guide the design of remuneration policies and against which to assess and, where necessary, modify their operation in future.

GMG operates very different businesses. Compensation arrangements should be sufficiently diverse to reflect such differences while remaining within these principles.

- The structure and level of executive remuneration must enable the attraction and retention of executives of the quality the Group requires to deliver successfully on its long-term strategic ambitions.
- Executive remuneration policies should always support the achievement of the Group's business strategies, and be aligned with the Group's vision and values.
- The Group should avoid paying more than necessary for this purpose. It operates a remuneration framework that balances considerations of external market competitiveness with internal equities and reflects the importance of the organisation's values and its ownership structure.
- The committee therefore takes account of the relevant external market when setting remuneration levels but is not driven by it and considers other factors, such as the reputation and attractiveness of the Group's employment brand.
- The Group remuneration policies are structured to ensure that a proportion of executive remuneration is variable and dependent on the achievement of corporate and individual performance goals which are relevant, stretching and designed to promote the long-term success of the Group.
- Following the strategic review and incentive restructuring last year, the Group now has variable compensation arrangements that are linked to performance over the longer-term (see "Long-Term Incentive Plan" below), as well as to annual performance.
- The Group has robust mechanisms in place to monitor the operation of its executive remuneration strategy, and the committee takes account of the remuneration of other groups of employees in making decisions on executive rewards. The differentials between the highest and average pay within GMG are reviewed and monitored by the committee.

These principles are delivered through the following:

- **Benchmarking**
  The Group benchmarks itself against a) a general industry group containing companies of a similar size to GMG and b) media sector companies. Data is provided by PricewaterhouseCoopers LLP who use a mixture of their Monks database (500 clients from a media, print, publishing and digital background and from the FTSE 250) and a Monks database of remuneration information derived from an analysis of reports of more than 1,400 quoted UK companies (for very senior executive roles).
- **Base pay**
  Base pay is set so as to be competitive at the median level in the external market and salary levels are reviewed annually by the committee.
- **Variable compensation plan**
  Any variable compensation payments are dependent on the levels of achievement against stretching, annual Group and business performance targets, with a proportion also paid against the delivery of supporting key personal objectives.

  70% of any potential variable compensation is based on financial targets and 30% is based on personal objectives. The maximum award payable is 50% of base salary.

  The committee decided that from the beginning of the financial year 2011/12, no member of the Senior Executive Compensation Plan would be awarded a payment against personal objectives unless Company financial targets were first achieved.
- **Long-Term Incentive Plan (LTIP)**
  This plan, introduced in 2010 as a result of the executive compensation review, is structured to better reinforce the medium and long-term objectives and transformation plan of the Group, as well as to support the retention of key executives. Membership is restricted to executive directors and a small number of other senior executives.

  Under the plan, eligible executives are made a notional award, equivalent to 100% of salary for executive directors and 80% for other participants. Up to this amount can be earned dependent on the achievement of stretching Group profit and cash flow targets over a three-year period. The committee also may adjust any award generated according to performance against a set of pre-determined, non-financial targets contained within the Group's strategic plan.

The initial plan cycle is operating over the three-year period up to March 2012. The value of any actual payments made to executive directors will be shown in the table of directors' remuneration levels.

It should be noted that to date targets have not been achieved, and as a result members are not currently eligible for payments.

The editor-in-chief of GNM does not receive any variable compensation.

- **Benefits**
  These are provided to executive directors in recognition of market practice. Executive directors are provided with a company car or cash alternative and private medical cover. They participate in money purchase pension schemes which also provide life insurance cover of seven times salary. The Group's contributions to these schemes are shown in the following table of directors' remuneration levels and are reviewed by the remuneration committee.

Service contracts

In keeping with corporate governance guidelines and market practice, all executive directors have service contracts terminable on 12 months' notice by either party.

The chair has a letter of appointment which allows for three months' notice by the chair; no notice period needs to be given by the Company or, where appropriate, The Scott Trust Limited.

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/ contract renewal date	Contract unexpired term at 3 April 2011	Notice period	Contractual termination payments
Amelia Fawcett	22 April 2009	12 months	–	None
Carolyn McCall	1 August 2006	*Resigned on 30 June 2010*		
Tim Brooks	14 August 2006	*Resigned on 9 February 2011*		
Andrew Miller	7 September 2009	12 month rolling	12 months	Notice period (with mitigation clause)
Alan Rusbridger	20 April 2007	12 month rolling	12 months	Notice period
Darren Singer	4 October 2010	12 month rolling	12 months	Notice period (with mitigation clause)
Stuart Taylor	1 April 2009	12 month rolling	12 months	Notice period (with mitigation clause)
Independent directors				
Nick Backhouse	2 April 2010	2 years	–	None
John Bartle	26 June 2008	*Retired on 31 December 2010*		
Simon Fox	1 May 2010	2 years 1 month	–	None
Neil Berkett	3 November 2009	1 year 7 months	–	None
Brent Hoberman	1 January 2010	1 year 9 months	–	None
Judy Gibbons	1 December 2008	8 months	–	None

Directors' emoluments

	Base salary/ fees £000	Performance related variable compensation £000	Benefits in kind £000	**Total 2011 £000**	Total 2010 £000	Employer's contribution to money purchase pension scheme **2011 £000**	2010 £000
Amelia Fawcett[1] (*from 22 April 2009)	120	–	–	**120**	115	**–**	–
Andrew Miller[2] (*from 2 November 2009)	572	–	1	**573**	170	**70**	22
Carolyn McCall[3] (*to 30 June 2010)	159	–	3	**162**	658	**1**	152
Tim Brooks[4] (*to 9 February 2011)	340	–	1	**341**	330	**78**	80
Nick Castro (*to 2 November 2009)	–	–	–	**–**	227	**–**	64
Mark Dodson[5] (*to 28 March 2010)	–	–	–	**–**	278	**–**	76
Alan Rusbridger[6]	439	–	16	**455**	411	**150**	154
Stuart Taylor[7]	314	85	1	**400**	336	**71**	74
Independent directors							
Nick Backhouse[8]	40	–	–	**40**	39	**–**	–
John Bartle (*to 31 December 2010)	26	–	–	**26**	34	**–**	–
Neil Berkett (*from 3 November 2009)	34	–	–	**34**	14	**–**	–
Simon Fox (*from 1 May 2010)	32	–	–	**32**	–	**–**	–
Judy Gibbons	34	–	–	**34**	34	**–**	–
Brent Hoberman	34	–	–	**34**	34	**–**	–
Former directors							
Jerry Fowden[9] (* to 13 April 2007)	–	–	–	**–**	–	**10**	10
John Myers[10] (*to 27 February 2009)	–	–	–	**–**	283	**–**	–
Sir Robert Phillis[11] (* to 31 December 2006)	–	–	–	**–**	1	**–**	126
	2,144	85	22	**2,251**	2,964	**380**	758
Compensation for loss of office				**510[4]**	444[5]		
				2,761	3,408		

* Date of appointment, resignation or other changes to directorships

1 Amelia Fawcett's 2009/10 fees as chair were for part of the year only. No increase was received in 2010/11.

2 Andrew Miller was promoted to interim CEO on 1 July 2010 and CEO on 5 July 2010. Andrew waived his entitlement to a variable compensation payment.

3 Carolyn McCall was appointed as a non-executive director of Lloyds Banking Group plc on 1 October 2008 and earned and retained fees in their year ended 31 December 2009 of £79,090. She resigned as a director on 31 December 2009. Carolyn was appointed as a non-executive director of New Look Group on 27 January 2010 and earned and retained fees of £5,000 in the year ended 28 March 2010.

4 Tim Brooks resigned as managing director of Guardian News & Media and as a director of Guardian Media Group on 9 February 2011 following a restructuring of the commercial operations of Guardian News & Media.

5 Mark Dodson (who resigned on 28 March 2010 following the sale of GMG Regional Media) was provided with a one-off long-term incentive plan which was based on pre-determined financial targets for the period April 2008 to March 2011. Mark Dodson was able to earn an additional one-off payment of a maximum of 100% of basic salary as at 1 April 2008, should performance targets be achieved. No benefits accrued to Mark under this scheme.

6 Alan Rusbridger volunteered to forego 10% of his salary for the 2009/10 financial year.

7 Stuart Taylor was promoted to CEO, GMG businesses on 1 February 2011 with additional responsibility for GMG Property Services and Seven Publishing.

8 Nick Backhouse's remuneration includes a fee for chairing the Audit Committee and from January 2011 he became the senior independent director.

9 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) £10,444 was credited to Jerry Fowden's EFRBS account with the Company in the year ended 3 April 2011.

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

[11] Sir Robert Phillis retired as chief executive on 31 July 2006 and as a non-executive director on 31 December 2006. The Company undertook 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 until his 65th birthday in December 2010. Payments ceased on the untimely death of Sir Robert in December 2009.

Remuneration policy for chair and independent directors

The chair and independent directors are paid a basic flat fee with further payments made for additional responsibilities such as chairing a committee. They do not participate in any of the Group's incentive plans or pension schemes. The level of fees approved by the Board has not been increased since April 2007 and they are next due for review in 2011/12.

Judy Gibbons
Chair of the remuneration committee
15 June 2011

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 3 April 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes relating to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 3 April 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Guardian Media Group plc for the year ended 3 April 2011.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 June 2011

Consolidated income statement

For the year ended 3 April 2011

	Note	**2011 Before exceptional items £m**	**2011 Exceptional items £m**	**2011 Total £m**	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m
Continuing operations							
Revenue	3	**255.1**	**–**	**255.1**	280.0	–	280.0
Operating costs	4	**(309.6)**	**(4.1)**	**(313.7)**	(333.9)	(81.4)	(415.3)
Operating loss	4	**(54.5)**	**(4.1)**	**(58.6)**	(53.9)	(81.4)	(135.3)
Income from other financial assets	6	**15.3**	**–**	**15.3**	1.5	–	1.5
Interest payable and similar charges	7(a)	**(2.3)**	**–**	**(2.3)**	(2.6)	–	(2.6)
Other financing income	7(b)	**2.5**	**–**	**2.5**	5.4	–	5.4
Interest receivable and similar income	7(a)	**73.7**	**–**	**73.7**	89.1	–	89.1
Share of post-tax losses of joint ventures	14(a)	**(21.1)**	**–**	**(21.1)**	(32.6)	(96.5)	(129.1)
Share of post-tax losses of associates	14(b)	**(0.5)**	**–**	**(0.5)**	–	–	–
Profit/(loss) before taxation		**13.1**	**(4.1)**	**9.0**	6.9	(177.9)	(171.0)
Taxation	8	**(3.6)**	**–**	**(3.6)**	(0.5)	11.0	10.5
Profit/(loss) from continuing operations		**9.5**	**(4.1)**	**5.4**	6.4	(166.9)	(160.5)
Discontinued operations							
Profit/(loss) for year from discontinued operations	9	**–**	**–**	**–**	3.1	(47.0)	(43.9)
Profit/(loss) attributable to equity shareholder		**9.5**	**(4.1)**	**5.4**	9.5	(213.9)	(204.4)

The notes on pages 43 to 71 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 3 April 2011

	Note	**2011 £m**	2010 £m
Profit/(loss) attributable to equity shareholder		**5.4**	(204.4)
Actuarial loss on post employment benefit obligations	28	**(0.4)**	(1.6)
Deferred taxation credit on actuarial loss	23	**0.2**	0.4
Derecognition of changes in fair value on disposals	10	**(15.8)**	(1.4)
Fair value gain – non-current other financial assets	10	**10.0**	36.1
Joint venture – share of:			
– Movements on cash flow hedges and other items	14(a)	**3.6**	3.9
– Currency translation differences on foreign currency net investments	14(a)	**–**	(0.8)
Net (expense)/income not recognised in the income statement		**(2.4)**	36.6
Total comprehensive income/(expense) for the year		**3.0**	(167.8)

Consolidated balance sheet

As at 3 April 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Goodwill	11	**63.0**	63.0
Other intangible assets	12	**86.9**	95.9
Property, plant and equipment	13(a)	**37.5**	44.3
Investments accounted for using the equity method	14(a),14(b)	**304.8**	247.7
Deferred tax assets	23	**16.5**	24.2
Other financial assets – available for sale	10	**122.6**	173.8
Other financial assets and loans and receivables	14(c)	**1.6**	1.6
		632.9	650.5
Current assets			
Inventories	15	**1.8**	1.3
Trade and other receivables	16	**45.0**	57.9
Other financial assets – available for sale	10	**60.0**	50.0
Cash and cash equivalents	18	**14.8**	37.0
		121.6	146.2
Liabilities			
Current liabilities			
Financial liabilities	19	**6.1**	7.6
Derivative financial instruments	10	**–**	3.3
Trade and other payables	20	**47.7**	60.6
Current tax liabilities	17	**0.4**	2.3
Provisions	22	**6.7**	22.8
		60.9	96.6
Net current assets		**60.7**	49.6
Total assets less current liabilities		**693.6**	700.1
Non-current liabilities			
Financial liabilities	19	**58.8**	64.9
Retirement benefit liabilities	28	**0.6**	2.0
Other non-current liabilities	21	**13.1**	9.2
Deferred tax liabilities	23	**18.9**	23.9
Provisions	22	**10.2**	14.2
		101.6	114.2
Net assets		**592.0**	585.9
Shareholder's equity			
Share capital	24	**0.9**	0.9
Reserves		**591.1**	585.0
Total shareholder's equity		**592.0**	585.9

These financial statements were approved by the Board of directors on 15 June 2011 and signed on its behalf by:

Nick Backhouse
Senior independent director

Andrew Miller
Group chief executive officer

The notes on pages 43 to 71 are an integral part of these financial statements.

Guardian Media Group plc
Company Registration Number 94531

Consolidated statement of changes in equity

For the year ended 3 April 2011

	Share capital Note 24(a) £m	Revaluation reserve Note 24(b) £m	Non distributable reserve Note 24(c) £m	Retained earnings £m	Total equity £m
At 29 March 2009	0.9	0.7	0.1	752.2	753.9
Dividend paid	–	–	–	(0.2)	(0.2)
Loss for the year	–	–	–	(204.4)	(204.4)
Profit recognised directly in the statement of comprehensive income	–	–	–	36.6	36.6
At 28 March 2010	0.9	0.7	0.1	584.2	585.9
Dividend paid	–	–	–	(0.2)	(0.2)
Profit for the year	–	–	–	5.4	5.4
Loss recognised directly in the statement of comprehensive income	–	–	–	(2.4)	(2.4)
Step up in carrying value of joint venture	–	–	–	3.3	3.3
At 3 April 2011	**0.9**	**0.7**	**0.1**	**590.3**	**592.0**

Consolidated statement of cash flows

For the year ended 3 April 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Cash used in operations	26(a)	**(54.6)**	(36.7)
Interest received		**1.6**	0.5
Interest paid		**(2.7)**	(3.3)
Tax paid		**(2.5)**	(3.5)
Net cash used in operating activities		**(58.2)**	(43.0)
Cash flows from investing activities			
Acquisition of subsidiaries		**(0.1)**	–
Acquisition of shares in associates		**(0.4)**	–
Disposal of trade and assets	9	**–**	7.4
Purchase of other intangible assets	12	**(5.6)**	(4.2)
Purchase of other non - current financial assets	10	**(82.4)**	(42.1)
Divestment - investment fund	10	**50.0**	–
Sale of other non - current financial assets	10	**83.1**	38.9
Proceeds from sale of property, plant and equipment		**0.2**	2.7
Purchase of property, plant and equipment	13(a)	**(1.5)**	(1.9)
Other loans advanced		**(0.1)**	(0.1)
Dividend received		**0.6**	0.1
Net cash generated in investing activities		**43.8**	0.8
Cash flows from financing activities			
Finance lease principal payments		**(7.1)**	(6.9)
Exchange (loss)/gain		**(0.7)**	2.9
Net cash used in financing activities		**(7.8)**	(4.0)
Net decrease in cash and cash equivalents		**(22.2)**	(46.2)
Cash and cash equivalents at beginning of the year		**37.0**	83.2
Cash and cash equivalents at end of the year	18	**14.8**	37.0

Details of discontinued cash flows are shown in note 26(b).

Notes relating to the financial statements

1. Accounting policies

Accounting policies for the year ended 3 April 2011
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 40 to 71 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement. A summary of the more important Group accounting policies is set out below.

The preparation of financial statements in conformity with IFRSs 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 deferred tax assets. The calculations to support carrying value use estimated cash flow projections based on financial budgets approved by management.

New accounting standards and IFRIC interpretations
Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 29 March 2010:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements';
- IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 29 March 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- IAS 27 (revised), 'Consolidated and separate financial statements'
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IFRIC 9, 'Reassessment of embedded derivatives' and IAS 39, 'Financial instruments: Recognition and measurement'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 1 (amendment), 'Presentation of financial statements'
- IAS 36 (amendment), 'Impairment of assets'
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'
- IAS 38 (amendment), 'Intangible assets'

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 29 March 2010 and not early adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on 4 April 2011 or later periods, but the Group has not early adopted them and currently does not anticipate a significant impact on the Group:

- IFRS 9, 'Financial instruments'
- IAS 24 (revised), 'Related party disclosures'
- IAS 32 (amendment), 'Classification of rights issues'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement'

Basis of consolidation
The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 3 April 2011, with the exception of the companies within the GMG Radio division which are made up to 31 March 2011.

1. Accounting policies continued

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

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

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

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

Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The investments are accounted for as joint ventures from the date at which joint control is established. The Group's investment in joint ventures and associates includes goodwill (net of any impairment) identified on acquisition. The Group's share of post acquisition profits or losses are included in the consolidated income statement. 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 information provided by management, to bring them into line with the Group's year-end date. Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If material, adjustments are made to align the accounting policies of joint ventures and associates to those adopted by 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. The costs directly attributable to the acquisition are included in the income statement as they are incurred. Identifiable assets, liabilities and contingent 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 income statement. The Group has a year from the date of acquisition to determine final fair values.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

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

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of VAT, trade discounts and anticipated returns after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Circulation revenue is recognised on publication. Returns are estimated based on historical experience and presented net of revenue in the income statement and net of trade receivables on the balance sheet. Subscription revenue is recognised on a straight-line basis over the life of the subscription. Revenue associated with voucher schemes is deferred based on estimated redemption rates and recognised as the vouchers are used or expire.

Print advertising revenue is recognised on publication and radio advertising revenue is recognised on broadcast. Online advertising is recognised as page impressions are served or evenly over the period, depending on the terms of the contract.

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 using the effective interest method.

Dividend income

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

1. Accounting policies continued

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.

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	4% – 33%

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 income statement.

Non-current assets held for sale
Non-current assets are held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is highly probable.

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 income statement, 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.

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

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 allocated to cash generating units (CGU) and is tested for impairment annually at the year end, or at any other time that there is an indication of impairment, and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement.

Other intangible assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. In calculating value in use, future cash flows are discounted and adjusted for the directors' assessment of risk. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

1. Accounting policies continued

(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 income statement 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 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.

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

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

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

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

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

(c) Other financial assets – available for sale
Other financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is the intention to dispose of the investment within 12 months of the balance sheet date.

If an impairment loss has been incurred, the cumulative loss measured as the difference between the acquisition cost and current fair value is removed from equity and recognised in the income statement.

1. Accounting policies continued

Fair value estimation
Effective 1 April 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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 income statement 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 income statement. Amounts accumulated in equity are recycled in the income statement 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 income statement. 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 income statement. During the year the Group has not applied hedge accounting.

1. Accounting policies continued

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 net of cash and cash equivalents where we have the right of net settlement.

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 income statement 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 amortised cost.

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

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

Share capital
Ordinary shares are classified as equity.

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

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

Employee benefit costs

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

(b) Defined benefit schemes
The Group contributes to a small number of closed defined benefit pension schemes. The operating and financing costs of such schemes are recognised in the income statement. Service costs and financing costs are recognised in the periods in which they arise. Finance costs are included in operating costs. Actuarial gains or losses in respect of these schemes are shown in the statement of comprehensive income.

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

(c) Variable compensation plans
Liabilities for variable compensation plans are expected to be settled within three years and are measured at the amount expected to be paid when they are settled.

2. Financial risk management

(a) Financial risk factors

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

Market risk

(i) Foreign exchange risk

The Group has investments in hedge funds in US Dollars and in funds which in turn invest in overseas assets and as a result is exposed to a degree of foreign exchange risk. The Group's policy is to hedge 55% (2010 60%) of the exposure to the US Dollars relating to the investments in hedge funds.

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in hedge funds would have been approximately £3.5 million lower/higher; however, as the Group's policy is to hedge 55% (2010 60%) of the exposure, the risk would be reduced to £1.6 million.

If the US Dollar had weakened/strengthened by 5% with all other variables held constant, the investments in US Dollar-denominated managed funds would have been approximately £0.6 million lower/higher.

If the Euro has weakened/strengthened by 5% with all other variables held constant, the investments in Euro-denominated managed funds would have been approximately £0.3 million lower/higher.

(ii) Price risk

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

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

Statement of comprehensive income movement

Investment category	£m
Global equity	+/- 0.8
Real assets	+/- 0.8
Fixed income	+/- 1.8
Emerging markets	+/- 0.2
Hedge funds	+/- 2.5

(iii) Interest rate risk

The Group has interest-bearing assets, primarily cash, which are at risk of fluctuations in interest rates. These are monitored by the Group treasury function to ensure risks are minimised. Fluctuations in interest rates are unlikely to have a detrimental impact on the Group's operations and therefore the risk is not considered to be significant. If interest rates had been 1% more or less during the year, interest receivable would have increased/decreased by £0.4 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 (2010 Aa3) are accepted.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient funds available to meet its liabilities when due, under both normal and difficult trading conditions, and without incurring unacceptable losses or risking damage to the Group's reputation. This is achieved through careful cash management including the production and review of regular cash flow forecasts and the optimisation of cash returns on funds held by the Group.

(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 Parent Company does not make changes to its equity structure. Debt is managed in line with the Group's treasury policy. The Group maintains a centralised treasury function which operates in accordance with Board approved policies. Its principal objectives are to minimise financial risk whilst maximising returns on cash deposits. Deposits of funds are made with banks and financial institutions approved by the Board and within set credit limits. Variable rates of return are earned on these deposits.

2. Financial risk management continued

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

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

3. Segmental information

As Group activities are predominantly UK-based, segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 3 April 2011. The products and services provided by each business segment are disclosed on pages 2 and 3 in the Guardian Media Group plc Group structure. Other Group activities principally include the Group's share of its joint ventures and associates, Trader Media Group, Emap and Seven Publishing, further information about which can be found in note 14, and the costs associated with the head office.

For the year ended 3 April 2011

	Guardian News & Media £m	GMG Radio £m	GMG Property Services £m	Investment Fund £m	Other Group activities £m	Total £m
Continuing operations						
Revenue	198.2	47.1	9.6	–	0.2	**255.1**
Operating (loss)/profit before exceptional items and amortisation of intangibles	(31.1)	0.9	1.4	–	(11.1)	**(39.9)**
Operating loss before exceptional items	(38.3)	(3.3)	(1.8)	–	(11.1)	**(54.5)**
Operating loss	(41.6)[1]	(4.1)[2]	(1.8)[3]	–	(11.1)	**(58.6)**
Income from other financial assets	–	–	–	15.3	–	**15.3**
Interest payable and similar charges	(2.3)	–	–	–	–	**(2.3)**
Other financing income	–	–	–	2.5	–	**2.5**
Interest receivable and similar income	0.1	–	–	–	73.6	**73.7**
Share of post-tax results of joint ventures and associates	–	–	–	–	(21.6)	**(21.6)**
(Loss)/profit before tax	(43.8)	(4.1)	(1.8)	17.8	40.9	**9.0**
Taxation						**(3.6)**
Profit for the year from continuing operations						**5.4**
Segment assets	94.7	127.2	24.8	182.6	20.4	**449.7**
Investment in equity accounted joint ventures and associates	–	–	–	–	304.8	**304.8**
Total assets	94.7	127.2	24.8	182.6	325.2	**754.5**
Segment liabilities	(109.4)	(8.3)	(3.5)	–	(41.3)	**(162.5)**
Net (liabilities)/ assets	(14.7)	118.9	21.3	182.6	283.9	**592.0**
Other segment items:						
Capital expenditure	0.5	0.8	0.1	–	0.1	**1.5**
Intangible expenditure	5.3	–	0.3	–	–	**5.6**
Depreciation of property, plant and equipment	4.9	1.3	0.3	–	–	**6.5**
Amortisation of intangible assets	7.2	4.2	3.2	–	–	**14.6**
Impairment of trade receivables	0.3	0.1	–	–	–	**0.4**

[1] Guardian News & Media operating loss of £41.6 million includes restructuring costs of £3.3 million and amortisation of intangibles of £7.2 million.

[2] GMG Radio operating loss of £4.1 million includes restructuring costs of £0.8 million and the amortisation of intangibles of £4.2 million.

[3] GMG Property Services operating loss of £1.8 million includes the amortisation of intangibles of £3.2 million.

3. Segmental information continued

For the year ended 28 March 2010

	Guardian News & Media £m	GMG Radio £m	GMG Property Services £m	Investment Fund £m	Other Group activities £m	Total £m
Continuing operations						
Revenue	221.0	50.1	8.9	–	–	280.0
Operating (loss)/profit before exceptional items and amortisation of intangibles	(30.9)	0.6	(0.5)	–	(7.1)	(37.9)
Operating loss before exceptional items	(37.8)[1]	(4.7)	(3.9)	–	(7.5)	(53.9)
Operating loss	(55.3)[2]	(68.6)[3]	(3.9)[4]	–	(7.5)	(135.3)
Income from other financial assets	–	–	–	1.4	0.1	1.5
Interest payable and similar charges	(2.6)	–	–	–	–	(2.6)
Other financing income	–	–	–	5.4	–	5.4
Interest receivable and similar income	–	–	–	–	89.1	89.1
Share of post-tax results of joint ventures and associates	–	–	–	–	(129.1)	(129.1)
(Loss)/profit before tax	(57.9)	(68.6)	(3.9)	6.8	(47.4)	(171.0)
Taxation						10.5
Loss for the year from continuing operations						(160.5)
Loss for year from discontinued operations						(43.9)
Loss attributable to equity shareholder						(204.4)
Segment assets	110.6	115.3	24.9	223.8	50.5	525.1
Investment in equity accounted joint ventures and associates	–	0.3	–	–	247.4	247.7
Total assets	110.6	115.6	24.9	223.8	297.9	772.8
Segment liabilities	(110.3)	(10.3)	(4.0)	–	(62.3)	(186.9)
Net assets	0.3	105.3	20.9	223.8	235.6	585.9
Other segment items:						
Capital expenditure	0.6	0.6	0.2	–	0.5	1.9
Intangible expenditure	3.8	–	–	–	0.4	4.2
Depreciation of property, plant and equipment	7.6	1.5	0.3	–	1.5	10.9
Amortisation of intangible assets	6.9	5.3	3.4	–	0.4	16.0
Impairment of trade receivables	3.4	0.2	0.1	–	–	3.7

[1] Guardian News & Media operating loss before exceptionals includes non-statutory exceptional costs of £3.4 million in respect of bad debts.

[2] Guardian News & Media operating loss of £55.3 million includes restructuring costs of £12.9 million, an onerous lease provision of £4.6 million and amortisation of intangibles of £6.9 million.

[3] GMG Radio operating loss of £68.6 million includes the impairment of goodwill and intangibles of £63.9 million and amortisation of intangibles of £5.3 million.

[4] GMG Property Services operating loss of £3.9 million includes the amortisation of intangibles of £3.4 million.

4. Operating costs

	2011 £m	2010 £m
Raw materials and consumables	**27.4**	34.4
Other external charges	**13.5**	17.5
Staff costs (see note 5)	**124.6**	140.3
Depreciation and impairment of property, plant and equipment	**6.5**	6.7
Other expenses	**141.7**	216.4
	313.7	415.3

Exceptional items totalling £4.1 million (2010 £81.4 million) relate to Guardian News & Media restructuring costs of £3.3 million and GMG Radio restructuring costs of £0.8 million. In the prior year, the exceptional items related to impairment of goodwill and intangibles of £63.9 million, Guardian News & Media restructuring costs of £12.9 million and onerous lease provision of £4.6 million.

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

	2011 £m	2010 £m
Impairment of goodwill	**–**	42.1
Amortisation of other intangible assets	**14.6**	16.0
Impairment of other intangible assets	**–**	21.8
Impairment of property, plant and equipment	**1.7**	20.2
Profit on sale of property, plant and equipment	**(0.1)**	(0.5)
Other operating lease rentals payable:		
- Plant and machinery	**4.7**	5.5
- Property	**5.2**	11.6
Repairs and maintenance expenditure on property, plant and equipment	**0.6**	1.9
Trade receivables impairment	**0.4**	3.7

Services provided by the Group's auditors

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

	2011 £m	2010 £m
Fees payable to Company's auditors for the audit of the Parent Company and the consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Tax services:		
- Advisory services	**0.2**	0.2
Other services	**0.1**	0.1
	0.6	0.6

5. Employees and directors

Staff costs for the Group during the period including executive and non-executive directors	Note	2011 £m	2010 £m
Wages and salaries		**105.2**	119.4
Employer's social security costs		**11.0**	11.6
Employer's pension costs	28	**8.4**	9.3
		124.6	140.3

Average monthly number of persons employed including executive and non-executive directors	No.	No.
Production	**1,013**	1,032
Selling and distribution	**665**	796
Administration	**435**	483
	2,113	2,311

Key management compensation	£m	£m
Salaries and short-term employee benefits	**4.7**	6.0
Post employment benefits	**0.7**	1.1
Termination benefits	**0.7**	1.5
	6.1	8.6

Key management comprises directors and certain other senior management of the Group.

Directors' remuneration information required for the financial statements is shown on page 37.

6. Income from other financial assets

	2011 £m	2010 £m
Profit on disposal of other financial assets:		
- Non-current	**15.3**	1.4
- Current	**–**	0.1
	15.3	1.5

7(a). Finance income and expenses

	2011 £m	2010 £m
Interest payable and similar charges		
Interest payable on finance leases	**(2.3)**	(2.6)
Interest income		
Interest receivable on cash and cash equivalents	**1.2**	0.2
Interest receivable and similar income from joint ventures	**72.2**	87.8
Other interest receivable	**0.3**	1.1
Interest receivable and similar income	**73.7**	89.1
Finance income – net	**71.4**	86.5

7(b). Other financing income

	2011 £m	2010 £m
Fair value gain on forward exchange contracts	**2.5**	5.4

8. Taxation

Analysis of charge/(credit) in year	Note	2011 £m	2010 £m
Current tax			
Continuing operations for the period		–	–
Adjustments in respect of prior periods		0.7	(0.5)
		0.7	(0.5)
Deferred taxation			
Continuing operations	23	2.9	(10.0)
Taxation		3.6	(10.5)

Tax on items charged to the statement of comprehensive income	2011 £m	2010 £m
Deferred tax credit on actuarial loss	(0.2)	(0.4)

Factors affecting tax charge/(credit) for the year

The tax for the period is higher (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%).

The differences are explained below:

	2011 £m	2010 £m
Profit/(loss) before tax	9.0	(171.0)
Profit/(loss) before taxation multiplied by standard rate of corporation tax of 28% (2010 28%)	2.5	(47.9)
Effects of:		
Expenses not deductible for tax purposes	10.6	5.0
Income not taxable	(17.3)	(21.8)
Foreign taxes	0.2	(0.1)
Utilisation of tax losses not previously recognised	(2.0)	(0.1)
Impairment of subsidiary goodwill and joint venture company	–	38.8
Adjustment to tax charge in respect of joint ventures and associates	(1.3)	9.1
Adjustment to tax charge in respect of previous periods	0.5	(1.8)
Current year losses not recognised	5.5	7.0
Chargeable gains	–	1.3
Deferred taxation - rate adjustment	(0.1)	–
Deferred taxation - asset impairment	5.0	–
Total taxation (continuing operations)	3.6	(10.5)

Factors that may affect future tax charges

The UK main corporation tax rate changed from 28% to 26% on 1 April 2011. The relevant deferred tax balances have been remeasured.

Further reductions to the UK corporation tax rate were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are expected to be enacted separately each year and propose to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

9. Discontinued operations

The analysis of the results of discontinued operations is as follows:

	2011 £m	2010 £m
Revenue	–	75.1
Expenses	–	(75.2)
Operating loss	–	(0.1)
Interest payable and similar charges	–	(0.6)
Loss before tax	–	(0.7)
Taxation	–	3.8
Profit after taxation	–	3.1
Loss on disposal of discontinued operations	–	(47.0)
Loss for discontinued operations	–	(43.9)

On 28 March 2010, the Group disposed of the trade and certain assets of its GMG Regional Media division to Trinity Mirror plc for a total consideration of £44.8 million before working capital adjustments. Total consideration comprised the release by Trinity Mirror plc of a 12 year GMG print liability, valued at £37.4 million, and £7.4 million in cash.

Details of discontinued cash flows are shown in note 26(b).

10. Other financial assets – available for sale

	2011 £m	2010 £m
At 29 March 2010	**223.8**	184.5
Additions at cost	**83.0**	42.1
Divestment	**(50.0)**	–
Disposals at fair value	**(83.7)**	(38.9)
	173.1	187.7
Net gain on disposals – income statement	**15.3**	1.4
Derecognition of changes in fair value on disposals – previously recognised directly in equity	**(15.8)**	(1.4)
Fair value gain – statement of comprehensive income	**10.0**	36.1
At 3 April 2011	**182.6**	223.8

Other financial assets include the following:		
Hedge funds	**70.3**	96.0
Managed funds	**82.0**	102.8
	152.3	198.8
Short-term funds held for reinvestment	**30.3**	25.0
	182.6	223.8

The short-term funds held for reinvestment represent highly liquid investments in money market deposit accounts and money market funds with a maturity date of three months or less.

The following table presents the Group's assets and liabilities that are measured at fair value at the year end; descriptions of each level are included on page 47.

As at 3 April 2011	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets – available for sale – asset	55.8	94.6	1.9	**152.3**

As at 28 March 2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets – available for sale – asset	78.4	118.6	1.8	**198.8**
Derivative financial instruments – liability	–	(3.3)	–	**(3.3)**

10. Other financial assets – available for sale continued

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

	Level 3 £m
At 29 March 2010	1.8
Disposals	(0.3)
Transfers in to Level 3	0.8
Transfers out of Level 3	(0.6)
Fair value gain – statement of comprehensive income	0.1
At 3 April 2011	**1.8**

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

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

Other financial assets are denominated in the following currencies:	2011 £m	2010 £m
Sterling	**95.1**	112.9
Euro	**6.0**	5.2
US Dollar	**81.5**	105.7
	182.6	223.8

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 active markets is determined using fund manager statements which are based on broker pricing or their own valuation techniques. None of these assets are considered to be impaired.

Other financial assets – available for sale have been analysed between current and non-current as follows:	2011 £m	2010 £m
Current	**60.0**	50.0
Non-current	**122.6**	173.8
	182.6	223.8

11. Goodwill

	£m
Cost	
At 3 April 2011	**155.7**
Accumulated impairment	
At 3 April 2011	**92.7**
Net book value at 3 April 2011	**63.0**

Goodwill relates to the GMG Radio division (£48.9 million) and the GMG Property Services division (£14.1 million).

During the year ended 3 April 2011, certain assets were tested for impairment in accordance with IAS 36 'Impairment of assets' and were found not 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 2011/12 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determine budgets and business plans based on past performance and its expectations of market development. The discount rates used were pre-tax and reflected specific risks relevant to the industry. Discount rates used ranged between 10.5% and 13.0% and were benchmarked against comparable peers.

11. Goodwill continued

	£m
Cost	
At 30 March 2009	156.3
Disposals	(0.6)
At 28 March 2010	155.7
Accumulated impairment	
At 30 March 2009	50.9
Impairment	42.1
Disposals	(0.3)
At 28 March 2010	92.7
Net book value at 28 March 2010	63.0

Goodwill relates to the GMG Radio division (£48.9 million) and the GMG Property Services division (£14.1 million).

During the year ended 28 March 2010, certain assets were tested for impairment in accordance with IAS 36 'Impairment of assets' and were found to be impaired. The recoverable amount of a CGU was determined based on a value-in-use calculation or market value. The value-in-use calculation used pre-tax cash flow projections based on the financial budgets approved by the Board for 2010/11 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determine budgets and business plans based on past performance and its expectations of market development. The discount rates used were pre-tax and reflected specific risks relevant to the industry. Discount rates used ranged between 10.5% and 13.0% and were benchmarked against comparable peers. An impairment charge of £42.1 million arose from these calculations.

12. Other intangible assets

	Radio licences £m	Other £m	Total £m
Cost			
At 29 March 2010	107.1	68.0	175.1
Additions at cost	–	5.6	5.6
At 3 April 2011	**107.1**	**73.6**	**180.7**
Accumulated amortisation and impairment			
At 29 March 2010	39.4	39.8	79.2
Charge for period	4.1	10.5	14.6
At 3 April 2011	**43.5**	**50.3**	**93.8**
Net book value at 3 April 2011	**63.6**	**23.3**	**86.9**

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

	Radio licences £m	Other £m	Total £m
Cost			
At 30 March 2009	107.1	67.1	174.2
Additions at cost	–	4.2	4.2
Disposals	–	(3.3)	(3.3)
At 28 March 2010	**107.1**	**68.0**	**175.1**
Accumulated amortisation and impairment			
At 30 March 2009	12.3	31.4	43.7
Disposals	–	(2.3)	(2.3)
Impairment in period	21.8	–	21.8
Charge for period	5.3	10.7	16.0
At 28 March 2010	**39.4**	**39.8**	**79.2**
Net book value at 28 March 2010	**67.7**	**28.2**	**95.9**

13(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 29 March 2010	29.5	94.1	33.5	0.1	157.2
Additions at cost	–	1.0	0.1	0.4	1.5
Reclassification	–	–	0.3	(0.3)	–
Disposals	–	(7.5)	(0.4)	–	(7.9)
At 3 April 2011	**29.5**	**87.6**	**33.5**	**0.2**	**150.8**
Accumulated depreciation and impairment					
At 29 March 2010	18.5	85.6	8.8	–	112.9
Charge for the period	0.5	3.9	2.1	–	6.5
Impairment	1.7	–	–	–	1.7
Disposals	–	(7.5)	(0.3)	–	(7.8)
At 3 April 2011	**20.7**	**82.0**	**10.6**	**–**	**113.3**
Net book value at 3 April 2011	**8.8**	**5.6**	**22.9**	**0.2**	**37.5**

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 30 March 2009	36.3	118.7	35.0	0.6	190.6
Additions at cost	–	1.6	0.2	0.1	1.9
Reclassification	–	–	0.6	(0.6)	–
Disposals	(6.8)	(26.2)	(2.3)	–	(35.3)
At 28 March 2010	**29.5**	**94.1**	**33.5**	**0.1**	**157.2**
Accumulated depreciation and impairment					
At 30 March 2009	16.0	82.9	7.6	–	106.5
Charge for the period	0.9	7.4	2.6	–	10.9
Impairment	3.3	16.4	0.5	–	20.2
Disposals	(1.7)	(21.1)	(1.9)	–	(24.7)
At 28 March 2010	**18.5**	**85.6**	**8.8**	**–**	**112.9**
Net book value at 28 March 2010	**11.0**	**8.5**	**24.7**	**0.1**	**44.3**

13(b). Property, plant and equipment

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

	2011 £m	2010 £m
Cost	**100.9**	104.8
Accumulated depreciation	**(87.0)**	(89.3)
Net book value	**13.9**	15.5

Details of material finance lease arrangements are given in note 19.

All Group land and buildings with a net book value in excess of £20,000 were valued by independent third party valuers in accordance with IAS 36 'Impairment of assets' as at 31 December 2008, with the exception of one property which has been valued at 3 April 2011 and was found to be impaired due to economic conditions and this impairment loss has been recognised in the profit and loss account.

14. Investments

(a) Interests in joint ventures

	Trader Media Group £m	Emap £m	Total £m
At 29 March 2010			
- Net liabilities	(355.5)	–	(355.5)
- Preference shares and accrued coupons	172.3	111.9	284.2
- Loans and accrued interest	209.9	104.9	314.8
	26.7	**216.8**	**243.5**
Interest on loans and preference shares	28.0	44.2	72.2
Income statement	10.8	(31.9)	(21.1)
Statement of comprehensive income	3.6	–	3.6
Statement of changes in equity	–	3.3	3.3
Other movements	–	(0.3)	(0.3)
Loan commitment	–	0.1	0.1
At 3 April 2011			
- Net liabilities	(307.1)	(28.5)	(335.6)
- Preference shares and accrued coupons	143.9	151.7	295.6
- Loans and accrued interest	232.3	109.0	341.3
	69.1	**232.2**	**301.3**

The equity structure of Trader Media Group was amended on 7 June 2010. This amendment resulted in GMG (TMG) Limited (a wholly owned subsidiary of Guardian Media Group plc) waiving £34.0 million of preference share debt owed by Trader Media Group and a change in the coupon rate on preference shares to 0.05% (2010 15.00%).

14. Investments continued

(a) Interests in joint ventures continued

The Group's share of amounts relating to joint ventures for the year ended 3 April 2011

	Trader Media Group £m	Emap £m	Total £m
Non-current assets	488.7	425.3	914.0
Current assets	55.2	36.3	91.5
Current liabilities	(37.9)	(56.0)	(93.9)
Non-current liabilities	(813.1)	(434.1)	(1,247.2)
Net liabilities	**(307.1)**	**(28.5)**	**(335.6)**
Revenue	131.1	79.9	211.0
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	64.4	25.1	89.5
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	59.2	9.7	68.9
Net interest payable and similar charges (excluding gain on debt buy-back)	(42.8)	(46.6)	(89.4)
Gain on debt buy-back and other movements	0.7	–	0.7
Profit/(loss) before taxation	**17.1**	**(36.9)**	**(19.8)**
Taxation	(6.3)	5.0	(1.3)
Share of post-tax results from joint ventures	**10.8**	**(31.9)**	**(21.1)**

The Group's share of joint ventures capital commitments are included in note 30 on page 70.

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

	Trader Media Group £m	Emap £m	Total £m
At 30 March 2009			
- Net liabilities	(344.6)	(67.1)	(411.7)
- Goodwill	–	8.4	8.4
- Preference shares and accrued coupons	144.0	259.8	403.8
- Loans and accrued interest	188.2	82.3	270.5
	(12.4)	**283.4**	**271.0**
Interest on loans and preference shares	50.0	37.8	87.8
Income statement	(14.8)	(17.8)	(32.6)
Statement of comprehensive income	3.9	(0.8)	3.1
Disposals	–	(0.1)	(0.1)
Loan commitment	–	10.8	10.8
Impairment	–	(96.5)	(96.5)
At 28 March 2010			
- Net liabilities	(355.5)	–	(355.5)
- Preference shares and accrued coupons	172.3	111.9	284.2
- Loans and accrued interest	209.9	104.9	314.8
	26.7	**216.8**	**243.5**

14. Investments continued

(a) Interests in joint ventures continued

The Group's share of amounts relating to joint ventures for the year ended 28 March 2010

	Trader Media Group £m	Emap £m	Total £m
Non-current assets	494.6	–	494.6
Current assets	61.4	–	61.4
Current liabilities	(41.0)	–	(41.0)
Non-current liabilities	(870.5)	–	(870.5)
Net liabilities	**(355.5)**	**–**	**(355.5)**
Revenue	125.7	70.5	196.2
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	52.5	23.1	75.6
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	50.3	10.8	61.1
Net interest payable and similar charges (excluding gain on debt buy-back)	(72.5)	(36.4)	(108.9)
Gain on debt buy-back and profit on disposal of subsidiary	5.6	–	5.6
Loss before taxation	**(16.6)**	**(25.6)**	**(42.2)**
Taxation	1.8	7.8	9.6
Share of post-tax results from joint ventures	**(14.8)**	**(17.8)**	**(32.6)**

The Group's share of joint ventures' capital commitments are included in note 30 on page 70.

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

(b) Interests in associates

	2011 £m	2010 £m
At 29 March 2010		
- Net assets excluding goodwill	**4.2**	4.2
Additions	**0.4**	–
Share of loss in the year	**(0.5)**	–
Dividends	**(0.6)**	–
At 3 April 2011		
- Net assets excluding goodwill	**3.5**	4.2

The Group's share of amounts relating to associates

	2011 £m	2010 £m
Total assets	**8.9**	8.5
Total liabilities	**(5.4)**	(4.3)
Revenue	**12.5**	13.2
Share of post-tax loss of associates before exceptional items	**0.5**	–

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

14. Investments continued

(c) Other financial assets and loans and receivables

	2011 £m	2010 £m
At 29 March 2010	**1.6**	1.5
Additions at cost	**–**	0.1
At 3 April 2011	**1.6**	1.6

Other financial assets include the following:		
Unlisted shares	**0.2**	0.2
Term deposits/loans	**1.4**	1.4
	1.6	1.6

15. Inventories

	2011 £m	2010 £m
Raw materials and consumables	**1.8**	1.3

The Group consumed £27.4 million (2010 £34.4 million) of inventories during the year (note 4).

16. Trade and other receivables

	2011 £m	2010 £m
Amounts falling due within one year:		
Trade receivables	**34.3**	41.0
Less: Provision for impairment of receivables	**(0.9)**	(0.9)
Trade receivables – net	**33.4**	40.1
Amounts owed by related parties	**–**	0.1
Other receivables	**1.3**	4.5
Prepayments and accrued income	**10.3**	13.2
	45.0	57.9

As at 3 April 2011, trade receivables of £0.9 million (2010 £0.9 million) were impaired. The ageing of these receivables is as follows:

	2011 £m	2010 £m
Up to 3 months	**0.2**	0.1
3 to 6 months	**0.3**	0.2
Over 6 months	**0.4**	0.6
	0.9	0.9

As at 3 April 2011, trade receivables of £11.0 million (2010 £9.7 million) were past due but not impaired. The ageing of these trade receivables is as follows:

	2011 £m	2010 £m
Up to 3 months	**6.9**	8.5
3 to 6 months	**3.0**	1.1
Over 6 months	**1.1**	0.1
	11.0	9.7

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

	2011 £m	2010 £m
At 29 March 2010	**0.9**	1.1
Provision for receivables impairment	**0.7**	4.0
Receivables written off during the year as uncollectible	**(0.4)**	(3.9)
Unused amounts reversed	**(0.3)**	(0.3)
At 3 April 2011	**0.9**	0.9

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

17. Current tax

	2011 £m	2010 £m
Current tax liability	**0.4**	2.3

18. Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**10.2**	11.5
Short-term bank deposits	**4.6**	25.5
	14.8	37.0

19. Financial liabilities – borrowings

	2011 £m	2010 £m
Current		
Due within one year or on demand:		
Finance lease obligations	**6.1**	7.6

	2011 £m	2010 £m
Non-current		
Finance lease obligations	**58.8**	64.9

	2011 £m	2010 £m
The total value of obligations under finance leases repayable by instalments:		
- between one to two years	**6.0**	6.1
- between two to five years	**19.1**	18.6
- over five years	**33.7**	40.2
	58.8	64.9

	2011 £m	2010 £m
The present value of minimum lease payments are as follows:		
- within one year	**8.6**	10.5
- greater than one year but less than five years	**33.1**	31.6
- after five years	**37.2**	47.3
Total minimum lease payments	**78.9**	89.4
Less future finance charges	**(14.0)**	(16.9)
Present value of minimum lease payments	**64.9**	72.5

20. Trade and other payables – current

	2011 £m	2010 £m
Trade payables	**11.4**	12.1
Social security and other taxes	**3.4**	8.4
Other payables	**3.7**	1.4
Loan commitment to joint venture	**–**	10.8
Accruals and deferred income	**29.2**	27.9
	47.7	60.6

21. Other non-current liabilities

	2011 £m	2010 £m
Other payables	**13.1**	9.1
Accruals	**–**	0.1
	13.1	9.2

22. Provisions

	£m
At 29 March 2010	37.0
Charged to income statement:	
- Additional provisions	3.6
- Unused amounts reversed	(1.1)
Utilised in year	(22.6)
At 3 April 2011	**16.9**

Provisions have been analysed between current and non-current as follows:

Current	6.7
Non-current	10.2
	16.9

Provisions at 3 April 2011 relate primarily to onerous leases and restructuring costs.

	£m
At 30 March 2009	16.0
Charged to income statement:	
- Additional provisions	33.7
- Unused amounts reversed	(1.4)
Utilised in year	(11.3)
At 28 March 2010	**37.0**

Provisions have been analysed between current and non-current as follows:

Current	22.8
Non-current	14.2
	37.0

23. Deferred taxation

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 26% (2010 28%).

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

	2011 £m	2010 £m
At 29 March 2010	**(0.3)**	11.4
Income statement charge/(credit) continuing operations	**2.9**	(10.0)
Income statement credit - discontinued activity	**–**	(1.3)
Statement of comprehensive income credit	**(0.2)**	(0.4)
At 3 April 2011	**2.4**	(0.3)

	Accelerated capital allowances on fixed assets £m	Tax losses carried forward £m	Short-term and other timing differences £m	Acquired intangible assets £m	Total £m
Deferred taxation liabilities					
At 29 March 2010	0.2	–	1.0	22.7	23.9
Reclassified as deferred tax assets	(0.2)	–	(1.0)	–	(1.2)
Income statement credit - continuing operations	–	–	–	(3.8)	(3.8)
At 3 April 2011	–	–	–	18.9	18.9
Deferred taxation assets					
At 29 March 2010	(8.7)	(1.1)	(14.4)	–	(24.2)
Reclassified as deferred tax liabilities	0.2	–	1.0	–	1.2
Income statement (credit)/charge - continuing operations	(0.6)	0.9	6.4	–	6.7
Statement of comprehensive income credit	–	–	(0.2)	–	(0.2)
At 3 April 2011	(9.1)	(0.2)	(7.2)	–	(16.5)
Net deferred tax liability at 3 April 2011					2.4
Net deferred tax asset at 28 March 2010					(0.3)

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 £24.1 million (2010 £14.0 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.

24(a). Share capital

	2011 £m	2010 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

24(b). Revaluation reserve

	2011 £m	2010 £m
Revaluation of previous interest on acquisition of remaining shares in a joint venture	**0.7**	0.7

24(c). Non distributable reserve

	2011 £m	2010 £m
Repayment of 4% cumulative preference shares	**0.1**	0.1

25. Dividends paid

On 30 March 2011, the Board declared a dividend of 22.2p (2010 22.2p) per share on the ordinary share capital amounting to £200,000 (2010 £200,000) which was paid to The Scott Trust Limited on 30 March 2011.

26(a). Cash flows from operating activities

Reconciliation of profit/(loss) before tax to net cash outflow from operating activities:

Cash used in operations	Note	**2011 £m**	2010 £m
Profit/(loss) before taxation		**9.0**	(214.9)
Adjustments for:			
Depreciation	13	**6.5**	10.9
Impairment of property, plant and equipment	13	**1.7**	20.2
Loss on sale of trade and assets	9	**–**	47.0
Profit on disposal of property, plant and equipment		**(0.1)**	(0.5)
Impairment of goodwill	11	**–**	42.1
Amortisation of other intangible assets	12	**14.6**	16.0
Impairment of other intangible assets	12	**–**	21.8
Income from non-current financial assets		**(15.3)**	(1.5)
Interest receivable and similar income	7(a)	**(73.7)**	(89.1)
Interest payable and similar charges	7(a)	**2.3**	2.6
Other financing income	7(b)	**(2.5)**	(5.4)
Pensions	28	**(1.9)**	(1.9)
Share of results of joint ventures after taxation		**21.1**	129.1
Share of results of associates after taxation		**0.5**	–
(Decrease)/increase in provisions		**(20.1)**	21.0
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):			
(Increase)/decrease in inventories		**(0.5)**	0.2
Decrease/(increase) in trade and other receivables		**12.9**	(42.1)
(Decrease)/increase in trade and other payables		**(9.1)**	7.8
Cash used in operations		**(54.6)**	(36.7)

26(b). Cash flows from discontinued operations

Net cash flows attributable to:

	2011 £m	2010 £m
Operating activities	**–**	(6.8)
Investing activities	**–**	7.7
Financing activities	**–**	(2.1)
	–	(1.2)

27. Events after the reporting period

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

28. Pension commitments

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

Pension costs for defined contribution schemes are as follows:

	2011 £m	2010 £m
Defined contribution schemes	8.4	9.3

Defined benefit schemes
The Group has two (2010 two) defined benefit pension schemes, both of which have been accounted for in accordance with IAS 19 'Employee benefits'.

The Surrey Advertiser Newspaper Holdings Ltd Pension & Life Assurance Scheme was closed to future accrual with effect from 31 March 2006. The most recent actuarial valuation of this Scheme was performed as at 5 April 2009.

The Trafford Park Printers 1990 Pension Scheme was closed to future accrual with effect from 31 December 2006. The most recent actuarial valuation for this Scheme was performed as at 1 April 2010.

The valuations for each of the Schemes have been updated to 3 April 2011 by a qualified independent actuary. The principal assumptions made by the actuary were:

	2011	2010
Rate of increase for pensions in payment	3.75% pa	3.80% pa
Rate of increase in deferred pensions	3.75% pa	3.80% pa
Discount rate	5.50% pa	5.80% pa
Inflation rate	3.75% pa	3.80% pa
Expected return on plan assets:		
Equities	6.40% pa	6.60% pa
Real estate	6.40% pa	6.60% pa
Bonds	5.50% pa	5.80% pa
Gilts	4.40% pa	4.60% pa
Cash	4.00% pa	4.00% 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 with a minimum future improvement of 1% per annum. The assumptions are that a non-pensioner who retires in 2031 at age 65 will live on average a further 25 years after retirement if they are male and a further 28 years after retirement if they are female. A current pensioner aged 65 will live on average a further 23 years if they are male and a further 26 years if they are female.

The assumptions would have to change significantly to materially impact the financial statements.

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of funded obligations – all fully or partly funded	31.2	29.6	23.1	14.8	16.0
Fair value of plan assets	(30.6)	(27.6)	(21.2)	(13.7)	(13.3)
	0.6	2.0	1.9	1.1	2.7
Plan liabilities not disclosed	–	–	–	0.1	0.7
Net liability recognised in the balance sheet	0.6	2.0	1.9	1.2	3.4

The amounts recognised in the income statement are as follows:

	2011 £m	2010 £m
Interest cost	1.7	1.5
Expected return on plan assets	(1.6)	(1.1)
Total pension cost recognised in the income statement	0.1	0.4

These charges are included in operating costs.

28. Pension commitments continued

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

	2011 £m	2010 £m
Actuarial loss immediately recognised	**(0.4)**	(1.6)

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

	2011 £m	2010 £m
At 29 March 2010	**29.6**	23.1
Interest cost	**1.7**	1.5
Actuarial loss	**1.0**	5.9
Benefits paid	**(1.1)**	(0.9)
At 3 April 2011	**31.2**	29.6

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

	2011 £m	2010 £m
At 29 March 2010	**(27.6)**	(21.2)
Employer contributions	**(1.9)**	(1.9)
Expected return on plan assets	**(1.6)**	(1.1)
Actuarial gain	**(0.6)**	(4.3)
Benefits paid	**1.1**	0.9
At 3 April 2011	**(30.6)**	(27.6)

The actual return on plan assets was a gain of £2.2 million (2010 £5.4 million).

The Group expects to contribute £1.9 million to the defined benefit pension schemes during the year ending 1 April 2012.

The major categories of schemes' assets are as follows:

	2011 £m	2010 £m
Equities	**10.4**	10.9
Bonds	**10.9**	4.1
Gilts	**8.4**	10.4
Real estate	**0.8**	0.7
Cash	**0.1**	1.5
	30.6	27.6

Analysis of the movement in the balance sheet liability:

	2011 £m	2010 £m
At 29 March 2010	**2.0**	1.9
Total expense recognised in the income statement	**0.1**	0.4
Contributions	**(1.9)**	(1.9)
Net actuarial loss recognised in the year	**0.4**	1.6
At 3 April 2011	**0.6**	2.0

Cumulative actuarial losses recognised in equity:

	2011 £m	2010 £m
At 29 March 2010	**6.9**	5.3
Net actuarial loss recognised in the year	**0.4**	1.6
At 3 April 2011	**7.3**	6.9

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

29. Operating leases and similar commitments

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

	Land and buildings		Other	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Within one year	**7.8**	9.0	**5.1**	4.2
Between two and five years inclusive	**30.3**	35.1	**11.3**	9.6
Over five years	**114.0**	142.2	**0.6**	1.4
	152.1	186.3	**17.0**	15.2

The Group has sub-let one operating lease and the future aggregate minimum sublease amounts expected to be received amount to £4.7 million (2010 £nil).

Provisions have been recognised against those properties which are vacant or where the sublease income is below the headlease commitment, refer to note 22.

Prior year amounts have been re-presented on a comparable basis with the current year.

30. Capital commitments authorised

Contracts entered into, but not provided for, for property, plant and equipment for the Group (including share of joint ventures) amounted to approximately £0.2 million (2010 £1.3 million).

31. Related party transactions

Transactions between subsidiary members of Guardian Media Group plc are not required to be disclosed as these transactions are fully eliminated on consolidation. In the course of normal operations, the Group has traded on an arm's length basis with joint ventures, associates and other related undertakings, principally Trader Media Group, Emap and Seven Publishing Group. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2011 £m	2010 £m
Sales	**0.2**	3.3
Purchases	**2.6**	6.0
Loans made	**0.1**	–
Interest on loans and preference shares	**38.1**	87.8

At year end, balances outstanding in relation to these transactions amounted to £800.6 million (2010 £777.7 million).

The Group paid £149,090 (2010 £141,907) to two directors of The Scott Trust Limited for services rendered to Guardian News & Media Limited in the normal course of business and paid on a normal arm's length basis. The Group also paid £265,042 (2010 £378,938) to a law firm of which a Scott Trust Limited director is a partner, on a normal arm's length basis.

32. Ultimate controlling party

The Group's Parent Company and ultimate controlling party is The Scott Trust Limited (incorporated in the United Kingdom), which owns 100% of the Company's shares.

33. Principal subsidiaries, joint ventures and associates

The principal activity of the subsidiaries, joint ventures and associates is the dissemination of news, information and advertising matter by way of print and other media. The following information relates to those subsidiary undertakings which, in the opinion of the directors, principally affected the trading 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 Radio		
GMG Radio Holdings Limited	£1 ordinary shares	100%
Real Radio Limited^	£1 ordinary shares	100%
Real Radio (Scotland) Limited^-	£1 ordinary shares	100%
Real Radio (Yorkshire) Limited^	£1 ordinary shares	100%
Smooth Radio London Limited^	£1 ordinary shares	100%
Smooth Radio Limited^	£1 ordinary shares	100%
Real Radio (North East) Limited^	£1 ordinary shares	100%
Real Radio (North West) Limited^	£1 ordinary shares	100%
Smooth Radio Midlands Limited^	£1 ordinary shares	100%
Smooth Radio Scotland Limited^-	£1 ordinary shares	100%
Smooth Radio NE Limited^	£1 ordinary shares	100%
Rock Radio Manchester Limited^	£1 ordinary shares	100%
GMG Property Services		
Vebra Solutions Limited^	£1 ordinary shares	100%
Core Estates Limited^	£1 ordinary shares	100%
CFP Software Limited^	£1 ordinary shares	100%

(b) Joint venture companies	Description of total shares	Percentage holding
Trader Media Group Limited^	10p ordinary shares	50.1%
Eden 2 & Cie SCA=	30p ordinary shares	32.9%

(c) Associates	Description of total shares	Percentage holding
Seven Publishing Group Limited	£0.01 ordinary shares	41.9%
MXR Holdings Limited^	£1 ordinary shares	36.8%

^ Investments not held directly by Guardian Media Group plc
- Registered in Scotland
= Registered in Luxembourg, ultimate 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.

Guardian Media Group plc 2011
COMPANY FINANCIAL STATEMENTS

Report of the directors

The directors present their report and the audited financial statements of the Company for the year ended 3 April 2011.

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

Business review and future developments
The profit for the year was £31.2 million (2010 loss £315.6 million). On 30 March 2011, the Board declared a dividend of 22.2p (2010 22.2p) per share on the ordinary share capital amounting to £200,000 (2010 £200,000) which was paid to The Scott Trust Limited on 30 March 2011.

Creditor payment policy
The Company has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors. Payments are made to these creditors in line with the CBI's Prompt Payment Code. The creditor days figure for the Company for the year was 30 days (2010 28 days).

Directors and directors' interests
This information is shown in the Group section of the annual report on pages 16, 17 and 33.

Change of Registered Office
On 15 September 2010, the Company changed its registered office address to PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.

Financial risk management
This information is shown in the Group section of the annual report on page 49.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

This statement is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006.

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
15 June 2011

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 3 April 2011 which comprise the Company balance sheet and notes relating to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 74, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 April 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the Group financial statements of Guardian Media Group plc for the year ended 3 April 2011.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 June 2011

Company balance sheet

As at 3 April 2011

	Note	2011 £m	2010 £m
Fixed assets			
Investment fund	3	**94.2**	139.6
Investments in subsidiary undertakings	4	**521.1**	502.0
Investments in joint ventures	5	**250.2**	206.0
Investments in associates	6	**3.1**	3.1
Other investments	7	**1.6**	1.6
		870.2	852.3
Current assets			
Debtors	8	**141.8**	135.0
Investment fund	3	**60.0**	50.0
Cash at bank and in hand		**6.7**	22.5
		208.5	207.5
Creditors: due within one year	9	**133.1**	144.5
Net current assets		**75.4**	63.0
Net assets excluding pension deficit		**945.6**	915.3
Pension deficit	12	**–**	0.3
Net assets including pension deficit		**945.6**	915.0
Capital and reserves			
Share capital	10	**0.9**	0.9
Non distributable reserve	11	**0.1**	0.1
Profit and loss account	11	**944.6**	914.0
Total shareholder's funds		**945.6**	915.0

These financial statements were approved by the Board of directors on 15 June 2011 and signed on its behalf by:

Nick Backhouse
Senior independent director

Andrew Miller
Group chief executive officer

The notes on pages 77 to 84 form part of these financial statements.

Guardian Media Group plc
Company Registration Number 94531

Notes relating to the financial statements

1. Accounting policies

Accounting basis
The financial statements on pages 76 to 84 have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (UK GAAP). Set out below is a summary of the more important accounting policies, which have been applied consistently throughout the year.

A separate profit and loss account dealing with the results of the Company has not been presented as permitted by section 408 of the Companies Act 2006.

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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws 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 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:

- 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
Investments are recorded at cost plus incidental expenses less any provision for impairment.

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

(b) Defined benefit scheme
The Company contributes to a closed defined benefit pension scheme, the assets of which are held separately from those of the Company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

The pension scheme's surplus, to the extent that it is considered recoverable, or a deficit is recognised in full and presented on the face of the balance sheet net of the related deferred tax. The Company is complying with FRS 17, 'Retirement Benefits'.

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

2. Auditors' remuneration

	2011 £m	2010 £m
Audit services	**0.1**	0.1
Other services	**0.2**	0.2

3. Investment fund

	2011 £m	2010 £m
At 29 March 2010	**189.6**	185.0
Additions at cost	**83.0**	42.1
Divestment	**(50.0)**	–
Disposals	**(68.4)**	(37.5)
At 3 April 2011	**154.2**	189.6

Fixed asset investments comprise investments in hedge funds and other managed funds. The fair values of these investments are detailed in note 10 in the Group section of this report on pages 55 and 56.

The financial risk objectives and policies of the Company and exposure to risk is shown in the Group section of this report on page 49.

The investment fund has been analysed between fixed assets and current assets as follows:

	2011 £m	2010 £m
Fixed assets	**94.2**	139.6
Current assets	**60.0**	50.0
	154.2	189.6

4. Investments in subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 29 March 2010	452.1	513.3	965.4
Additions	40.8	8.3	49.1
At 3 April 2011	**492.9**	**521.6**	**1,014.5**
Amounts written off			
At 29 March 2010	389.6	73.8	463.4
Charge for the period	30.0	–	30.0
At 3 April 2011	**419.6**	**73.8**	**493.4**
Net book value at 3 April 2011	**73.3**	**447.8**	**521.1**
Net book value at 28 March 2010	62.5	439.5	502.0

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 71.

5. Investments in joint ventures

	Ordinary shares £m	Loans and preference shares £m	Total £m
Cost			
At 29 March 2010	7.0	380.0	387.0
Additions	–	0.1	0.1
Interest	–	44.1	44.1
At 3 April 2011	**7.0**	**424.2**	**431.2**
Amounts written off			
At 3 April 2011 and 29 March 2010	**6.6**	**174.4**	**181.0**
Net book value at 3 April 2011	**0.4**	**249.8**	**250.2**
Net book value at 28 March 2010	0.4	205.6	206.0

Details of the principal joint ventures are shown in the Group section of this report on page 71.

6. Investments in associates

	Unlisted shares £m
Cost	
At 3 April 2011 and 29 March 2010	**10.8**
Amounts written off	
At 3 April 2011 and 29 March 2010	**7.7**
Net book value at 3 April 2011 and 28 March 2010	**3.1**

Details of the principal associates are shown in the Group section of this report on page 71.

7. Other investments

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 3 April 2011 and 28 March 2010	0.2	1.4	1.6

8. Debtors

	2011 £m	2010 £m
Amounts owed by group undertakings	**132.7**	128.0
Corporation tax	**6.2**	2.4
Deferred tax	**2.0**	4.2
Taxation and social security	**0.4**	–
Other debtors	**0.1**	0.1
Prepayments and accrued income	**0.4**	0.3
	141.8	135.0

Deferred tax assets have not been recognised where they relate to losses where their future utilisation against profits cannot be reasonably foreseen. There is an unrecognised deferred tax asset at the balance sheet date of £2.6 million (2010 £1.4 million).

9. Creditors: due within one year

	2011 £m	2010 £m
Trade creditors	**–**	0.1
Amounts owed to group undertakings	**129.7**	137.3
Taxation and social security	**–**	0.9
Other creditors	**1.1**	4.3
Accruals and deferred income	**2.3**	1.9
	133.1	144.5

10. Share capital

	2011 £m	2010 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

11. Reserves

	Note	Non distributable reserve £m	Profit and loss reserve £m
At 29 March 2010		0.1	914.0
Dividend paid	15	–	(0.2)
Profit for the year		–	31.2
Actuarial loss on defined benefit pension scheme		–	(0.5)
Deferred taxation credit on actuarial loss		–	0.1
At 3 April 2011		**0.1**	**944.6**

The non-distributable reserve relates to the repayment of the 4% preference shares in June 2008.

A separate profit and loss account dealing with the results of the Company has not been presented, as permitted by Section 408 of the Companies Act 2006.

12. Pensions

The Company operated two main pension schemes during the year.

a) Defined contribution scheme

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

b) Defined benefit scheme

Effective from 8 February 2010, the Company became principal employer of The Surrey Advertiser Newspaper Holdings Ltd Pension & Life Assurance Scheme.

This Scheme was closed to future accrual with effect from 31 March 2006. The most recent actuarial valuation of this Scheme was performed on 5 April 2009.

The valuation for this Scheme has been updated to 3 April 2011 by a qualified independent actuary.

	2011 £m	2010 £m
Change in the present value of the defined benefit obligation		
At 29 March 2010	**15.0**	13.2
Interest cost	**0.8**	0.9
Actuarial loss	**0.6**	1.7
Benefits paid	**(0.8)**	(0.8)
At 3 April 2011	**15.6**	15.0
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**15.6**	15.0

	2011 £m	2010 £m
Change in the fair value of scheme assets		
At 29 March 2010	**14.7**	12.0
Expected return on plan assets	**0.8**	0.6
Actuarial gain	**0.1**	2.1
Employer contribution	**0.8**	0.8
Benefits paid	**(0.8)**	(0.8)
At 3 April 2011	**15.6**	14.7

	2011 £m	2010 £m
Funded status	**–**	(0.3)
Net amount recognised	**–**	(0.3)
Fair value of reimbursement rights	**–**	–

12. Pensions continued

	2011 £m	2010 £m
Analysis of the amount charged to profit or loss as follows:		
Current service cost	–	–
Interest cost	0.8	0.9
Expected return on plan assets	(0.8)	(0.6)
Total pension cost recognised in the P&L account	–	0.3
Actuarial losses/(gains) immediately recognised in the STRGL	0.5	(0.5)
Actuarial gains and losses:		
Cumulative amount of actuarial losses immediately recognised	–	(0.5)

Plan assets

The weighted-average asset allocations at the end of the period were as follows:

Asset category	2011	2010
Equities	26%	38%
Bonds	73%	56%
Cash	1%	6%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Company considered 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 on assets assumption for the portfolio. This resulted in the selection of the 5.5% assumption.

	2011 £m	2010 £m
Actual return on plan assets	0.9	2.7

Weighted average assumptions used to determine benefit obligations at:

	2011	2010	2009
Discount rate	5.50%	5.80%	6.80%

Weighted average assumptions used to determine net pension cost for period ended:

	2011 £m	2010 £m
Discount rate	5.80%	6.80%
Expected long-term return on plan assets	5.50%	5.42%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2011		2010	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.7	25.8	22.6	25.7
Member age 45 (life expectancy at age 65)	24.5	27.8	24.4	27.8

12. Pensions continued

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 2011 %	Value at 2011 £m	Long-term rate of return expected 2010 %	Value at 2010 £m
Equities	**6.40**	**4.1**	6.60	5.6
Bond	**5.50**	**5.7**	5.80	2.1
Gilts	**4.40**	**5.7**	4.60	6.1
Cash	**4.00**	**0.1**	4.00	0.9
Total market value of assets		**15.6**		14.7
Present value of scheme liabilities		**(15.6)**		(15.0)
Deficit in scheme		**–**		(0.3)
Related deferred tax asset		**–**		0.1
Net pension deficit		**–**		(0.2)

Five year history

	Financial period ending in				
	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Benefit obligation at end of period	**15.6**	15.0	13.2	14.8	16.0
Fair value of plan assets at end of period	**15.6**	14.7	11.9	13.6	13.3
Deficit	**–**	(0.3)	(1.3)	(1.2)	(2.7)
Difference between expected and actual return on scheme assets:					
Amount (£m)	**0.1**	2.1	(2.1)	(0.7)	(0.1)
Percentage of scheme assets	**1%**	14%	(18%)	(5%)	(1%)
Experience gains and losses on scheme liabilities:					
Amount (£m)	**–**	0.5	(0.2)	0.1	(0.6)
Percentage of scheme liabilities	**0%**	3%	(2%)	1%	(4%)

Contributions

The Company expects to contribute £0.8 million to its pension scheme in 2011/12.

13. Operating lease and similar commitments

There are no material operating leases and similar annual commitments.

14. Contingent liabilities and financial commitments

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

These include:

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

(b) the Company has given a guarantee to Lloyds Bank PLC in respect of certain leasing obligations of certain subsidiary companies amounting to £64.9 million (2010 £72.5 million).

15. Dividends paid

On 30 March 2011, the Board declared a dividend of 22.2p per share (2010 22.2p) on the ordinary share capital amounting to £200,000 (2010 £200,000) which was paid to The Scott Trust Limited on 30 March 2011.

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, are not required to be disclosed as these transactions are fully eliminated on consolidation.

In the course of normal operations, the Company has traded on an arm's length basis with a joint venture, Emap. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2011 £m	2010 £m
Loans made	0.1	–
Interest on loans and preference shares	44.1	37.8

At year end, balances outstanding in relation to these transactions amounted to £424.2 million (2010 £380.0 million).

17. Ultimate controlling party

The Group's Parent Company and ultimate controlling party is The Scott Trust Limited (incorporated in the United Kingdom), which owns 100% of the Company's shares.

Advisers

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Chartered Accountants and Statutory Auditors
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