Guardian Media Group

gmg

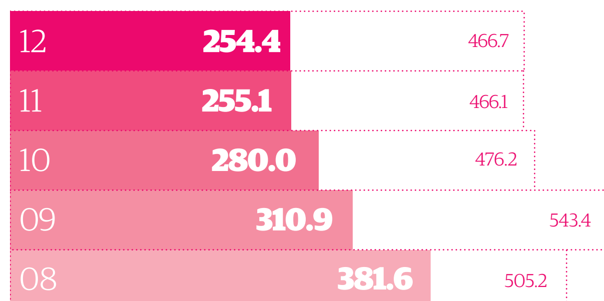
Guardian Media Group plc

2012

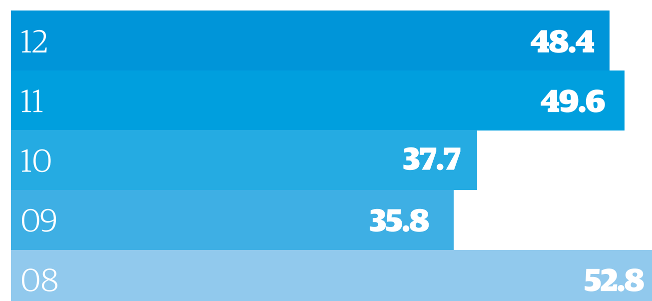
ANNUAL REPORT AND FINANCIAL STATEMENTS

Financial performance

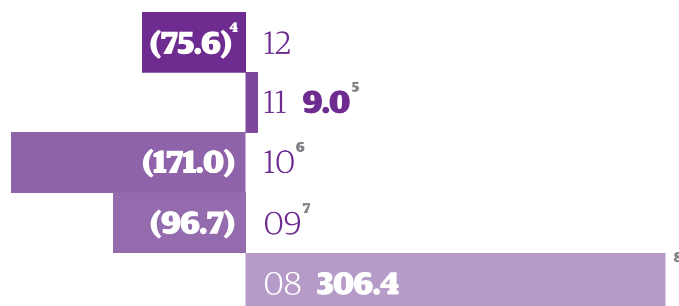
Revenue (£m)[1,2]



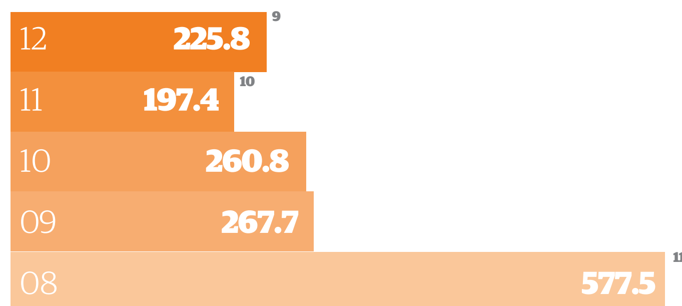
EBITA (before exceptional items) (£m)[3]
(Including share of Trader Media Group and Top Right Group (formerly Emap))



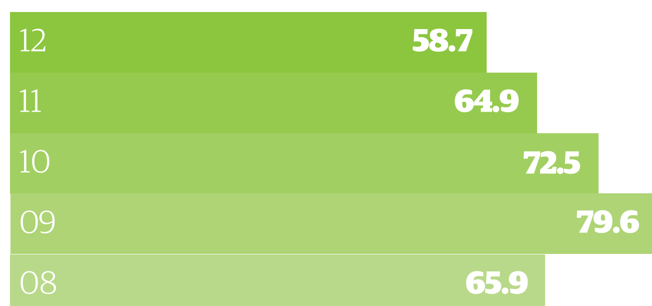
(Loss)/profit before taxation (£m)



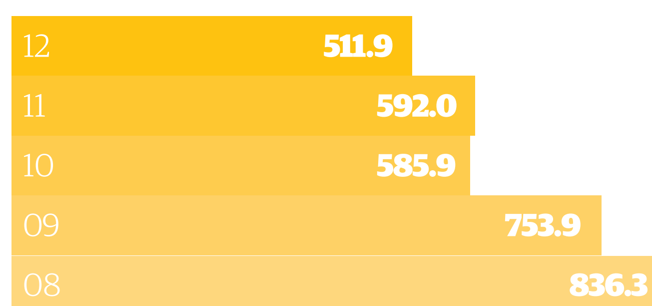
Cash and investment fund (£m)



Debt (net of issue costs) (£m)



Net assets (£m)



1 Revenue for 2008 and 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. The dotted lines in 2009 to 2012 depict Group revenue including share of joint venture companies Trader Media Group and Top Right Group (formerly Emap).

3 In 2008 EBITA before exceptional items includes share of joint venture company Trader Media Group. In 2009 to 2012 EBITA before exceptional items includes share of joint venture companies Trader Media Group and Top Right Group (formerly Emap). EBITA is defined as operating profit before exceptional items and amortisation of intangible assets. A reconciliation to statutory operating profit is included on pages 22 and 23.

4 Includes £54.2 million of subsidiary impairment of goodwill and intangibles, and £10.5 million of restructuring costs.

5 Includes exceptional costs of £4.1 million in respect of restructuring.

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 £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.

8 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.

9 Cash and investment fund balances increased by £28.4 million. Further details are shown in the consolidated statement of cash flows on page 40 and in note 9 on pages 54 and 55.

10 Cash and investment fund balances reduced by £63.4 million 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 consolidated statement of cash flows on page 40 and in note 9 on pages 54 and 55.

11 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 Top Right Group (formerly Emap) transaction of £209.0 million was paid.

Introduction

Guardian Media Group (GMG) is the parent company of Guardian News & Media (GNM), publisher of guardian.co.uk, one of the world's leading news websites, as well as guardiannews.com and the Guardian and Observer newspapers.

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

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

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The events that have shaped our year
Explore some of the highlights that have helped make this another incredible year for our core business, Guardian News & Media

April 2011 ›
In collaboration with the New York Times, the Guardian publishes a selection of 750 leaked US military files on detainees in Guantánamo Bay

Statement from the chair

Dame Amelia Fawcett DBE

"The prize is a secure future for the Guardian's journalism."
Dame Amelia Fawcett DBE

EXCLUSIVE
The secret US embassy cables
theguardian

250,000 leaked files that lay bare US view of world

- Washington engulfed by global diplomatic crisis
- Dispatches reveal US officials told to spy on UN

SECRET NOFORN/SIPDIS
SUBJECT: REPORTING AND COLLECTION NEEDS: THE UNITED NATIONS

Saudi king told US: you must bomb Iran

April 2011
The Guardian's work with WikiLeaks earns it the accolade of '2011 Newspaper of the Year' at the British Press Awards

May 2011
The Guardian celebrates its 190th anniversary with a series celebrating key moments from the newspaper's history

The Manchester Guardian.

May 2011
guardian.co.uk records over 50 million monthly unique browsers for the first time

+50m

At Guardian Media Group (GMG), securing a sustainable future for quality journalism has been our number one priority during the last year.

It is, by any measure, a stretching task. Media organisations across the world are struggling to match growth in digital audiences with growth in digital revenues.

The Board fully supports the strategy and transformation programme of our core business, Guardian News & Media (GNM), which chief executive officer Andrew Miller and his team are implementing with great skill and determination.

It is early days but GNM is meeting its targets. Digital revenue growth is as we forecast, and for the first time has largely offset declines in print revenue – a significant milestone. The increase in GNM's operating loss is in line with our projections and reflects planned investments. These critical investments have been made possible through the headroom provided by large-scale savings.

This gives us great confidence that GNM will meet its target of reducing losses to a sustainable level over a five year period.

Achieving this goal will require a huge collective effort from everyone across the whole of GMG. Difficult decisions will need to be made and major changes implemented. The next few years will be very challenging and we will need to be ready to revise our plans should economic and market conditions worsen.

The prize is a secure future for the Guardian's journalism, and there can be no better illustration of how important that is than the extraordinary editorial achievements of the past year. Our journalistic output has never been better or as widely consumed, something of which everyone across the Group can be proud.

As a Board, we are indebted to those who serve us. On 30 June 2012, Stuart Taylor and Phil Boardman will leave the Group.

Following the sale of our radio assets to Global Radio after the end of the financial year, Stuart Taylor stepped down as chief executive of GMG Radio, and on 30 June 2012 steps down from his position on the GMG Board following 23 years of committed service to the Group. We would like to thank Stuart for his contribution over the years and to wish him the very best for the future.

Phil Boardman leaves his position as company secretary and deputy group finance director after 11 years of loyal service. On behalf of the Board I would like to thank Phil for everything he has done for the Group. He goes with our best wishes.

We welcome Philip Tranter, formerly a partner at law firm Boyes Turner, into the role of company secretary.

We are fortunate at GMG, GNM, the Guardian and The Observer to have exceptionally talented, passionate and dedicated people. Their support, engagement and goodwill will continue to be critical as we navigate the challenges and exploit the opportunities of these ever more rapidly changing times.

Dame Amelia Fawcett DBE
Chair, Guardian Media Group

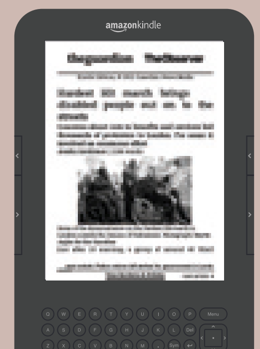
"Digital revenue growth ... for the first time has largely offset declines in print revenue."
Dame Amelia Fawcett DBE

June 2011
Guardian News & Media announces plans to be a 'digital-first' news organisation

The people's fashion icon How Kate defies the style snobs
Edie Falco Nurse Jackie buries Carmela Soprano
theguardian
Families of 7/7 victims 'were targets of phone hacking'
Four Afghan civilians killed in RAF drone attack

July 2011
A Guardian exclusive exposes the depth of phone hacking at the News of the World

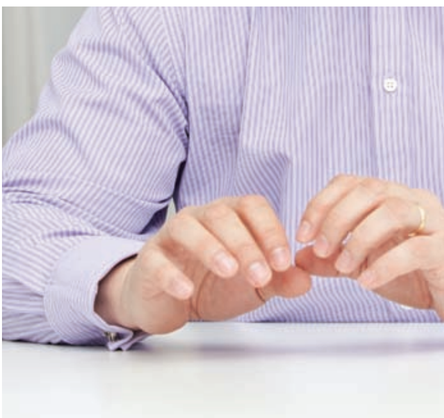
July 2011
The Guardian and The Observer launch a Kindle edition containing the most popular content from both papers, optimised for the best reading experience on the device



CEO's review of operations

Andrew Miller

"At the heart of the strategy is the Guardian's uniquely open journalism."



August 2011
The Guardian's unrivalled combination of live and in-depth coverage of the English riots drove website readership to a record high

September 2011
The Guardian launches a free Android app, supported by advertising, featuring all the best content and latest news from guardian.co.uk

September 2011
A new US homepage - guardiannews.com - is unveiled as the Guardian in America launches a new digital-only operation

It has, by any standards, been a remarkable year for GMG.

Our core purpose is to deliver the financial security that allows The Scott Trust Limited to achieve its central objective: the editorial independence of the Guardian in perpetuity.

The Group's strategy is to use its portfolio of assets to support the Guardian while we go through the tumultuous period that the media industry is experiencing. This gives us the huge advantage of being able to navigate our core business, Guardian News & Media (GNM), through these challenging times at a pace and within a timeframe that reflects the needs of the business.

It is to be expected that as we invest in the future of the Guardian, we will see some increase in GNM's losses.

Overall, our portfolio of assets performed well, although a non-cash impairment in the value of our radio business had a negative impact on the Group's pre-tax loss figure. The view of the Board is that the ongoing value of our assets is more than sufficient to see us through this period of change.

In GNM, 2011/12 was dominated by two things: the Guardian's investigation into the phone-hacking scandal and the extraordinary events it precipitated; and the launch of a transformational new strategy for the company. Each was a game-changer and had a profound impact within and well beyond GNM.

Meanwhile, difficult economic and market conditions notwithstanding, our portfolio of investments continued to fulfil its intended purpose of providing financial support and long-term security for the Guardian and its journalism.

The combined value of our cash balance and investment fund increased from £197.4 million to £225.8 million, reflecting dividends and preference share redemptions from Trader Media Group (TMG) partially offset by cash outflow to fund GNM's operating losses.

There was positive performance across the portfolio. All our major joint venture and wholly owned portfolio companies grew operating profit before exceptional items and amortisation of intangibles, and our investment fund proved resilient in a fluctuating market.

However, given the current economic uncertainty, the Board decided to take a prudent view of the carrying value of certain assets, which is reflected in an exceptional charge and relates to the non-cash impairment of GMG Radio. Consequently, pre-tax loss was £75.6 million (2011 profit £9.0 million).

"Our newspapers were the only quality titles to see increases in actual readership."

Revenue was flat at £254.4 million (2011 £255.1 million) and operating loss before exceptional items increased to £64.4 million (2011 £54.5 million).

EBITA before exceptional items and including share of joint ventures was £48.4 million (2011 £49.6 million).

Guardian News & Media

The publisher of the Guardian and The Observer has rarely, if ever, seen a year quite like 2011/12. It began, in April 2011, with the Guardian winning Newspaper of the Year at the British Press Awards for its ground-breaking partnership with WikiLeaks, and ended with a mass celebration of what we stand for as we opened our doors to our readers for our first ever Open Weekend.

In between, we embarked on a radical new strategy, our journalism reached record audiences, and the revelations about phone hacking at the News of the World, which caused global shockwaves, had huge implications for British media, politics and policing.

The once-in-a-lifetime events triggered by this story followed years of courageous, dogged and often lonely reporting by the Guardian and Nick Davies in particular. It is precisely the kind of journalism that The Scott Trust Limited and GMG exist to sustain, and the plaudits for Nick, as well as special investigations correspondent Amelia Hill and editor-in-chief Alan Rusbridger, have been richly deserved.

Other journalistic highlights included the Guardian's live blogging of the English riots, a case study in the power and effectiveness of open, collaborative reporting, the exposé of Liam Fox's dealings with Adam Werrity and the brilliant rolling coverage of the events of the Arab Spring.

Rapid technological change and the financial challenges facing all newspaper publishers were the twin spurs for the new commercial and editorial strategy announced to the business in June 2011. At the heart of the strategy is the Guardian's uniquely open journalism, and investment in digital audience and revenue growth on the one hand; and, on the other, a determination to cut our cost base to a level that is sustainable in the long-term.

We are targeting savings of at least £25 million over the course of the five-year plan announced in 2011. This will be a tough and sometimes painful challenge. I would like to thank staff for their continued understanding and commitment as we go through these difficult times. It is vital that we succeed if we are to be able to fully implement our strategy of investing in digital through continued product growth. It is only by achieving the necessary levels of cost savings that we can provide the headroom to fund our digital future.

The first fruits of this strategy are evident in the results for 2011/12. In March 2012 the Guardian's online audience was 67.8 million monthly unique browsers, a 38% growth on March 2011, and in the same period digital revenues for the year grew by 16.3% to £45.7 million. Growth in sponsorship revenue was particularly strong, at £3.6 million, year-on-year.

October 2011
The Guardian newsdesk begins to publish its news lists, enabling readers to help shape and contribute to its editorial output

October 2011
The Guardian iPad app launches and is downloaded over 250,000 times in the first month

+63.5m

November 2011
The Guardian creates a music app for Spotify, delivering album reviews from the Guardian and The Observer straight to Spotify's engaged music community

November 2011
New web traffic record for guardian.co.uk with over 63.5 million monthly unique browsers

Group structure

Core business

Guardian News & Media (GNM)

GNM is the core business of GMG. It publishes guardian.co.uk, one of the world's leading news websites, as well as guardiannews.com and the Guardian and Observer newspapers.

Joint ventures

Trader Media Group (TMG)

TMG is one of Europe's largest specialist media publishers. The core part of the group's business is the Auto Trader branded website and magazines.

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

Top Right Group (TRG) (formerly Emap)

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

TRG comprises three divisions: i2i Events Group, specialising in trading events such as Spring Fair, Pure and Cannes Lions; 4C Group, a B2B information service including WGSN and MEED; Emap, a portfolio of B2B magazines containing titles such as Health Service Journal, Retail Week and Broadcast.

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

Wholly owned businesses

GMG Radio

GMG Radio, which was sold to Global Radio after the end of the financial year, is one of the UK's largest commercial radio groups. Its brands are Smooth Radio, Real Radio and Real Radio XS.

GMG Property Services

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

Other interests

Seven Publishing

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 £54.6 million cash in its balance sheet and has £171.2 million in an externally managed investment fund.

The increase in digital revenues largely offsets the decline in print revenues, with the result that GNM revenue was flat year-on-year at £196.2 million (2011 £198.2 million). Our targeted cost savings were achieved, including reducing the workforce at our print sites by a third, making changes to the weekday paper and a voluntary redundancy scheme within the editorial function. However, planned investment in our transformation programme led to an increased operating loss before exceptionals of £53.5 million (2011 £38.3 million).

Our digital-first strategy means that we are focusing ever more effort and resource on digital expressions of our journalism and our portfolio of digital products. This in no way detracts from our love of printed newspapers or our desire to see them flourish. It was heartening that despite ongoing falls in the number of sold copies, our newspapers were the only quality titles to see increases in actual readership in 2011 (source: NRS).

Indeed, data released in March 2012 showed that the unduplicated combined weekly print and digital readership of the Guardian and The Observer reached 5.9 million in calendar year 2011, exceeding that of the Telegraph and Sunday Telegraph for the first time.

This is a huge achievement, driven not only by the quality of our journalism but also by GNM's forward-looking attitude towards new technologies and new platforms. Our content is now available across a once unimaginable range of different platforms and devices – from print and the fixed internet, to tablets, smartphones and social media sites. Demand for what we do has never been greater.

A willingness to be experimental and to try new things will continue to be a key part of our strategy. One example of this is the launch of a new Facebook app for the Guardian, installed by 9.4 million people by the end of the financial year, bringing the Guardian's content to the traditionally hard-to-reach under-30 demographic. The Guardian's iPad app was also a success, with more than 804,000 downloads. Such innovations provide a fascinating glimpse of what the future for news organisations might look like.

The changes we are making to our business are led by the behaviour of our readers, and that of our commercial clients and partners. At the same time, we need to make sure everyone understands our direction of travel, and of course we want as many people as possible to join us along the way. At the beginning of 2012 we made a significant investment in the Guardian's brand with the aim of articulating our open approach to journalism, demonstrating how we are moving beyond the newspaper and showing people why they should spend time with us.

December 2011
The Guardian is named 'Medium of the Year' by Campaign magazine 'for delivering compelling journalism and technical excellence for readers and advertisers'

December 2011
The Guardian launches a section in Arabic featuring articles from the Guardian, and specially-commissioned articles for an Arabic-speaking readership

December 2011
Reporting the news – and challenging assumptions – since 4 December 1791, The Observer celebrates its 220th anniversary

This was the first large-scale campaign in over 25 years for the Guardian, which has – like other newspapers – traditionally focused its marketing spend on short-term promotions rather than longer-term brand-building. The TV ad itself was a huge viral hit, clocking up 1.6 million online views in the first month and winning rave reviews both here and abroad. Our research shows that the campaign has had a really positive impact on how our target audience see the Guardian, with statistically significant shifts observed in association of the Guardian brand with words such as 'quality' and 'unique', as well as the view that 'the Guardian conducts investigations into the stories behind the news'.

Coinciding with the campaign was the first ever Open Weekend – a physical embodiment of the Guardian's journalistic philosophy. Our offices at Kings Place in north London were the venue for a 'festival of ideas, innovation and entertainment' as we welcomed over 4,000 people through our doors over two days. It was a wonderful affirmation from those most important to us, as well as a superb marketing exercise.

Another major event that brought the spirit of our journalism to life was the second TEDxObserver conference. With the theme of 'where inspiration meets action', it was a brilliant showcase for The Observer as a creative, inspiring and thought-leading publication.

Central to our new strategy is the identification of our core, and target, audience as 'Progressives': a group who are forward-looking, internationally minded and enthusiastic about new technology, amongst other qualities. This is critical both to our editorial and our commercial operations. As part of our brand campaign we have been speaking to advertisers and agencies to listen to their views, explain our strategy and demonstrate the benefits of our progressive, cross-platform, rapidly growing and highly-engaged audience.

The reaction to these roadshows has been very positive as it becomes increasingly clear that GNM is in tune with trends being seen right across the advertising, marketing and communications sectors. Leading advertising industry magazine Campaign awarded the Guardian the coveted title of 'Medium of the Year' in recognition not only of the phone-hacking story but also its innovation on behalf of commercial partners.

"Our content is now available across a once unimaginable range of different platforms and devices – from print and the fixed internet, to tablets, smartphones and social media sites. Demand for what we do has never been greater."

An important element of GNM's transformation programme is our New York operation, which was established in the autumn of 2011. The aim is to engage our US audience, capture a proportionate share of advertising revenues and thereby create a profitable, digital-only business in the United States. Led by Janine Gibson, guardiannews.com soft-launched in September 2011, with a full launch in May 2012. It's still early days but our commitment to a distinctive, open approach to publishing and news reporting on the web has meant that both audience and revenue growth are encouraging, with 24.1 million monthly unique browsers in the US in April 2012. Innovations from data visualisation and interactive features, to collaboration and crowdsourcing, all help to distinguish us from the more traditional forms of media coverage. Two such examples are the mapping of gay rights across the country and the interactive feature in the Citizen's Agenda series, which invited readers to identify which questions asked by the US media in the Republican elections were a priority for them, helping to reveal the obsessions of the campaign press.

January 2012
The Guardian Professional Networks sign up their 150,000th member

February 2012
Traffic to guardian.co.uk continues to grow with a record 69.4 million monthly unique browsers recorded in February 2012

69.4m

February 2012
The Guardian Professional Networks launches the Guardian Media Network for professionals working in global media and technology

Investments

GMG's largest single investment is our 50.1% share in Auto Trader publisher Trader Media Group (TMG), which we jointly own with Apax Partners.

TMG has migrated its operations to digital platforms and, with its flagship brand autotrader.co.uk, continues to be the clear leader in the UK's automotive classifieds market.

Widely recognised as one of the world's most successful examples of transition from print to digital publishing, TMG enjoyed another strong year. Operating profit before exceptional items grew to £128.7 million (2011 £118.6 million). The company continued to see double-digit growth in digital revenues, with 83% of revenues now coming from digital activities.

This performance came despite the tough economic climate and a shortage of used vehicles following reduced output from car manufacturers three years ago in response to the downturn.

The strength of TMG and its successful deleveraging allowed the shareholders to release value from the business in the form of dividends and preference share redemptions. GMG received a total of £100.1 million in cash: a prepayment on our eventual return from this investment.

Our second joint venture with Apax Partners is Top Right Group, the leading international business-to-business digital intelligence and events business formerly known as Emap. GMG equity accounts for 32.9% of the Top Right Group.

The business performed well during the year, returning to profit growth. Underlying operating profit was £78.7 million (2011 £76.3 million).

Duncan Painter joined Emap as chief executive officer in September 2011. The company was renamed Top Right Group in March 2012 as part of a major business restructuring programme aimed at further growth, which included the creation of three stand-alone operating businesses housing its events, data and publishing operations. The sale of its CAP business, shortly after the end of the financial year, was an important step in providing the financial resources to support the restructuring and invest in the future development of the Group.

"The changes we are making to our business are led by the behaviour of our readers, and that of our commercial clients and partners."

GMG Radio, sold to Global Radio after the end of the financial year, grew operating profit before exceptional items and amortisation by 177% to £2.5 million (2011 £0.9 million).

Despite economic uncertainty and volatility in advertising markets, revenue increased by 2% to £48.1 million.

The combined Smooth and Real audience grew by 7% to 5.6 million adult listeners at the end of 2011, while the company's multi-platform approach delivered a 17% increase in digital listening. The year also saw a record haul of awards for GMG Radio, including two Sony Radio Academy Golds.

GMG Property Services is the UK's leading provider of software to the property industry.

In an extremely challenging market the business grew operating profit before exceptional items and amortisation to £1.6 million (2011 £1.4 million).

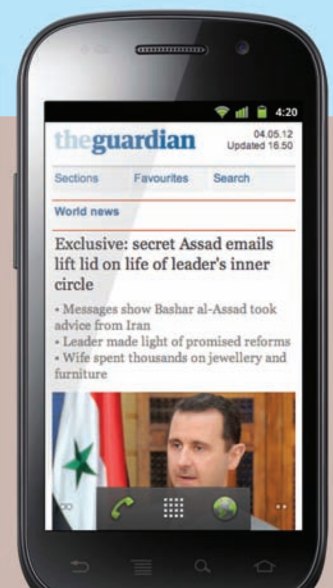
This followed a major reshaping of the company which saw record levels of new business during the year.

Our externally managed investment fund continued to reduce risk and performed well during a turbulent year for world markets, declining by just £0.2 million (excluding net divestment) and exceeding its benchmarks.

February 2012
The Guardian launches its first full brand campaign for over 25 years to showcase its ground-breaking open journalism

March 2012
TEDxObserver 2012 is held at Sadler's Wells in London featuring talks, performances and films delivered by speakers from a range of backgrounds

March 2012
The Guardian mobile site has a record month with over 12.1 million monthly unique browsers



Outlook

Economic and trading conditions will remain challenging for GNM and our portfolio companies in the coming year. We will continue to manage our non-core assets to maximise value so that we can fulfil the portfolio's purpose of supporting and developing our journalism. At times this may mean that we are forced to make difficult choices. This was true of the decision to sell GMG Radio to Global Radio after the end of the financial year. Though the business was performing well, the sale at an attractive value represented the best way of meeting our responsibilities. With the sale, Stuart Taylor stepped down as chief executive of GMG Radio, and on 30 June 2012 steps down from his position on the GMG board, following 23 years of loyal service to GMG. I would like to thank Stuart, along with the very talented team at GMG Radio, for all their hard work and to wish them the best for the future.

Although there is very limited short-term visibility in advertising markets, we can be confident about the broad trends in our industry and in our core business – namely that digital audiences and revenues will continue to grow, while print circulation and revenues will remain in long-term decline.

All media organisations can expect the pace of change to accelerate rather than relent. The challenge for GNM will be to balance both sides of its transformation: on the one hand investment, innovation and growth; and on the other tough decisions, difficult changes and large-scale savings.

We will continue to see significant operating losses and cash consumption at GNM in the coming year as we invest in future growth and long-term sustainability. The portfolio will provide the necessary financial support and stability during this period.

If market conditions deteriorate with consequent impact on our targeted revenues, we will need to respond quickly and accelerate further our action on costs. However, at present the transformation programme is on track and the company is meeting its objectives both in terms of costs and revenues.

Advertising markets are changing and GNM will continue to engage with clients and agencies – both to listen and to help shape how we do business in the future. We expect our investment in the core brand to deliver positive results in the coming year in terms of how the Guardian is perceived by consumers and by commercial partners.

Above all, the reach, influence and reputation of our journalism – the reason we are here – will continue to grow.

Andrew Miller
Chief executive officer, Guardian Media Group

"Leading advertising industry magazine Campaign awarded the Guardian the coveted title of 'Medium of the Year' in recognition not only of the phone-hacking story but also its innovation on behalf of commercial partners."

"The portfolio will provide the necessary financial support and stability during this period."

March 2012
The Guardian hosts its first Open Weekend, inviting readers into its offices to participate in a festival of ideas, innovation and entertainment

March 2012
National Readership Survey results show the Guardian and The Observer were the only quality titles to grow readership in 2011

Our highlights

The major events that have shaped our year

"The Guardian should get credit for drawing a line in the sand when it comes to its digital future, something few other mainstream media outlets have had the courage or the foresight to do."

GigaOM

Launch of digital-first strategy

June 2011 was a milestone month for Guardian News & Media (GNM), as it announced plans to transform itself into a digital-first organisation, placing open journalism on the web at the heart of its strategy in order to increase digital growth and secure the Guardian's long-term financial sustainability.

Announcing the new strategy to staff, Alan Rusbridger explained how GNM would "move beyond the newspaper, shifting focus, effort and investment towards digital, because that is our future", while Andrew Miller stated that GNM was "embarking on a major transformation that will see us change from a print-based organisation to one that is digital-first in philosophy and practice".

However, print remains critical to GNM. As part of the new strategy, a number of changes have been made to the newspaper to achieve a more streamlined production process and take into account the changing patterns of readership.

GNM also made this digital leap commercially, with June marking the moment when all display advertising staff moved to selling digital as well as print.

The phone-hacking story

In July 2011, the news agenda was dominated by the phone-hacking scandal.

After two years of tenacious reporting from the Guardian's Nick Davies, the tipping point in 2011 was the Guardian's revelation that the News of the World had hacked the phone of missing schoolgirl Milly Dowler. The revelations rocked the UK's institutions to their core, with resignations, arrests, parliamentary debates, corporate high drama, multi-million pound payoffs, the closure of a newspaper, and "the most humble day" in the life of the world's most powerful media tycoon.

The hacking story brought sharp uplifts in print circulation and web traffic and plaudits from around the world.

It also resulted in an outpouring of support from loyal readers, who sent in letter after letter of congratulation and encouragement. One said: "As a long-standing Guardian reader, I just wanted to say how immensely proud I feel of the fantastic public service that my paper has rendered society."

The people's fashion icon How Kate defies the style snobs

Edie Falco Nurse Jackie buries Carmela Soprano

newspaper of the year theguardian

Families of 7/7 victims 'were targets of phone hacking'

- New revelation deepens crisis at News of the World
- Officers also set to review child murder cases

How the space shuttle changed the world

newspaper of the year theguardian

The day the prime minister was forced to act on phone hacking

- Inquiry pledge, but Cameron and Clegg at odds
- Pressure on minister to delay BSkyB takeover

The Open 2011 Can Rory McIlroy work his magic again? In Sport

newspaper of the year theguardian

Let's call the whole thing off

- Murdoch surrenders BSkyB bid after outcry over phone hacking
- Cameron says tycoon must give evidence at inquiry into scandal

We believed that the proposed acquisition of BSkyB by News Corporation would benefit both companies but it has become clear that it is too difficult to progress in this climate

Chase Carey, president of News Corporation

So BSkyB bid over. PCC to be abolished. Senior News International staff arrested. Inquiry into police and press on its

"The Guardian deserves to be mentioned in the top rank of the world's media."

LA Times

The Observer

Shortly after The Observer celebrated its 220th anniversary in December 2011, the world's oldest Sunday newspaper held its second annual TEDxObserver festival, exploring the theme of 'youth and creativity' following a year that saw student protests and riots in Britain, the Arab uprising and, in Latin America, a youthful protest movement that shook the region to its core.

> **"Designed to challenge, engage and promote a thirst for ideas."**

Designed to challenge, engage and promote a thirst for ideas, the day drew inspiration from the The Observer and its proud history of spreading ideas, challenging assumptions and encouraging debate. From its coverage in the 19th century of the early reform movement and alarm at the savagery of a justice system that sentenced children to penal servitude for stealing, to great exclusives such as the admission of forgery by Count Esterhazy that condemned innocent Jewish officer Captain Dreyfus to Devil's Island, The Observer remains a thorn-in-the-side of the establishment.

Showcasing people who have turned inspiration into action, speakers delivered talks on an eclectic range of issues from neuroscience to social change, anthropology to dance, and lots more in between.

The Observer.

> **"A thorn-in-the-side of the establishment."**

CLAIRE DANES
FROM CHILD ACTOR TO STAR OF TV HIT HOMELAND

THE WORLD'S BEST IDEAS
INNOVATIONS TO CHANGE OUR LIVES

The Observer

Revealed: police link to blacklist of workers
- Security services 'gave data to firms'
- Activists victimised, tribunal shows

One year on, why I want young people to learn from my daughter's death

"The new Guardian newspaper ad is truly epic... awesome and thought provoking."

Buzzfeed

Guardian brand campaign launches

The Guardian launched its first large-scale brand campaign in over 25 years with the premier of a new TV advert on 29 February. The advert showcased the Guardian's ground-breaking open journalism and multi-platform credentials through an ironic retelling of the classic fairy tale "The Three Little Pigs".

The TV advert addresses how the way people consume news in the digital age has changed dramatically and shows that the Guardian remains committed to producing outstanding journalism and – in a nod to the celebrated 1986 Guardian advert "Points of View" – giving its readers the whole picture, in whatever form they choose to receive it.

Devised by creative agency Bartle Bogle Hegarty (BBH), the campaign featured a series of TV, cinema, outdoor, press and digital ads, as well as a 'takeover' of the UK YouTube homepage.

Guardian Open Weekend

"The Guardian is at a pivotal moment in its history and our first-ever Open Weekend will give readers the opportunity to join us on our journey. Our top writers, editors and photographers will be there to speak, discuss and listen, and readers will be able to meet some of their favourite Guardian faces."

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

In March, with a revolutionary open strategy taking shape, the Guardian welcomed readers into its offices for the first ever Open Weekend. More than 4,000 people attended over two hundred debates, conversations and workshops. Subjects ranged from the Arab Spring, the politics of protest, banking and racism in football, to sessions on how to set up a community currency, make jewellery and keep bees.

Guardian editors, writers and columnists were joined by speakers from as far afield as Egypt, Pakistan, the US and India to help bring to life the Guardian's uniquely open, collaborative and networked approach to publishing on the web.

"We pride ourselves on our open and collaborative approach to journalism and what better way to demonstrate this than physically opening our doors to readers?"

Alan Rusbridger

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.

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.

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 a non-executive director of Marston's PLC and 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.

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 chair of the remuneration committee. Judy 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 co-founded PROfounders Capital in 2009, is the founder and executive chair of mydeco.com, and is chair and co-founder of made.com. Most recently he joined the board of easyCar.com. He is a governor of the University of the Arts College, London, is on the ICA Council and is a non-executive director of TalkTalk and Time Out Group. He is also a Young Global Leader for the World Economic Forum and a UK Business Trade Ambassador.

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, the BBC and PwC.

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 (a content marketing agency), chairs GMG Property Services and is a member of the Marketing Group of Great Britain.

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 Limited

Dame Liz Forgan DBE

"The 'open' theme has now transformed the meaning of the word journalist and the relationship between reader and writer, speaker and hearer, subject and object."

Dame Liz Forgan DBE

The year of the Guardian's 190th birthday marked a triumphant demonstration of its founding values in the same breath as some of the most radical change that The Trust's injunction to continue the Guardian "as heretofore" has ever stood for.

The partnership with the New York Times, Der Spiegel and others to handle the immense pile of WikiLeaks data from secret government, military and other sources had the whole world talking. Nick Davies's revelations of the extent and nature of phone hacking at the News of the World and elsewhere halted the expansion of the Murdoch empire and gave media, police and politicians cause for deep shame. When violent riots set London on fire, an unprecedented joint exercise was undertaken with academics at the LSE on an enormous scale to try to dig below the angry surface and understand the forces at play. This was all the work of fine journalists, committed to difficult, complex truth-telling and requiring real courage on the part of editors.

The phone-hacking saga in particular only exploded after years of lonely digging by the Guardian in the teeth of general indifference, ridicule and outright lies. We should acknowledge the Scott legacy in making such persistence possible. The commitment and courage shown by Nick Davies and Alan Rusbridger in particular, has been recognised through many industry prizes, not least the Paul Foot Prize and Harvard University's Goldsmith Career Award respectively.

Less dramatically but equally importantly, the huge body of work done by Larry Elliott and Will Hutton on the state of the economy developed into a masterclass of philosophical and economic debate about the future of Western capitalism and the nature of the good society.

The Guardian and The Observer will, I hope, always offer such authoritative voices and such expert reporting to their readers but this was also the year when the Guardian formally declared a policy of digital first and of recognising that technological change had revolutionised the nature of journalism for ever.

The 'open' theme has now transformed the meaning of the word journalist and the relationship between reader and writer, speaker and hearer, subject and object. It has vastly enriched the sources of our information and the range of our opinion. The Guardian's boldness in embracing it has marked us out from every other national daily and it is a strategic vision of how information is exchanged in the 21st century that is informing every part of life including our business model and our brand promotion. Some have misgivings. Many are wildly exhilarated. There is still much to do to turn vision into a successful and sustainable business model but it goes with the progressive grain that is in the Guardian's DNA and the encouraging early reaction to the Guardian's Facebook and iPad presence suggests it is finding an immediate echo in readers.

The pace of transformation in both what we produce and the way we work is if anything increasing and among landmarks was the launch in September of Guardian in America, an important extension of the Guardian essence in the USA and at the same time a test bed for innovation.

"The phone-hacking saga in particular only exploded after years of lonely digging by the Guardian in the teeth of general indifference, ridicule and outright lies. We should acknowledge the Scott legacy in making such persistence possible."

A unique link with the Guardian's past was broken with the death at the age of 97 of Richard Scott, grandson of C P Scott, who became a powerful chair of The Scott Trust in 1956. Richard was not only a distinguished Guardian journalist on the diplomatic and Washington beats but also played a decisive role in preserving the independence of the paper when it was threatened with merger with The Times in 1966.

Larry Elliott's term on The Scott Trust Limited ended this year after 11 years as the elected journalist representative. I would like to thank him for his tact, wisdom and good advice in what is a sensitive and sometimes testing role. I welcome his successor, Heather Stewart.

Dame Liz Forgan DBE
Chair, The Scott Trust Limited

The Scott Trust Limited 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.

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 currently principal of Hertford College Oxford and chair of the Big Innovation Centre. He was formerly on the board of Guardian News & Media and edited The Observer. He continues to write a column for The Observer and contributes to the Guardian.

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.

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.

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.

Heather Stewart

Joined The Scott Trust in September 2011. She joined the Guardian as an economics reporter from the Treasury in 2001 and is now the business editor of The Observer.

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.

Financial review

This review covers the 52 weeks to 1 April 2012 and provides an overview of the Group's financial performance and position, and incorporates its joint ventures, associates and the investment fund.

The financial statements on pages 38 to 69 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Significant investments are held in the form of:

- joint ventures – Trader Media Group Limited (TMG) (50.1% interest) and Top Right Group Limited (TRG), formerly Emap (32.9% interest), both of which are accounted for as joint ventures because there is joint control with the joint venture partner, and;
- an externally managed investment fund, established in 2008/09 following the sale of 49.9% of Trader Media Group Limited.

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

Financial highlights

The financial highlights, as shown on the inside front cover, detail total revenue and earnings before interest, tax and amortisation of intangibles (EBITA) and exceptional items for the Group, including the Group's fully owned operations – Guardian News & Media, GMG Radio and GMG Property Services and the Group's share of its joint venture interests – Trader Media Group and Top Right Group. The Group disposed of its interests in the GMG Radio division on 24 June 2012. 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 wholly owned GMG businesses was £254.4 million, a decrease of 0.3% (2011 £255.1 million). Advertising revenues increased by £0.9 million to £129.3 million (0.7% year-on-year), content revenues decreased by £1.6 million to £99.7 million (1.6% year-on-year) and other revenues were flat overall at £25.4 million. The increase in digital and new product revenues predominately offset the decline in print revenues.

2012	**GMG £m**	**Share of TMG £m**	**Share of TRG £m**	**Total £m**
Group revenue	**254.4**	**128.8**	**83.5**	**466.7**
EBITA (before exceptional items)	**(47.8)**	**70.3**	**25.9**	**48.4**

2011	GMG £m	Share of TMG £m	Share of TRG £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

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 £225.8 million (2011 £197.4 million).

	2012 £m	2011 £m	Increase/ (decrease) £m
Cash	**54.6**	14.8	39.8
Investment fund (note 9)	**171.2**	182.6	(11.4)
	225.8	197.4	28.4

The increase in cash and investment fund during the year includes dividends received and preference share redemptions from Trader Media Group totalling £100.1 million.

Financial review continued

(a) (Loss)/profit before taxation

In the table below, the information in the consolidated income statement on page 38 has been presented in an alternative format to show the total element of GMG's results attributable to TMG, TRG and the investment fund.

	2012 £m	2011 £m
Operating loss before exceptional items and amortisation of intangibles	**(47.8)**	(39.9)
Amortisation of intangibles	**(16.6)**	(14.6)
Operating loss before exceptional items	**(64.4)**	(54.5)
Operating exceptional items	**(64.7)**	(4.1)
Operating loss after exceptional items	**(129.1)**	(58.6)
Finance costs	**(2.1)**	(2.3)
Finance income (excluding TMG and TRG)	**0.4**	1.5
TMG (shown below)	**37.1**	38.9
TRG (page 24)	**12.6**	12.2
Share of post-tax profit/(loss) of associates	**0.3**	(0.5)
Investment fund (page 24)	**5.2**	17.8
(Loss)/profit before taxation	**(75.6)**	9.0

The wholly owned GMG businesses made an operating loss before exceptional items of £64.4 million in the year (2011 £54.5 million). The increase in loss of £9.9 million year-on-year reflects the planned investment in GNM's transformation programme.

Operating exceptional items

The operating exceptional item of £64.7 million charged in the year relates to the impairment of goodwill and other intangibles of GMG Radio of £54.2 million and restructuring costs and other one-off costs of £10.5 million. These items have been separately disclosed in the notes to the financial statements due to their size.

(b) TMG

The consolidated income statement extract set out below compares 2011/12 share of results with 2010/11. Finance income due to GMG is then included to show in total the element of TMG's results attributable to GMG.

	2012 £m	2011 £m
Share of:		
Revenue	**128.8**	131.1
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	**70.3**	64.4
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	**62.2**	59.2
Net finance costs (excluding gain on debt buy-back)	**(44.4)**	(42.8)
Gain on debt buy-back and other movements	**2.3**	0.7
Profit before taxation	**20.1**	17.1
Taxation	**(7.3)**	(6.3)
Profit after taxation (note 13(a))	**12.8**	10.8
Finance income receivable by GMG	**24.3**	28.1
Element of TMG's result attributable to GMG (shown above)	**37.1**	38.9

The Group has also received £100.1 million in cash from dividends and preference share redemptions from TMG during the year.

Financial review continued

(c) TRG (formerly Emap)

The consolidated income statement extract set out below compares 2011/12 share of results with 2010/11. Finance income due to GMG is then included to show in total the element of TRG's results attributable to GMG.

	2012 £m	2011 £m
Share of:		
Revenue	**83.5**	79.9
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	**25.9**	25.1
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	**8.7**	9.7
Net finance costs	**(54.2)**	(46.6)
Loss before taxation	**(45.5)**	(36.9)
Taxation	**10.0**	5.0
Loss after taxation (note 13(a))	**(35.5)**	(31.9)
Finance income receivable by GMG	**48.1**	44.1
Element of TRG's result attributable to GMG (page 23)	**12.6**	12.2

(d) Investment fund

The consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet extracts set out below compare 2011/12 information for the investment fund with 2010/11.

	2012 £m	2011 £m
Consolidated income statement:		
Net gain on disposals	**5.1**	15.3
Fair value gain on forward exchange contracts	**0.1**	2.5
Investment fund profit reported (page 23)	**5.2**	17.8
Consolidated statement of comprehensive income:		
Derecognition of changes in fair value on disposals – previously recognised directly in equity	**(5.6)**	(15.8)
Fair value (loss)/gain – investment fund	**(0.7)**	10.0
	(1.1)	12.0

Consolidated balance sheet – current and non-current other financial assets (movements in the year)	
At 4 April 2011	182.6
Additions at cost	54.0
Divestment	(30.6)
Disposals at fair value	(33.6)
Net gain on disposals – consolidated income statement	5.1
Derecognition of changes in fair value on disposals – previously recognised directly in equity	(5.6)
Net fair value loss – consolidated statement of comprehensive income	(0.7)
At 1 April 2012 (note 9)	171.2

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 2011/12 a fair value gain of £0.1 million (2011 £2.5 million) arose on forward foreign exchange contracts. In 2011/12, the hedging policy was to currency hedge 55% in value of the hedge fund component of the portfolio.

(Loss)/profit before tax

Group loss before tax for the year was £75.6 million (2011 profit £9.0 million). This includes the impairment of goodwill and intangibles of GMG Radio, restructuring and other one-off costs totalling £64.7 million (2011 £4.1 million).

Financial review continued

Taxation
The tax credit for the year on the loss before exceptional items of £10.9 million is £2.8 million (2011 charge £3.6 million). The effective rate of tax on this loss of 25.7% (2011 27.5%) represents a lower tax credit than the standard rate of 26% would produce (2011 lower charge than the standard rate of 28%).

The net deferred tax asset in the consolidated balance sheet of £1.9 million (2011 liability £2.4 million) includes an asset of £1.3 million relating to cumulative foreign exchange losses arising on the investment fund (2011 £1.8 million). The deferred tax balances have been adjusted to recognise the decrease in corporate tax rate to 24% (2011 26%). No acquisitions were made by the Group during the year (2011 no acquisitions). The deferred tax asset not recognised has increased from £24.1 million to £27.0 million (at the corporate tax rates specified above) and represents short-term timing differences of £3.8 million and unrelieved trading losses of £23.2 million carried forward at the year-end. TMG and TRG are accounted for as joint ventures and therefore their post-taxation results are included in the consolidated income statement.

Cash flows
The Group generated cash of £39.8 million in the year (2011 consumed £22.2 million). During the year the Group received £100.1 million (2011 £nil) in cash from Trader Media Group Limited in respect of dividends and preference share redemptions. Cash used by operations was £55.0 million (2011 £54.6 million). Details of other inflows and outflows are detailed in the consolidated statement of cash flows on page 40.

Capital structure and liquidity management
The Group had net assets of £511.9 million as at 1 April 2012 (2011 £592.0 million), a decrease of £80.1 million. This includes the impairment of goodwill and intangibles of GMG Radio of £54.2 million.

Leasing facilities totalling £58.7 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 has 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 UK Corporate Governance Code which was published in May 2010. The Board has also taken into account the Group's structure, with 100% of the ordinary share capital of Guardian Media Group plc (GMG) being held by The Scott Trust Limited (STL). Two STL directors are also directors of GMG, and the chair of the STL attends all Board meetings and is a member of the nominations committee. There is 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 UK Corporate Governance Code.

The Board

GMG's 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 has been the senior independent director since January 2011.

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 UK Corporate Governance 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.

As outlined by the UK Corporate Governance Code directors are subject to election by STL (as sole shareholder) at the first annual general meeting following their appointment and to re-election thereafter at intervals of no more than three years. GMG's articles of association require that the number of directors closest to, but not exceeding, one-third is subject to re-election at each annual general meeting. Not all of the current executive directors' contracts contain limitations of compensation commitments, as contemplated by the UK Corporate Governance Code, should there be an early termination of the contract. The remuneration committee intends to include appropriate limitations on compensation commitments in the contracts of all future new executive directors.

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 setting and monitoring Group strategy, reviewing trading performance and the approval of significant contracts, capital expenditure, acquisitions and disposals. The Board delegates to management the detailed planning and implementation of Group strategic objectives in accordance with appropriate risk parameters. 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.

Performance appraisals of Board members and reviews of the effectiveness of the Board and each of its active committees have been held, and the chair reviews and agrees with each director their training and development needs. Nick Backhouse, as senior independent director, has 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 that 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.

The Company maintains an appropriate level of directors' and officers' insurance which was in force throughout the financial year and at the date of approval of the financial statements. 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.

Corporate governance continued

The Scott Trust Limited (STL)

In October 2008 STL acquired all the ordinary share capital of GMG from The Scott Trust, which was subsequently wound up. All of the then trustees of The Scott Trust became directors of STL. The shares in STL are held in equal numbers by five of the STL directors. The terms of the articles of association of STL ensure that its shareholders can receive no personal economic benefit from their shareholdings.

STL chooses to ensure that only a minority of its members are executive directors of GMG. 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 Heather Stewart (replacing Larry Elliott as from September 2011), who is chosen by the other STL directors in consultation with the body of Guardian journalists.

The journalist-director normally 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		Member	Member
Neil Berkett	Member		Member	
Simon Fox	Chair		Member	
Judy Gibbons		Chair	Member	
Brent Hoberman		Member	Member	Member
Frequency of meetings per financial year	4	3	2	As and when required

The number of meetings of the Board and committees held in the financial year ended 1 April 2012, with details of individual attendance by directors is set out in the table below. The investment committee has not met during the year with its purpose subsumed for the time being into the GMG Board agenda.

Director	Board meetings	Audit committee meetings	Remuneration committee meetings	Nominations committee meetings
Amelia Fawcett	9	2	3	2
Andrew Miller	9	1*	3*	2*
Alan Rusbridger	8			
Darren Singer (appointed 18 April 2011)	9	3*		
Stuart Taylor	9			
Nick Backhouse	8	3		2
Neil Berkett	6	1		1
Simon Fox	8	3		2
Judy Gibbons	9		3	2
Brent Hoberman	6		1	2
Number of meetings held	9	3[1]	3	2

* In attendance

Details of the purpose of the committees are set out on pages 28 and 29. 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.

[1.] The audit committee normally meets four times each financial year in accordance with its terms of reference. During the financial year ended 1 April 2012 only three meetings were held as the meeting originally scheduled to be held in March 2012 was postponed until April 2012.

Corporate governance continued

Audit committee

The audit committee, which consists of the chair and three independent directors, is chaired by Simon Fox. The chief financial officer, company secretary, group financial controller 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 meets with the external auditors and separately with the outsourced internal audit function, 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. Note 4 to the financial statements (Services provided by the Group's auditors) contains details of the fees payable to the external auditors for audit services, audit-related services and other non-audit services.

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 outsourced 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 1 April 2012, 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
- review of the internal audit and tax function and strategy
- receipt and review of periodic reports from the outsourced internal audit function
- consideration of risk management
- consideration of information security
- consideration of internal and external audit issues
- review of the performance of the external investment advisers
- consideration of the GMG investment review.

A review of the effectiveness of the committee was undertaken during the year using a self-evaluation questionnaire.

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 & pensions 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 reward & HR policy director and circulated to all independent directors. The remuneration committee chair verbally updates the Board on the outcome of remuneration committee meetings.

Details of Directors' remuneration are set out on page 35.

A review of the effectiveness of the committee was undertaken during the year using a self-evaluation questionnaire.

Corporate governance continued

Nominations committee

The committee consists of all the non-executive directors and is chaired either by Amelia Fawcett (as chair of the Board) or by an independent non-executive director.

The committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary obtaining advice and assistance from internal or external legal, accounting, or other advisors and with authority to appoint 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 and group chief executive, and STL has sole responsibility for the appointment of the editor-in-chief of the Guardian.

External search consultants assist in the appointment of executive and non-executive directors where necessary.

A job specification was prepared for the appointment of the chair in 2009, 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 the group HR & pensions director or the committee's nominee 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 is chaired by Amelia Fawcett, and consists of two independent directors, the chief executive, the chief financial officer, the chief investment 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.

Currently the committee is not active and it did not meet during the year. The role of the committee in defining the financial objectives of the investment fund, setting asset class risk/reward parameters, reviewing the fund allocation over a range of asset classes, appointing and dismissing investment advisers and managers and monitoring the performance of the fund has been assumed by the Board. Quarterly reporting on the investment fund performance by the investment fund advisers has been subsumed into GMG Board meetings.

Corporate governance continued

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 limits
- a structured process for approval of capital projects and significant contracts which includes appropriate authorisation levels. Post-capital expenditure reviews are undertaken by outsourced internal audit with reports provided to the audit committee
- 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 outsourced 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 UK Corporate Governance Code relating to internal control and is in accordance with the practices recommended in "Internal Control: Revised Guidance for Directors on the Combined Code" (the "Turnbull guidance"), issued by the Financial Reporting Council.

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 UK Corporate Governance Code, the directors believe that (save as set out in this report) throughout the year and up to the date of the approval of the accounts, the Company has complied with the provisions of the UK Corporate Governance Code.

Report of the directors

The directors present their report and the audited financial statements for the Group for the year ended 1 April 2012.

Activities and business review

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

The Group results for the period are set out in the consolidated income statement on page 38. A review of the Group's performance and future prospects are contained in the statement from the chair on pages 2 to 3, the chief executive's review of operations on pages 4 to 9, the financial review on pages 22 to 25, and the financial instruments accounting policy on pages 45 to 46.

On 21 March 2012, the Board declared a dividend of 22.2p (2011 22.2p) per share on the ordinary share capital amounting to £200,000 (2011 £200,000) which was paid to The Scott Trust Limited on 21 March 2012.

Principal risks and uncertainties

The Group operates in a challenging sector which is experiencing both structural and cyclical changes.

There is an accelerating rate of migration from print to online consumption of news, with resultant revenue implications for both print and digital business models. To mitigate this risk the Group has invested in a transformation programme to develop its portfolio of digital products.

There is added risk that the UK economy continues to falter, with the Group already facing significantly reduced public sector advertising revenue, particularly in recruitment.

The Leveson Inquiry is ongoing and will make recommendations on the future of press regulation and governance.

Further details, including strategic plans to mitigate these risks, are set out in the statement from the chair on pages 2 and 3 and the chief executive's review of operations on pages 4 to 9.

Land and buildings

The market value of land and buildings owned by the Group is estimated by the directors to be approximately £0.5 million greater than its consolidated balance sheet value of £8.0 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, 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 for the year was 27 days (2011 25 days).

Donations

Charitable donations during the year totalled £298,249 (2011 £370,036), of which £266,293 (2011 £284,048) was paid to national charities, £31,956 (2011 £52,854) to local charities and £nil (2011 £33,134) to overseas charities. Charitable donations includes £260,000 (2011 £235,000) paid to The Scott Trust Foundation, a related party of the Group. Further information on charitable giving can be found on The Scott Trust Foundation website: www.gmgplc.co.uk/the-scott-trust/the-scott-trust-foundation. There were no contributions to political organisations during the year (2011 £nil).

Ownership

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

Directors and directors interests

The directors are listed on pages 16 and 17.

Darren Singer was appointed as a director on 18 April 2011. All other directors served throughout the year.

Further information about directors' interests is provided in the directors' remuneration report.

Corporate governance

The Group's statement on corporate governance is set out on pages 26 to 30.

Report of the directors continued

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 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 the Group 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 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 review of operations on pages 4 to 9. The financial position of the Group, its cash flows, liquidity position and borrowing facility are described in the financial review on pages 22 to 25.

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 financial statements.

Events after the reporting period

Details of events after the reporting period are given in note 26 on page 64.

By Order of the Board

Darren Singer
Director
29 June 2012

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 of the GMG Board and two independent Board directors. Judy Gibbons is chair of the committee.

The committee has met on three occasions in the last 12 months. The committee draws upon the range of experience of its members and advisers, including their working knowledge of remuneration structures, to discuss and review policies that support the delivery of the Group remuneration strategy, to determine the levels of remuneration for Group executives and to set and monitor performance targets that focus on long-term and sustainable growth.

During 2011/2012, an internal committee effectiveness review was conducted. The results of the review show that the structure of the annual agenda and the quality and effectiveness of the debate of committee members allow informed decisions to be made on remuneration policy matters.

Principles, policies, plans

The Scott Trust Limited'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.

GMG operates very different businesses and compensation arrangements should be sufficiently flexible to reflect such differences while remaining within the guiding reward principles adopted by the committee.

- 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 relevant internal pay comparisons and 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 **and to incentivise a long-term strategic view of performance**
- The Group 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 median pay within GMG (GNM and GMG Group staff) are reviewed and monitored by the committee using Hutton's methodology of top to median earnings. The current year multiple of highest pay to median pay is 15.4:1[1].

These principles are delivered through the following:

Benchmarking

The Group benchmarks itself against both a) a general industry group dataset containing companies of a similar size to GMG and b) media and technology sector companies. Data is provided by PricewaterhouseCoopers LLP who use their Executive Reward Survey which comprises comprehensive remuneration data from the 60 most senior roles in FTSE 100, FTSE 250 and equivalent-sized private companies.

Base pay

Base pay is set so as to be competitive at the median level in the external market, and the committee reviews salary levels .

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. No member of the Senior Executive Compensation Plan will be awarded a variable compensation payment against personal objectives unless financial targets are first achieved.

1. This ratio compares the full-time equivalent, annualised, total remuneration of the highest paid director, included in the directors' emoluments table on page 35, with the median full-time equivalent, annualised remuneration of GNM and Group permanent staff in position at 1 April 2012. The median remuneration figure is the total remuneration of the staff members lying in the middle of the linear distribution of total staff, excluding the highest paid director. Total remuneration includes base salary, performance related variable compensation and benefits in kind but excludes employer pension contributions. (Performance related variable compensation physically received in the year ended 1 April 2012 has been used as an approximation to performance related compensation awarded for performance in the year ended 1 April 2012.)

Directors' remuneration report continued

Principles, policies, plans continued

Long-term incentive plan (LTIP)

This plan was introduced in 2009/10 and is structured to better reinforce the medium and long-term objectives and transformation programme 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.

The initial plan cycle operated over the three-year period up to March 2012 and is no longer active. It should be noted that, due to the fact that financial targets have not been achieved, no awards will be made under the plan as at 1 April 2012, and, as a result, participants are not eligible for an award.

Government proposals have been published concerning the reform of executive pay to link it more closely with long-term company performance, and these will be considered when reviewing any future LTIP arrangements.

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 a money purchase pension scheme which also provides life assurance cover of seven times salary. The Group's contributions to these schemes are shown in the following table of directors' remuneration levels; the committee reviews these contributions.

The editor-in-chief, GNM, does not receive any performance-based compensation.

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	Notice period	Contractual termination payments
Amelia Fawcett	22 April 2012	3 years	–	None
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	1 year	–	None
Neil Berkett	3 November 2009	7 months	–	None
Simon Fox	1 May 2010	1 year 1 month	–	None
Judy Gibbons	1 December 2011	2 years 8 months	–	None
Brent Hoberman	1 January 2010	9 months	–	None

Directors' remuneration report continued

Directors' emoluments

	Base salary/fees £000	Performance related variable compensation £000	Benefits in kind £000	**Total 2012 £000**	Total 2011 £000	Employer's contribution to money purchase pension scheme **2012 £000**	2011 £000
Amelia Fawcett[1]	120	–	–	**120**	120	**–**	–
Andrew Miller[2]	641	–	1	**642**	573	**97**	70
Carolyn McCall (*to 30 June 2010)	–	–	–	**–**	162	**–**	1
Tim Brooks[3] (*to 9 February 2011)	–	–	–	**–**	341	**–**	78
Alan Rusbridger[4]	439	–	18	**457**	455	**150**	150
Darren Singer (*from 18 April 2011)	291	82	1	**374**	–	**85**	–
Stuart Taylor[5]	321	82	1	**404**	400	**94**	71
Independent directors							
Nick Backhouse[6]	44	–	–	**44**	40	**–**	–
John Bartle (*to 31 December 2010)	–	–	–	**–**	26	**–**	–
Neil Berkett	34	–	–	**34**	34	**–**	–
Simon Fox[7] (*from 1 May 2010)	39	–	–	**39**	32	**–**	–
Judy Gibbons	34	–	–	**34**	34	**–**	–
Brent Hoberman	34	–	–	**34**	34	**–**	–
Former director							
Jerry Fowden[8] (*to 13 April 2007)	–	–	–	**–**	–	**11**	10
	1,997	164	21	**2,182**	2,251	**437**	380
Compensation for loss of office[3]				**–**	510		
				2,182	2,761		

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

[1] Amelia Fawcett will take a voluntary pay cut of 20% of her director's fees with effect from 2 April 2012.

[2] Andrew Miller was promoted to CEO on 5 July 2010. His remuneration for 2010/11 includes three months of his previous CFO salary package. Andrew waived his entitlement to a variable compensation payment in 2012 (£174,000) and 2011 (£110,000). With effect from 2 April 2012, Andrew will take a voluntary pay cut of 10% of his base salary.

[3] 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.

[4] Alan Rusbridger will take a voluntary pay cut of 10% of his base salary with effect from 2 April 2012. He has also asked for the Company to halve its contributions to his pension in 2012/13, to £75,000.

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

[6] Nick Backhouse's remuneration includes a fee for chairing the audit committee up to December 2010 and for acting as senior independent director from January 2011.

[7] Simon Fox's remuneration includes a fee for chairing the audit committee from January 2011.

[8] 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), £10,631 was credited to Jerry Fowden's EFRBS account with the Company in the year ended 1 April 2012.

Directors' remuneration report continued

Remuneration 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. Although fees were reviewed in 2012, the level of fees has not been increased since April 2007. There will next be a review in 2013.

Judy Gibbons
Chair of the remuneration committee
29 June 2012

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 1 April 2012 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 32, 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 1 April 2012 and of its loss 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 report of the directors 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 1 April 2012.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2012

Consolidated income statement

For the year ended 1 April 2012

	Note	2012 Before exceptional items £m	2012 Exceptional items £m	2012 Total £m	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m
Continuing operations							
Revenue	3	**254.4**	**–**	**254.4**	255.1	–	255.1
Operating costs	4	**(318.8)**	**(64.7)**	**(383.5)**	(309.6)	(4.1)	(313.7)
Operating loss		**(64.4)**	**(64.7)**	**(129.1)**	(54.5)	(4.1)	(58.6)
Income from other financial assets	6	**5.1**	**–**	**5.1**	15.3	–	15.3
Finance costs	7(a)	**(2.1)**	**–**	**(2.1)**	(2.3)	–	(2.3)
Finance income	7(a)	**72.8**	**–**	**72.8**	73.7	–	73.7
Other financing income	7(b)	**0.1**	**–**	**0.1**	2.5	–	2.5
Share of post-tax loss of joint ventures	13(a)	**(22.7)**	**–**	**(22.7)**	(21.1)	–	(21.1)
Share of post-tax profit/(loss) of associates	13(b)	**0.3**	**–**	**0.3**	(0.5)	–	(0.5)
(Loss)/profit before taxation		**(10.9)**	**(64.7)**	**(75.6)**	13.1	(4.1)	9.0
Income tax income/(expense)	8	**2.8**	**1.2**	**4.0**	(3.6)	–	(3.6)
(Loss)/profit attributable to equity shareholder		**(8.1)**	**(63.5)**	**(71.6)**	9.5	(4.1)	5.4

Consolidated statement of comprehensive income

For the year ended 1 April 2012

	Note	2012 £m	2011 £m
(Loss)/profit attributable to equity shareholder		**(71.6)**	5.4
Actuarial loss on post employment benefit obligations	27	**(1.6)**	(0.4)
Deferred taxation credit on actuarial loss	22	**0.4**	0.2
Derecognition of changes in fair value on disposals of investments	9	**(5.6)**	(15.8)
Fair value (loss)/gain – non-current other financial assets	9	**(0.7)**	10.0
Fair value gain – current other financial assets		**0.3**	–
Joint venture – share of movements on cash flow hedges and other items	13(a)	**(1.1)**	3.6
Other comprehensive expense		**(8.3)**	(2.4)
Total comprehensive (expense)/income for the year		**(79.9)**	3.0

The notes on pages 41 to 69 are an integral part of these financial statements.

Consolidated balance sheet

As at 1 April 2012

	Note	2012 £m	2011 £m
Assets			
Non-current assets			
Goodwill	10	**14.1**	63.0
Other intangible assets	11	**69.0**	86.9
Property, plant and equipment	12	**33.1**	37.5
Investments accounted for using the equity method – joint ventures	13(a)	**249.6**	301.3
Investments accounted for using the equity method – associates	13(b)	**3.7**	3.5
Deferred income tax assets	22	**16.1**	16.5
Other financial assets – available for sale	9	**151.2**	122.6
Other financial assets	13(c)	**1.6**	1.6
		538.4	632.9
Current assets			
Inventories	14	**1.5**	1.8
Trade and other receivables	15	**49.6**	45.0
Other financial assets – available for sale	9	**20.0**	60.0
Derivative financial instruments	9	**0.6**	–
Cash and cash equivalents	16	**54.6**	14.8
		126.3	121.6
Liabilities			
Current liabilities			
Financial liabilities	17	**6.0**	6.1
Trade and other payables	18	**48.9**	47.7
Current tax liabilities	19	**0.4**	0.4
Provision for other liabilities and charges	21	**9.7**	6.7
		65.0	60.9
Net current assets		**61.3**	60.7
Total assets less current liabilities		**599.7**	693.6
Non-current liabilities			
Financial liabilities	17	**52.7**	58.8
Retirement benefit liabilities	27	**0.3**	0.6
Other non-current liabilities	20	**13.0**	13.1
Deferred income tax liabilities	22	**14.2**	18.9
Provision for other liabilities and charges	21	**7.6**	10.2
		87.8	101.6
Net assets		**511.9**	592.0
Shareholder's equity			
Share capital	23(a)	**0.9**	0.9
Reserves		**511.0**	591.1
Total shareholder's equity		**511.9**	592.0

These financial statements were authorised for issue by the Board of directors on 29 June 2012 and signed on its behalf by:

Amelia Fawcett
Chair

Darren Singer
Chief financial officer

The notes on pages 41 to 69 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 1 April 2012

	Share capital Note 23(a) £m	Revaluation reserve Note 23(b) £m	Non-distributable reserve Note 23(c) £m	Retained earnings £m	Total equity £m
At 28 March 2010	0.9	0.7	0.1	584.2	585.9
Transaction with owner – dividend paid (note 24)	–	–	–	(0.2)	(0.2)
Profit for the year	–	–	–	5.4	5.4
Loss recognised directly in the consolidated 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**
Transaction with owner – dividend paid (note 24)	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Loss for the year	**–**	**–**	**–**	**(71.6)**	**(71.6)**
Loss recognised directly in the consolidated statement of comprehensive income	**–**	**–**	**–**	**(8.3)**	**(8.3)**
At 1 April 2012	**0.9**	**0.7**	**0.1**	**510.2**	**511.9**

Consolidated statement of cash flows

For the year ended 1 April 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash used in operations	25	**(55.0)**	(54.6)
Income tax paid		**(0.1)**	(2.5)
Net cash used in operating activities		**(55.1)**	(57.1)
Cash flows from investing activities			
Acquisition of subsidiaries		**–**	(0.1)
Acquisition of shares in associates	13(b)	**–**	(0.4)
Purchase of other intangible assets	11	**(4.3)**	(5.6)
Purchase of other non – current financial assets	9	**(52.6)**	(82.4)
Divestment – investment fund	9	**30.6**	50.0
Sale of other non – current financial assets	9	**32.3**	83.1
Proceeds from sale of property, plant and equipment		**0.5**	0.2
Purchase of property, plant and equipment	12	**(3.1)**	(1.5)
Other loans advanced		**–**	(0.1)
Interest received		**0.4**	1.6
Dividends received from associates	13(b)	**0.1**	0.6
Dividends received from joint venture	13(a)	**81.8**	–
Preference share redemption – joint venture	13(a)	**18.3**	–
Loan redemption – joint venture	13(a)	**0.2**	–
Net cash generated in investing activities		**104.2**	45.4
Cash flows from financing activities			
Finance lease principal payments		**(6.2)**	(7.1)
Interest paid		**(2.6)**	(2.7)
Exchange loss		**(0.5)**	(0.7)
Net cash used in financing activities		**(9.3)**	(10.5)
Net increase/(decrease) in cash and cash equivalents		**39.8**	(22.2)
Cash and cash equivalents at beginning of the year		**14.8**	37.0
Cash and cash equivalents at end of the year	16	**54.6**	14.8

The notes on pages 41 to 69 are an integral part of these financial statements.

Notes relating to the financial statements

1. Accounting policies

Accounting policies for the year ended 1 April 2012
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 consolidated financial statements on pages 38 to 69 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 consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through the consolidated income statement. 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.

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 no new or amended IFRSs as of 4 April 2011.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 4 April 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)
- IFRS 7 (amendment), 'Financial Instruments: disclosures – transfer of financial assets'
- IAS 12 (amendment), 'Income taxes'
- IFRS 1 (amendment) 'First-time Adoption of IFRS – exemption for severe hyperinflation and removal of fixed dates'

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 4 April 2011 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 2 April 2012 or later periods, but the Group has not early adopted them and currently does not anticipate a significant impact on the Group:

- IFRS 7 (amendment), 'Financial Instruments: disclosures – offsetting requirements'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosure of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 1 (amendment), 'Presentation of Financial Statements'
- IAS 19 (revised), 'Employee benefits'
- IAS 27 (revised), 'Separate Financial Statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IAS 32, 'Financial Instruments: Presentation'

Notes relating to the financial statements continued

1. Accounting policies continued

Basis of consolidation

The Group has consolidated the financial statements of the Company and its subsidiary undertakings for the year ended 1 April 2012, with the exception of the companies within the GMG Radio division which are made up to 31 March 2012. The financial statements of the Group are made up to the Sunday closest to 31 March each year. Consequently, the financial statements for the current period cover the 52 weeks ended 1 April 2012 and for the comparative period cover the 53 weeks ended 3 April 2011, for all Group companies except those in the GMG Radio division.

(a) Subsidiaries

Subsidiaries are those entities over which the Group 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 consolidated 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.

(b) Joint ventures and associates

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.

Investments in joint ventures and associates are tested for impairment when there is an indication of impairment and are carried at cost less accumulated impairment losses. Impairment losses are charged to the consolidated income statement. These impairment calculations require the use of estimates and significant management judgement. A description of the key assumptions and sensitivities is included in note 13.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas requiring a higher degree of judgement or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in the relevant accounting policies under the following headings: Goodwill; Other intangible assets; Deferred income tax; and Joint ventures.

Business combinations

The acquisition 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 consolidated income statement as they are incurred. Identifiable assets, liabilities and contingent liabilities assumed in the acquisition are measured initially 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 consolidated 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, which 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.

Notes relating to the financial statements continued

1. Accounting policies continued

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

Circulation revenue (net of returns) is recognised on publication in the consolidated income statement and in trade receivables on the consolidated balance sheet. Returns are estimated based on historical experience. 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.

Maintenance contract and computer software licence revenues are recognised on a straight-line basis over the period to which they relate. Software development revenue is recognised on delivery.

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

Finance 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.

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 to the consolidated income statement 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 consolidated income statement.

Assets under construction are not depreciated.

Non-current assets held for sale
Non-current assets are held for sale when the carrying amount is to be recovered principally through a sales transaction and the Group has committed to the sale at the balance sheet date.

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 consolidated 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 functional and presentational currency of Guardian Media Group plc ('Parent Company').

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.

All foreign exchange gains and losses are presented in the consolidated income statement within operating costs.

Notes relating to the financial statements continued

1. Accounting policies continued

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 (CGUs) 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 consolidated income statement. These impairment calculations require the use of estimates and significant management judgement. A description of the key assumptions and sensitivities is included in note 10.

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. The assessment of the recoverability of other intangible assets and the determination of the amortisation profile involve a significant degree of judgement based on historical trends and management estimation of future potential economic benefits. An incorrect amortisation profile could result in excess amounts being carried forward as intangible assets that would otherwise have been written off to the consolidated income statement in an earlier period.

(a) Radio licences
Radio 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. Radio licences have a finite useful life and are carried at cost less accumulated amortisation.

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

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

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

Notes relating to the financial statements continued

1. Accounting policies continued

Inventories
Inventories are stated 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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement.

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

Fair value estimation
With respect to the Investment Fund, the Group discloses fair value measurements by level for the following fair value measurement hierarchy:

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

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

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

Specific valuation techniques used to value financial instruments include:

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

Notes relating to the financial statements continued

1. Accounting policies continued

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 consolidated income statement as they arise. During the year the Group has not applied hedge accounting.

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.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. 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 on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown net of cash and cash equivalents where the Group 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 consolidated 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 initially at fair value and subsequently measured at amortised cost.

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

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

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 consolidated income statement on a straight-line basis over the period of the lease. Incentives received are recorded as an accrual and spread over the term of the lease on a straight-line basis.

Notes relating to the financial statements continued

1. Accounting policies continued

Employee benefit costs

(a) Defined contribution schemes

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

(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 consolidated income statement. Service costs and financing costs are recognised in the periods in which they arise. Finance costs are included in operating costs. Actuarial gains or losses in respect of these schemes are shown in the consolidated 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 obligation.

(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% (2011 55%) 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 £2.9 million lower/higher; however, as the Group's policy is to hedge 55% (2011 55%) of the exposure, the risk would be reduced to £1.3 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 £1.2 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 over the last 12 months, with all other variables held constant.

Consolidated statement of comprehensive income movement

Investment category	£m
Global equity	+/ – 0.8
Real assets	+/ – 0.8
Multi assets	+/ – 0.4
Fixed income	+/ – 1.2
Emerging markets	+/ – 0.3
Hedge funds	+/ – 2.2

Notes relating to the financial statements continued

2. Financial risk management continued

(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 average annual interest rates had been 1% more or less during the year, interest receivable would have increased/decreased by £0.5 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 (2011 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.

(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 use fund managers statements which are based on broker pricing or their own valuation techniques (note 9).

Notes relating to the financial statements continued

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 1 April 2012. The products and services provided by each business segment are disclosed in the CEO's review of operations on page 6. Other Group activities principally include the Group's share of its joint ventures and associates, Trader Media Group, Top Right Group (formerly Emap) and Seven Publishing, further information about which can be found in note 13, and the costs associated with the head office.

For the year ended 1 April 2012

	Guardian News & Media £m	GMG Radio £m	GMG Property Services £m	Investment Fund £m	Other Group activities £m	Total £m
Continuing operations						
Revenue	196.2	48.1	10.1	–	–	**254.4**
Operating (loss)/profit before exceptional items and amortisation of intangibles	(44.2)	2.5	1.6	–	(7.7)	**(47.8)**
Operating loss before exceptional items	(53.5)	(1.6)	(1.6)	–	(7.7)	**(64.4)**
Operating loss	(61.3)[1]	(55.8)[2]	(1.6)[3]	–	(10.4)[4]	**(129.1)**
Income from other financial assets	–	–	–	5.1	–	**5.1**
Finance costs	(2.1)	–	–	–	–	**(2.1)**
Finance income	–	–	–	–	72.8	**72.8**
Other financing income	–	–	–	0.1	–	**0.1**
Share of post-tax results of joint ventures and associates	–	–	–	–	(22.4)	**(22.4)**
(Loss)/profit before tax	(63.4)	(55.8)	(1.6)	5.2	40.0	**(75.6)**
Income tax income						**4.0**
Loss for the year from continuing operations						**(71.6)**
Segment assets	88.6	69.8	22.4	171.2	59.4	**411.4**
Investment in equity accounted joint ventures and associates	–	–	–	–	253.3	**253.3**
Total assets	88.6	69.8	22.4	171.2	312.7	**664.7**
Segment liabilities	(108.2)	(5.4)	(4.3)	–	(34.9)	**(152.8)**
Net (liabilities)/assets	(19.6)	64.4	18.1	171.2	277.8	**511.9**
Other segment items:						
Capital expenditure	2.2	0.7	–	–	0.2	**3.1**
Intangible expenditure	3.5	0.2	0.5	–	0.1	**4.3**
Depreciation of property, plant and equipment	5.8	1.2	0.2	–	–	**7.2**
Amortisation of intangible assets	9.3	4.1	3.2	–	–	**16.6**
Impairment of trade receivables	0.5	0.2	–	–	–	**0.7**

[1] Guardian News & Media operating loss of £61.3 million includes restructuring costs of £7.8 million and the amortisation of intangibles of £9.3 million.

[2] GMG Radio operating loss of £55.8 million includes the impairment of goodwill and intangibles of £54.2 million and the amortisation of intangibles of £4.1 million.

[3] GMG Property Services operating loss of £1.6 million includes the amortisation of intangibles of £3.2 million.

[4] Other Group activities operating loss of £10.4 million includes restructuring costs of £2.7 million.

Notes relating to the financial statements continued

3. Segmental information continued

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
Finance costs	(2.3)	–	–	–	–	(2.3)
Finance income	0.1	–	–	–	73.6	73.7
Other financing income	–	–	–	2.5	–	2.5
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
Income tax expense						(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 the 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.

Notes relating to the financial statements continued

4. Operating costs

	2012 £m	2011 £m
Raw materials and consumables	**26.0**	27.4
Staff costs (note 5)	**130.2**	124.6
Depreciation of property, plant and equipment	**7.2**	6.5
Other expenses	**220.1**	155.2
	383.5	313.7

Other expenses includes exceptional items totalling £64.7 million (2011 £4.1 million) which relate to the impairment of goodwill and other intangibles of £54.2 million, Guardian News & Media restructuring costs of £7.8 million and Other Group activities restructuring costs of £2.7 million. In the prior year, the exceptional items related to Guardian News & Media restructuring costs of £3.3 million and GMG Radio restructuring costs of £0.8 million.

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

	2012 £m	2011 £m
Impairment of goodwill	**48.9**	–
Impairment of other intangible assets	**5.3**	–
Amortisation of other intangible assets	**16.6**	14.6
Impairment of property, plant and equipment	**–**	1.7
Profit on sale of property, plant and equipment	**0.1**	0.1
Other operating lease rentals payable:		
– Plant and machinery	**5.0**	4.7
– Property	**5.2**	5.2
Repairs and maintenance expenditure on property, plant and equipment	**1.1**	0.6
Trade receivables impairment	**0.7**	0.4

Services provided by the Group's auditors

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

	2012 £m	2011 £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	**0.6**	0.2
Other services	**0.2**	0.1
	1.1	0.6

Notes relating to the financial statements continued

5. Employees and directors

Staff costs for the Group during the period including executive and non-executive directors	Note	2012 £m	2011 £m
Wages and salaries		**110.0**	105.2
Employer's social security costs		**11.7**	11.0
Employer's pension costs – defined contribution scheme	27	**8.5**	8.4
		130.2	124.6

Average monthly number of persons employed including executive and non-executive directors	No.	No.
Production	**1,050**	1,013
Selling and distribution	**742**	665
Administration	**365**	435
	2,157	2,113

Key management compensation	£m	£m
Salaries and short-term employee benefits	**4.2**	4.7
Post employment benefits	**0.7**	0.7
Termination benefits	**0.4**	0.7
	5.3	6.1

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

Directors' remuneration information required for the financial statements is shown on page 35.

6. Income from other financial assets

	2012 £m	2011 £m
Profit on disposal of other financial assets:		
– Non-current	**5.1**	15.3

7(a). Finance income and costs

	2012 £m	2011 £m
Finance costs		
Interest payable on finance leases	**(2.1)**	(2.3)
Finance income		
Interest receivable on cash and cash equivalents	**0.4**	1.2
Interest receivable and similar income from joint ventures	**72.4**	72.2
Other interest receivable	**–**	0.3
	72.8	73.7
Finance income – net	**70.7**	71.4

7(b). Other financing income

	2012 £m	2011 £m
Fair value gain on forward exchange contracts	**0.1**	2.5

Notes relating to the financial statements continued

8. Income tax (income)/expense

Analysis of (credit)/charge in year	Note	2012 £m	2011 £m
Current tax			
Adjustments in respect of prior periods		**(0.1)**	0.7
Deferred taxation			
Origination and reversal of timing differences	22	**(3.9)**	2.9
Income tax (income)/expense		**(4.0)**	3.6
Tax on items charged to the consolidated statement of comprehensive income			
Deferred tax credit on actuarial loss		**(0.4)**	(0.2)

Factors affecting tax (credit)/charge for the year

The tax credit for the period is lower (2011 tax charge higher) than the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below:

	2012 £m	2011 £m
(Loss)/profit before tax	**(75.6)**	9.0
(Loss)/profit before taxation multiplied by standard rate of corporation tax of 26% (2011 28%)	**(19.7)**	2.5
Effects of:		
Expenses not deductible for tax purposes	**3.7**	10.6
Income not taxable	**(12.7)**	(17.3)
Foreign taxes	**0.1**	0.2
Utilisation of tax losses not previously recognised	**(0.2)**	(2.0)
Impairment of subsidiary goodwill and other intangibles	**14.1**	–
Adjustment to tax charge in respect of joint ventures and associates	**5.8**	(1.3)
Adjustment to tax charge in respect of previous periods	**(0.1)**	0.5
Current year losses not recognised	**7.2**	5.5
Deferred taxation – rate adjustment	**0.2**	(0.1)
Deferred taxation – asset impairment	**1.2**	5.0
Deferred taxation – adjustment on acquired intangible assets	**(3.6)**	–
Total taxation	**(4.0)**	3.6

Factors that may affect future tax charges

A change in the UK main corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. In addition, following the 2012 UK Budget Statement, a change in the main UK Corporation tax rate from 26% to 24% from 1 April 2012 was substantively enacted on 26 March 2012. As a result, the relevant deferred tax balances have been remeasured to 24%.

Further reductions to the UK Corporation tax rate were announced in the June 2010 and the 2012 UK Budget Statements which propose to reduce the rate to 22% for the financial year commencing 1 April 2014. These further changes are expected to be enacted separately each year. However these further changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

Notes relating to the financial statements continued

9. Other financial assets – available for sale

	2012 £m	2011 £m
At 4 April 2011	**182.6**	223.8
Additions at cost	**54.0**	83.0
Divestment	**(30.6)**	(50.0)
Disposals at fair value	**(33.6)**	(83.7)
	172.4	173.1
Net gain on disposals – consolidated income statement	**5.1**	15.3
Derecognition of changes in fair value on disposals – previously recognised directly in equity	**(5.6)**	(15.8)
Fair value (loss)/gain – consolidated statement of comprehensive income	**(0.7)**	10.0
At 1 April 2012	**171.2**	182.6
Other financial assets include the following:		
Hedge funds	**60.7**	70.3
Managed funds	**75.0**	82.0
	135.7	152.3
Short-term funds held for reinvestment	**35.5**	30.3
	171.2	182.6

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

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 45.

As at 1 April 2012	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets – available for sale – asset	**50.2**	**81.1**	**4.4**	**135.7**
Derivative financial instruments – asset	**–**	**0.6**	**–**	**0.6**

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

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 4 April 2011	1.9
Disposals	(0.5)
Transfers in to Level 3	3.4
Transfers out of Level 3	(0.5)
Net gain on disposals – consolidated income statement	0.1
At 1 April 2012	**4.4**

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.

Notes relating to the financial statements continued

9. Other financial assets – available for sale continued

Other financial assets are denominated in the following currencies:

	2012 £m	2011 £m
Sterling	**89.3**	88.2
Euro	**0.1**	6.0
US Dollar	**81.8**	88.4
	171.2	182.6

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:

	2012 £m	2011 £m
Current	**20.0**	60.0
Non-current	**151.2**	122.6
	171.2	182.6

10. Goodwill

	£m
Cost	
At 1 April 2012	**155.7**
Accumulated impairment	
At 4 April 2011	**92.7**
Impairment	**48.9**
At 1 April 2012	**141.6**
Net book value at 1 April 2012	**14.1**

The net book value of goodwill relates to the GMG Property Services division (£14.1 million).

During the year ended 1 April 2012, all CGUs were tested for impairment in accordance with IAS 36 'Impairment of assets' and those of the GMG Radio division were found to be impaired. The recoverable amount of each CGU was determined based on the higher of fair value less costs to sell and value-in-use. The value-in-use calculation used pre-tax cash flow projections based on the financial budgets approved by the Board for 2012/13 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determines 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. The discount rates used ranged between 10.5% and 13.0% (2011 10.5% and 13.0%) and were benchmarked against comparable peers. An impairment charge of £48.9 million arose against GMG Radio division goodwill and £5.3 million against GMG Radio division licences from these tests for impairment (note 11).

	£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

The net book value of goodwill relates to the GMG Radio division (£48.9 million) and the GMG Property Services division (£14.1 million).

Notes relating to the financial statements continued

11. Other intangible assets

	Radio licences £m	Other £m	Total £m
Cost			
At 4 April 2011	**107.1**	**73.6**	**180.7**
Additions at cost	**–**	**4.3**	**4.3**
Disposals	**–**	**(1.5)**	**(1.5)**
Reclassifications from property, plant and equipment	**–**	**0.1**	**0.1**
At 1 April 2012	**107.1**	**76.5**	**183.6**
Accumulated amortisation and impairment			
At 4 April 2011	**43.5**	**50.3**	**93.8**
Charge for period	**4.1**	**12.5**	**16.6**
Disposals	**–**	**(1.3)**	**(1.3)**
Impairment (note 10)	**5.3**	**–**	**5.3**
Reclassifications from property, plant and equipment	**–**	**0.2**	**0.2**
At 1 April 2012	**52.9**	**61.7**	**114.6**
Net book value at 1 April 2012	**54.2**	**14.8**	**69.0**

Other intangible assets mainly comprises computer software and digital assets 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 consolidated income statement.

Other includes digital assets with a net book value of £9.0 million (2011 £13.7 million).

	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

Notes relating to the financial statements continued

12. Property, plant and equipment

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 4 April 2011	**45.5**	**117.8**	**34.7**	**0.2**	**198.2**
Additions at cost	**–**	**1.8**	**0.4**	**0.9**	**3.1**
Reclassification	**–**	**0.5**	**–**	**(0.5)**	**–**
Reclassification (to)/from intangibles	**–**	**(0.2)**	**–**	**0.1**	**(0.1)**
Disposals	**(3.1)**	**(22.9)**	**(1.1)**	**–**	**(27.1)**
At 1 April 2012	**42.4**	**97.0**	**34.0**	**0.7**	**174.1**
Accumulated depreciation and impairment					
At 4 April 2011	**36.7**	**112.2**	**11.8**	**–**	**160.7**
Charge for the period	**0.5**	**3.2**	**3.5**	**–**	**7.2**
Reclassification to intangibles	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Disposals	**(2.8)**	**(22.8)**	**(1.1)**	**–**	**(26.7)**
At 1 April 2012	**34.4**	**92.4**	**14.2**	**–**	**141.0**
Net book value at 1 April 2012	**8.0**	**4.6**	**19.8**	**0.7**	**33.1**

	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
At 29 March 2010	45.5	124.3	34.7	0.1	204.6
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	45.5	117.8	34.7	0.2	198.2
Accumulated depreciation and impairment					
At 29 March 2010	34.5	115.8	10.0	–	160.3
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	36.7	112.2	11.8	–	160.7
Net book value at 3 April 2011	8.8	5.6	22.9	0.2	37.5

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

	2012 £m	2011 £m
Cost	**100.9**	100.9
Accumulated depreciation	**(89.3)**	(87.0)
Net book value	**11.6**	13.9

Details of material finance lease arrangements are given in note 17.

All Group land and buildings with a net book value in excess of £20,000 were supported by independent third party valuations in accordance with IAS 36 'Impairment of assets' as at 31 December 2011.

Notes relating to the financial statements continued

13. Investments

(a) Interests in joint ventures

	Trader Media Group £m	Top Right Group (formerly Emap) £m	Total £m
At 4 April 2011			
– Net liabilities	(307.1)	(28.5)	(335.6)
– Preference shares and accrued dividends	143.9	151.7	295.6
– Loans and accrued interest	232.3	109.0	341.3
	69.1	232.2	301.3
Interest on loans and preference shares	24.3	48.1	72.4
Consolidated income statement	12.8	(35.5)	(22.7)
Consolidated statement of comprehensive income	(0.8)	(0.3)	(1.1)
Dividends received – ordinary shares	(45.2)	–	(45.2)
Dividends received – preference shares	(36.6)	–	(36.6)
Preference shares redemptions	(18.3)	–	(18.3)
Loans redemptions	(0.2)	–	(0.2)
At 1 April 2012			
– Net liabilities	(340.2)	(64.3)	(404.5)
– Preference shares and accrued dividends	88.8	183.0	271.8
– Loans and accrued interest	256.5	125.8	382.3
Interests in joint ventures	5.1	244.5	249.6

During the year ending 1 April 2012 the Group received £100.1 million (2011 £nil) from Trader Media Group Limited in cash in respect of dividends and preference share redemptions, the details of which are shown in the table above.

During the year ended 1 April 2012, the investment in Top Right Group was tested for impairment in accordance with IAS 36 'Impairment of assets' and was found not to be impaired. The recoverable amount of the investment was determined based on a value-in-use calculation. The value-in-use calculation used pre-tax cash flow projections based on the financial budgets approved by the Board for 2012/13 and formal business plans for a further two years. Cash flows beyond the three-year period were extrapolated using estimated growth rates. Management determines budgets and business plans based on past performance and its expectations of market development. The discount rates and terminal growth rates used were benchmarked against comparable peers.

For the Top Right Group interest, the value in use exceeds the carrying value by approximately £60.9 million. The impairment review of Top Right Group is sensitive to a change in the key assumptions used, most notably the discount rate, the terminal growth rate and projected operating cash flows. The recoverable amount exceeds the carrying value unless any of the assumptions are changed as follows:

- an increase in the discount rate from the 10.75% assumption to 12.02%; or
- a reduction in the terminal growth rate from the 2.40% assumption to 0.6%; or
- a reduction in the projected operating cash flows of 14.5% in each of the next five years.

Notes relating to the financial statements continued

13. Investments continued

The Group's share of amounts relating to joint ventures for the year ended 1 April 2012

	Trader Media Group £m	Top Right Group (formerly Emap) £m	Total £m
Non-current assets	486.8	416.3	903.1
Current assets	42.3	34.5	76.8
Current liabilities	(41.1)	(70.3)	(111.4)
Non-current liabilities	(828.2)	(444.8)	(1,273.0)
Net liabilities	(340.2)	(64.3)	(404.5)
Revenue	128.8	83.5	212.3
Operating profit before exceptional items, restructuring costs and amortisation of intangible assets	70.3	25.9	96.2
Operating profit after exceptional items, restructuring costs and amortisation of intangible assets	62.2	8.7	70.9
Net finance costs (excluding gain on debt buy-back)	(44.4)	(51.8)	(96.2)
Gain on debt buy-back and other movements	2.3	(2.4)	(0.1)
Profit/(loss) before taxation	20.1	(45.5)	(25.4)
Taxation	(7.3)	10.0	2.7
Share of post-tax results from joint ventures	12.8	(35.5)	(22.7)

The Group's share of joint ventures capital commitments are included in note 29 on page 68.

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	Top Right Group (formerly Emap) £m	Total £m
At 29 March 2010			
- Net liabilities	(355.5)	–	(355.5)
- Preference shares and accrued dividends	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
Consolidated income statement	10.8	(31.9)	(21.1)
Consolidated statement of comprehensive income	3.6	–	3.6
Consolidated 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 dividends	143.9	151.7	295.6
- Loans and accrued interest	232.3	109.0	341.3
Interests in joint ventures	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 £34.0m 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%).

Notes relating to the financial statements continued

13. Investments continued

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

	Trader Media Group £m	Top Right Group (formerly 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 finance costs (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 29 on page 68.

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

	2012 £m	2011 £m
At 4 April 2011		
– Net assets excluding goodwill	**3.5**	4.2
Additions	**–**	0.4
Share of profit/(loss) in the year	**0.3**	(0.5)
Dividends	**(0.1)**	(0.6)
At 1 April 2012		
– Net assets excluding goodwill	**3.7**	3.5

The Group's share of amounts relating to associates	2012 £m	2011 £m
Total assets	**8.1**	8.9
Total liabilities	**(4.4)**	(5.4)
Revenue	**14.1**	12.5
Share of post-tax profit/(loss) of associates before exceptional items	**0.3**	(0.5)

A list of principal subsidiary undertakings, joint ventures and associates is given in note 32. The associates have no significant contingent liabilities to which the Group is exposed and nor has the Group significant contingent liabilities in relation to its interest in its associates. The associates have no significant capital commitments.

(c) Other financial assets

	2012 £m	2011 £m
Net book value	**1.6**	1.6

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

Notes relating to the financial statements continued

14. Inventories

	2012 £m	2011 £m
Raw materials and consumables	**1.5**	1.8

The Group consumed £26.0 million (2011 £27.4 million) of inventories during the year (note 4).

15. Trade and other receivables

	2012 £m	2011 £m
Amounts falling due within one year:		
Trade receivables	**35.0**	34.3
Less: Provision for impairment of receivables	**(1.3)**	(0.9)
Trade receivables - net	**33.7**	33.4
Other receivables	**2.4**	1.3
Prepayments and accrued income	**13.5**	10.3
	49.6	45.0

As at 1 April 2012, trade receivables of £1.3 million (2011 £0.9 million) were impaired. The ageing of these receivables is as follows:

	2012 £m	2011 £m
Up to 3 months	**0.4**	0.2
3 to 6 months	**0.4**	0.3
Over 6 months	**0.5**	0.4
	1.3	0.9

As at 1 April 2012, trade receivables of £10.8 million (2011 £11.0 million) were past due but not impaired. The ageing of these trade receivables is as follows:

	2012 £m	2011 £m
Up to 3 months	**9.2**	6.9
3 to 6 months	**0.7**	3.0
Over 6 months	**0.9**	1.1
	10.8	11.0

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

	2012 £m	2011 £m
At 4 April 2011	**0.9**	0.9
Provision for receivables impairment	**0.9**	0.7
Receivables written off during the year as uncollectible	**(0.3)**	(0.4)
Unused amounts reversed	**(0.2)**	(0.3)
At 1 April 2012	**1.3**	0.9

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

16. Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	**2.3**	10.2
Short-term bank deposits	**52.3**	4.6
	54.6	14.8

Notes relating to the financial statements continued

17. Financial liabilities – borrowings

Current	2012 £m	2011 £m
Due within one year or on demand:		
Finance lease obligations	**6.0**	6.1

Non-current	2012 £m	2011 £m
Finance lease obligations	**52.7**	58.8
The total value of obligations under finance leases repayable by instalments:		
– between one to two years	**6.1**	6.0
– between two to five years	**19.8**	19.1
– over five years	**26.8**	33.7
	52.7	58.8
The present value of minimum lease payments are as follows:		
– within one year	**8.4**	8.6
– greater than one year but less than five years	**32.8**	33.1
– after five years	**29.0**	37.2
Total minimum lease payments	**70.2**	78.9
Less future finance charges	**(11.5)**	(14.0)
Present value of minimum lease payments	**58.7**	64.9

18. Trade and other payables – current

	2012 £m	2011 £m
Trade payables	**8.7**	11.4
Social security and other taxes	**4.8**	3.4
Other payables	**1.3**	3.7
Accruals and deferred income	**34.1**	29.2
	48.9	47.7

19. Current tax

	2012 £m	2011 £m
Current tax liability	**0.4**	0.4

20. Other non-current liabilities

	2012 £m	2011 £m
Other payables	**13.0**	13.1

21. Provisions for other liabilities and charges

	£m
At 4 April 2011	**16.9**
Charged/(credited) to consolidated income statement:	
– Additional provisions	**7.8**
– Unused amounts reversed	**(1.5)**
Utilised in year	**(5.9)**
At 1 April 2012	**17.3**

Provisions have been analysed between current and non-current as follows:	
Current	**9.7**
Non-current	**7.6**
	17.3

Provisions at 1 April 2012 relate primarily to onerous leases and restructuring costs.

Notes relating to the financial statements continued

21. Provisions for other liabilities and charges continued

	£m
At 29 March 2010	37.0
Charged/(credited) to consolidated 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.

22. Deferred taxation

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 24% (2011 26%).

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

	2012 £m	2011 £m
At 4 April 2011	**2.4**	(0.3)
Consolidated income statement (credit)/charge	**(3.9)**	2.9
Consolidated statement of comprehensive income credit	**(0.4)**	(0.2)
At 1 April 2012	**(1.9)**	2.4

	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)
Consolidated income statement credit	–	–	–	(3.8)	(3.8)
At 3 April 2011	**–**	**–**	**–**	**18.9**	**18.9**
Consolidated income statement (credit)/charge	**–**	**–**	**–**	**(4.7)**	**(4.7)**
At 1 April 2012	**–**	**–**	**–**	**14.2**	**14.2**
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
Consolidated income statement (credit)/charge	(0.6)	0.9	6.4	–	6.7
Consolidated statement of comprehensive income credit	–	–	(0.2)	–	(0.2)
At 3 April 2011	**(9.1)**	**(0.2)**	**(7.2)**	**–**	**(16.5)**
Consolidated income statement (credit)/charge	**(2.1)**	**0.2**	**2.7**	**–**	**0.8**
Consolidated statement of comprehensive income credit	**–**	**–**	**(0.4)**	**–**	**(0.4)**
At 1 April 2012	**(11.2)**	**–**	**(4.9)**	**–**	**(16.1)**

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 £27.0 million (2011 £24.1 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.

Notes relating to the financial statements continued

23(a). Share capital

	2012 £m	2011 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

23(b). Revaluation reserve

	2012 £m	2011 £m
Revaluation of previous interest on acquisition of remaining shares in a joint venture	**0.7**	0.7

23(c). Non-distributable reserve

	2012 £m	2011 £m
Repayment of 4% cumulative preference shares	**0.1**	0.1

24. Dividend paid

On 21 March 2012, the Board declared a dividend of 22.2p (2011 22.2p) per share on the ordinary share capital amounting to £200,000 (2011 £200,000) which was paid to The Scott Trust Limited on 21 March 2012.

25. Cash flows from operating activities

Cash used in operations

	Note	2012 £m	2011 £m
(Loss)/profit before income tax		**(75.6)**	9.0
Adjustments for:			
Depreciation	12	**7.2**	6.5
Impairment of property, plant and equipment	12	**–**	1.7
Loss on sale of trade and assets		**0.7**	–
Profit on disposal of property, plant and equipment		**(0.1)**	(0.1)
Impairment of goodwill	10	**48.9**	–
Amortisation of other intangible assets	11	**16.6**	14.6
Impairment of other intangible assets	11	**5.3**	–
Income from non-current financial assets		**(5.1)**	(15.3)
Finance costs	7(a)	**2.1**	2.3
Finance income	7(a)	**(72.8)**	(73.7)
Other financing income	7(b)	**(0.1)**	(2.5)
Pensions	27	**(1.9)**	(1.9)
Share of results of joint ventures after taxation		**22.7**	21.1
Share of results of associates after taxation		**(0.3)**	0.5
Increase/(decrease) in provisions		**0.4**	(20.1)
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):			
Decrease/(increase) in inventories		**0.3**	(0.5)
(Increase)/decrease in trade and other receivables		**(4.5)**	12.9
Increase/(decrease) in trade and other payables		**1.2**	(9.1)
Cash used in operations		**(55.0)**	(54.6)

26. Events after the reporting period

On 18 May 2012, Top Right Group, a joint venture company of the Guardian Media Group plc, disposed of its automotive data business CAP Motor Research to Montagu Private Equity. Consideration received was in excess of the carrying value.

On 24 June 2012 GMG Radio, a wholly owned business, was sold to Global Radio Holdings Limited. The fair value of the consideration received less the costs to sell was not materially different from the carrying value.

Notes relating to the financial statements continued

27. Pension commitments

Defined contribution schemes

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

Pension costs for defined contribution schemes are as follows:

	2012 £m	2011 £m
Defined contribution schemes	**8.5**	8.4

Defined benefit schemes

The Group has two (2011 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 1 April 2012.

In July 2010 the UK Government announced that the statutory minimum level of revaluation would in future be calculated using the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). In respect of the Surrey Advertiser Newspaper Holdings Pension & Life Assurance Scheme, revaluation of deferred pensions is in line with the statutory minimum, and therefore we have made an assumption about future rates of CPI in order to value deferred pensions. Our assumption regarding future CPI rates is lower than for RPI rates.

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 1 April 2012 by a qualified independent actuary. The principal assumptions made by the actuary were:

	2012	2011
Rate of increase for pensions in payment	**3.40% pa**	3.75% pa
Rate of increase in deferred pensions	**3.40% pa**	3.75% pa
Discount rate	**4.90% pa**	5.50% pa
Inflation rate	**3.40% pa**	3.75% pa

Expected return on plan assets:		
Equities	**5.30% pa**	6.40% pa
Real estate	**5.30% pa**	6.40% pa
Bonds	**4.90% pa**	5.50% pa
Gilts	**3.30% pa**	4.40% pa
Cash	**3.30% 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 consolidated balance sheet are determined as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets	**34.2**	30.6	27.6	21.2	13.7
Present value of funded obligations – all fully or partly funded	**(34.5)**	(31.2)	(29.6)	(23.1)	(14.8)
	(0.3)	(0.6)	(2.0)	(1.9)	(1.1)
Plan liabilities not disclosed	**–**	–	–	–	(0.1)
Net liability recognised in the consolidated balance sheet	**(0.3)**	(0.6)	(2.0)	(1.9)	(1.2)

Notes relating to the financial statements continued

27. Pension commitments continued

The amounts recognised in the consolidated income statement are as follows:

	2012 £m	2011 £m
Expected return on plan assets	1.7	1.6
Interest cost	(1.7)	(1.7)
Total pension cost recognised in the consolidated income statement	–	(0.1)

These charges are included in operating costs.

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

	2012 £m	2011 £m
Actuarial loss on post employment benefit obligations	(1.6)	(0.4)

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

	2012 £m	2011 £m
At 4 April 2011	30.6	27.6
Employer contributions	1.9	1.9
Expected return on plan assets	1.7	1.6
Actuarial gain	1.2	0.6
Benefits paid	(1.2)	(1.1)
At 1 April 2012	34.2	30.6

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

	2012 £m	2011 £m
At 4 April 2011	(31.2)	(29.6)
Interest cost	(1.7)	(1.7)
Actuarial loss	(2.8)	(1.0)
Benefits paid	1.2	1.1
At 1 April 2012	(34.5)	(31.2)

The actual return on plan assets was a gain of £2.9 million (2011 £2.2 million).

The Group expects to contribute £1.6 million to the defined benefit pension schemes during the year ending 31 March 2013.

The major categories of schemes' assets are as follows:

	2012 £m	2011 £m
Equities	10.3	10.4
Bonds	13.4	10.9
Gilts	9.6	8.4
Real Estate	0.8	0.8
Cash	0.1	0.1
	34.2	30.6

Notes relating to the financial statements continued

27. Pension commitments continued

Analysis of the movement in the consolidated balance sheet liability:

	2012 £m	2011 £m
At 4 April 2011	(0.6)	(2.0)
Total expense recognised in the consolidated income statement	–	(0.1)
Contributions	1.9	1.9
Net actuarial loss recognised in the year	(1.6)	(0.4)
At 1 April 2012	(0.3)	(0.6)

Cumulative actuarial losses recognised in equity:

	2012 £m	2011 £m
At 4 April 2011	(7.3)	(6.9)
Net actuarial loss recognised in the year	(1.6)	(0.4)
At 1 April 2012	(8.9)	(7.3)

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

28. 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	
	2012 £m	2011 £m	2012 £m	2011 £m
Within one year	8.2	7.8	5.1	5.1
Between two and five years inclusive	31.3	30.3	8.9	11.3
Over five years	108.8	114.0	0.5	0.6
	148.3	152.1	14.5	17.0

The Group has sub-let two operating leases and the future aggregate minimum sublease amounts expected to be received amount to £4.7 million (2011 £4.7 million).

Provisions have been recognised against those properties which are vacant or where the sublease income is below the headlease commitment (note 21).

Notes relating to the financial statements continued

29. 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 (2011 £0.2 million).

30. Related party transactions

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

	2012 £m	2011 £m
Sales	**0.4**	0.2
Purchases	**3.7**	2.6
Loans made	**–**	0.1
Loan redemptions	**0.2**	–
Dividends received	**81.8**	–
Preference share redemptions	**18.3**	–
Interest on loans and preference shares	**72.4**	38.1

At year-end, balances outstanding in relation to these related parties amounted to £817.5 million (2011 £800.6 million).

The Group paid £155,163 (2011 £149,090) 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 £149,416 (2011 £265,042) to a law firm of which a Scott Trust Limited director is a partner, on a normal arm's length basis.

31. 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 shares of Guardian Media Group plc.

The consolidated financial statements of The Scott Trust Limited and Guardian Media Group plc are available from the Company Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP and are available to download on the Group website www.gmgplc.co.uk.

Notes relating to the financial statements continued

32. 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 digital and print 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%
Guardian News & Media LLC*	Membership interest	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%
Real Radio XS 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	37.5%

(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
* Incorporated in the United States of America
+ On 24 June 2012, the Group disposed of its interests in the GMG Radio division.
- Registered in Scotland
= Registered in Luxembourg, ultimate holding company of Top Right Group (formerly Emap International Limited). Guardian Media Group plc (GMG) holds a 37.5% shareholding in Eden2 & CieSCA, however, together with its joint venture partner, Apax, it is committed to incentivising TRG management by granting them an equity share in the business after which GMG will reduce its stake to 32.9%. Consistent with the prior year, GMG has equity accounted for this lower share.

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

2012

COMPANY FINANCIAL STATEMENTS

Report of the directors

The directors present their report and the audited financial statements of the Company for the year ended 1 April 2012.

Activities and review of the business

The Company is the holding company for Guardian Media Group plc.

Business review and future developments

The loss for the year was £66.3 million (2011 profit £31.2 million). On 21 March 2012, the Board declared a dividend of 22.2p (2011 22.2p) per share on the ordinary share capital amounting to £200,000 (2011 £200,000) which was paid to The Scott Trust Limited on 21 March 2012.

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 29 days (2011 30 days).

Directors and directors' interests

This information is shown in the Group section of the annual report on pages 16, 17 and 31.

Financial risk management

This information is shown in the Group section of the annual report on pages 47 and 48.

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 report of the directors 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.

Events after the reporting period

This information is shown in the Group section of the annual report on page 64.

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

Darren Singer
Director
29 June 2012

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 1 April 2012 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 72, 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 1 April 2012;
- 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 report of the directors 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 1 April 2012.

John Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2012

Company balance sheet
As at 1 April 2012

	Note	2012 £m	2011 £m
Fixed assets			
Tangible assets	4	**0.2**	–
Investment fund	5	**129.1**	94.2
Investments in subsidiary undertakings	6	**529.9**	521.1
Investments in joint ventures	7	**298.2**	250.2
Investments in associates	8	**3.1**	3.1
Other investments	9	**1.6**	1.6
		962.1	870.2
Current assets			
Debtors	10	**59.7**	141.8
Investment fund	5	**20.0**	60.0
Cash at bank and in hand		**47.9**	6.7
		127.6	208.5
Creditors: amounts falling due within one year	11	**211.4**	133.1
Net current (liabilities)/assets		**(83.8)**	75.4
Net assets excluding pension deficit		**878.3**	945.6
Pension deficit	14	**–**	–
Net assets including pension deficit		**878.3**	945.6
Capital and reserves			
Share capital	12	**0.9**	0.9
Non-distributable reserve	13	**0.1**	0.1
Profit and loss reserve	13	**877.3**	944.6
Total shareholder's funds		**878.3**	945.6

These financial statements were authorised for issue by the Board of directors on 29 June 2012 and signed on its behalf by:

Amelia Fawcett
Chair

Darren Singer
Chief financial officer

The notes on pages 75 to 83 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 74 to 83 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.

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.

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:

Fixtures and fittings	4% - 33%
Software	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant cash-generating unit. Impairment amounts are charged to the profit and loss reserve.

Assets under construction are not depreciated.

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

Contingent assets and liabilities
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.

Notes relating to the financial statements continued

1. Accounting policies continued

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 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

	2012 £m	2011 £m
Audit services	**0.1**	0.1

3. Employees and directors

	2012 No.	2011 No.
Average monthly number of persons employed including executive and non-executive directors		
Administration	**40**	42

4. Tangible assets

	Software £m	Fixtures and fittings £m	Total £m
Cost and net book value			
At 4 April 2011			–
Additions	0.1	0.1	0.2
At 1 April 2012	**0.1**	**0.1**	**0.2**

Notes relating to the financial statements continued

5. Investment fund

	2012 £m	2011 £m
At 4 April 2011	**154.2**	189.6
Additions at cost	**54.0**	83.0
Divestment	**(30.6)**	(50.0)
Disposals	**(28.5)**	(68.4)
At 1 April 2012	**149.1**	154.2

Fixed asset investments comprise investments in hedge funds and other managed funds. The fair values of these investments are detailed in note 9 in the Group section of this report on pages 54 and 55.

The financial risk objectives and policies of the Company and exposure to risk is shown in the Group section of this report on pages 47 and 48.

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

	2012 £m	2011 £m
Fixed assets	**129.1**	94.2
Current assets	**20.0**	60.0
	149.1	154.2

6. Investments in subsidiary undertakings

	Shares £m	Loans £m	Total £m
Cost			
At 4 April 2011	492.9	521.6	1,014.5
Additions	42.4	8.8	51.2
At 1 April 2012	**535.3**	**530.4**	**1,065.7**
Amounts written off			
At 4 April 2011	419.6	73.8	493.4
Charge for the period	42.4	–	42.4
At 1 April 2012	**462.0**	**73.8**	**535.8**
Net book value at 1 April 2012	**73.3**	**456.6**	**529.9**
Net book value at 3 April 2011	73.3	447.8	521.1

The charge for the period includes the immediate write off of a recapitalisation of an intermediate holding company of £42.4 million.

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 69.

7. Investments in joint ventures

	Ordinary shares £m	Loans and preference shares £m	Total £m
Cost			
At 4 April 2011	7.0	424.2	431.2
Interest	–	48.0	48.0
At 1 April 2012	**7.0**	**472.2**	**479.2**
Amounts written off			
At 1 April 2012 and 4 April 2011	**6.6**	**174.4**	**181.0**
Net book value at 1 April 2012	**0.4**	**297.8**	**298.2**
Net book value at 3 April 2011	0.4	249.8	250.2

Details of the principal joint ventures are shown in the Group section of this report on page 69.

Notes relating to the financial statements continued

8. Investments in associates

	Unlisted shares £m
Cost	
At 1 April 2012 and 4 April 2011	**10.8**
Amounts written off	
At 1 April 2012 and 4 April 2011	**7.7**
Net book value at 1 April 2012 and 3 April 2011	**3.1**

Details of the principal associates are shown in the Group section of this report on page 69.

9. Other investments

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 1 April 2012 and 3 April 2011	**0.2**	**1.4**	**1.6**

10. Debtors

	2012 £m	2011 £m
Amounts owed by Group undertakings	**56.0**	132.7
Corporation tax	**1.3**	6.2
Deferred tax	**1.4**	2.0
Taxation and social security	**0.2**	0.4
Other debtors	**0.3**	0.1
Prepayments and accrued income	**0.5**	0.4
	59.7	141.8

The amounts owed by Group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

The deferred tax asset of £1.4 million (2011 £2.0 million) broadly comprises short-term timing differences.

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 £5.4 million (2011 £2.6 million).

11. Creditors: amounts falling due within one year

	2012 £m	2011 £m
Trade creditors	**0.6**	–
Amounts owed to Group undertakings	**206.6**	129.7
Other creditors	**1.5**	1.1
Accruals and deferred income	**2.7**	2.3
	211.4	133.1

The amounts owed to Group undertakings are unsecured, interest free, have no fixed payment date and are payable on demand.

12. Share capital

	2012 £m	2011 £m
Authorised, issued, called up and fully paid:		
900,000 ordinary shares of £1 each	**0.9**	0.9

Notes relating to the financial statements continued

13. Reserves

	Note	Non-distributable reserve £m	Profit and loss reserve £m
At 4 April 2011		0.1	944.6
Dividend paid	18	–	(0.2)
Loss for the year		–	(66.3)
Actuarial gain on defined benefit pension scheme		–	0.3
Deferred taxation charge on actuarial gain		–	(0.1)
Effect of surplus cap – defined benefit pension scheme	14	–	(1.0)
At 1 April 2012		**0.1**	**877.3**

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.

14. Pensions

The Company operated two 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 1 April 2012.

In July 2010 the UK Government announced that the statutory minimum level of revaluation would in future be calculated using the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). In respect of the Surrey Advertiser Newspaper Holdings Pension & Life Assurance Scheme, revaluation of deferred pensions is in line with the statutory minimum, and therefore we have made an assumption about future rates of CPI in order to value deferred pensions. Our assumption regarding future CPI rates is lower than for RPI rates. We estimate that the impact of this change is relatively small in reducing pension liabilities and the reduction in past service cost is not material to the Group.

The valuation for this Scheme has been updated to 1 April 2012 by a qualified independent actuary.

Notes relating to the financial statements continued

14. Pensions continued

Change in the fair value of scheme assets	2012 £m	2011 £m
At 4 April 2011	**15.6**	14.7
Expected return on plan assets	**0.8**	0.8
Actuarial gain	**0.9**	0.1
Employer contribution	**0.8**	0.8
Benefits paid	**(0.9)**	(0.8)
At 1 April 2012	**17.2**	15.6

	2012 £m	2011 £m
Change in the present value of the defined benefit obligation		
At 4 April 2011	**(15.6)**	(15.0)
Interest cost	**(0.9)**	(0.8)
Actuarial loss	**(0.6)**	(0.6)
Benefits paid	**0.9**	0.8
At 1 April 2012	**(16.2)**	(15.6)
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	**(16.2)**	(15.6)

	2012 £m	2011 £m
Funded status	**1.0**	–
Effect of surplus cap	**(1.0)**	–
Fair value of reimbursement rights	**–**	–

	2012 £m	2011 £m
Analysis of the amount charged to the profit and loss account:		
Expected return on plan assets	**0.8**	0.8
Interest cost	**(0.9)**	(0.8)
Total pension cost recognised in the profit and loss account	**(0.1)**	–
Analysis of the amount charged to the STRGL:		
Actuarial gain/(loss) immediately recognised	**0.3**	(0.5)
Effect of surplus cap	**(1.0)**	–
Total pension cost recognised in the STRGL	**(0.7)**	(0.5)
Actuarial gain:		
Cumulative amount of actuarial gain immediately recognised	**0.3**	–

Plan assets:

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

Asset category	2012	2011
Equities	**25%**	26%
Bonds	**38%**	73%
Gilts	**37%**	–
Cash	**–**	1%
	100%	100%

Notes relating to the financial statements continued

14. Pensions continued

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 5.32% assumption.

	2012 £m	2011 £m
Actual return on plan assets	1.7	0.9

Weighted average assumptions used to determine benefit obligations at:

	2012	2011	2010
Discount rate	4.90%	5.80%	5.80%
Rate of deferred revaluation	2.60%	3.75%	3.80%
Rate of pension increases in payment	3.40%	3.75%	3.80%

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

	2012	2011	2010
Discount rate	4.90%	5.80%	6.80%
Expected long-term return on plan assets	5.32%	5.50%	5.42%

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

	2012		2011	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.8	25.9	22.7	25.8
Member age 45 (life expectancy at age 65)	24.6	27.9	24.5	27.8

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

	Long-term rate of return expected 2012 %	Value at 2012 £m	Long-term rate of return expected 2011 %	Value at 2011 £m
Equities	5.3	4.2	6.4	4.1
Bond	4.9	6.6	5.5	5.7
Gilts	3.3	6.3	4.4	5.7
Cash	3.3	0.1	4.0	0.1
Total market value of assets		17.2		15.6
Present value of scheme liabilities		(16.2)		(15.6)
Surplus in scheme		1.0		–
Effect of surplus cap		(1.0)		–
Surplus/(deficit)		–		–

Notes relating to the financial statements continued

14. Pensions continued

Five year history

	Financial period ending in				
	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Fair value of plan assets at end of period	**17.2**	15.6	14.7	11.9	13.6
Benefit obligation at end of period	**(16.2)**	(15.6)	(15.0)	(13.2)	(14.8)
Surplus/(deficit)	**1.0**	–	(0.3)	(1.3)	(1.2)

Difference between expected and actual return on scheme assets:					
Amount (£m)	**0.9**	0.1	2.1	(2.1)	(0.7)
Percentage of scheme assets	**5%**	1%	14%	–18%	–5%
Experience gains and losses on scheme liabilities:					
Amount (£m)	**(0.1)**	–	0.5	(0.2)	0.1
Percentage of scheme liabilities	**0%**	0%	3%	–2%	1%

Contributions

The Company expects to contribute £0.8 million to its pension scheme in 2012/13.

15. Events after the reporting period

This information is shown in the Group section of the annual report on page 64.

16. Operating lease and similar commitments

Total annual amounts payable under non-cancellable leases are as follows:

	2012 **£m**	2011 £m
Land and buildings		
Expiring in less than one year	**–**	–
Expiring between two and five years	**–**	–
Expiring in over five years	**0.5**	–
	0.5	-

17. 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 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 £58.7 million (2011 £64.9 million);

(c) the Company has given a guarantee to Guardian News and Media Limited to support the carrying value of certain fixed assets held in that subsidiary.

18. Dividends paid

On 21 March 2012, the Board declared a dividend of 22.2p per share (2011 22.2p) on the ordinary share capital amounting to £200,000 (2011 £200,000) which was paid to The Scott Trust Limited on 21 March 2012.

Notes relating to the financial statements continued

19. 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, Top Right Group (formerly Emap). The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2012 £m	2011 £m
Loans made	**–**	0.1
Interest on loans and preference shares	**48.1**	44.1

At year-end, balances outstanding in relation to this related party amounted to £472.2 million (2011 £424.2 million).

20. Ultimate controlling party

The ultimate parent undertaking and controlling party is The Scott Trust Limited, a company incorporated in the United Kingdom, which owns 100% of the Company's shares.

The Scott Trust Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 1 April 2012. The consolidated financial statements of The Scott Trust Limited are available from Company Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.

Guardian Media Group plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 1 April 2012. The consolidated financial statements of Guardian Media Group plc can be obtained from Company Secretary, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.

Both The Scott Trust Limited and Guardian Media Group plc consolidated financial statements are available to download on the Group website www.gmgplc.co.uk

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