Company Registration Number 908396

GUARDIAN NEWS AND MEDIA LIMITED

Directors' report and financial statements
for the period ended 28 March 2010

Guardian News and Media Limited
Registered no. 908396

CONTENTS

LIST OF DIRECTORS AND ADVISERS

Directors at 28 March 2010

S.E. Beaumont	(resigned 1 November 2009)
E.J. Bell	
T.S. Brooks	
N. Castro	(resigned 2 November 2009)
J.L. Clark	(resigned 23 October 2009)
J. Cornaby	(appointed 7 October 2009)
C.M. Elliot	
S.A. Fitzsimons	
A. Freeman	
D. Gannon	
C. Hughes	(appointed 14 October 2009)
C.J. McCall	
A. Miller	(appointed 2 November 2009)
A. Rusbridger	
M.D. Sands	(resigned 26 October 2009)

Secretary
J. Cornaby

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Solicitors
Lovells LLP
65 Holborn Viaduct
London
EC1A 2DY

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

Registered Office
No. 1 Scott Place
Manchester M3 3GG

Guardian News and Media Limited
Registered no. 908396

REPORT OF THE DIRECTORS
for the year ended 28 March 2010

The directors present their report and audited financial statements of Guardian News and Media Ltd ('the Company') for the year ended 28 March 2010.

Principal Activities

The Company's principal activity is the dissemination of news, information and advertising matter by way of print and digital media. There have not been any significant changes to the Company's principal activities during the year, nor are the directors aware at the date of this report of any major changes to the Company's activities during next year.

Business Review

In a very competitive marketplace the two main titles, The Guardian and The Observer, continued to perform in line with expectations. The Guardian secured a market share of domestic sales of 16.8 percent in March 2010 (2009: 18.6 percent), with an average circulation of 314,000 for the year (2009: 347,000). The Observer secured a market share of domestic sales of 15.7 percent in March 2010 (March 2009: 17.8 percent), with an average circulation of 377,000 for the year (2009: 438,000). The principal reason for the year on year decline in circulation is the stopping of bulks (newspapers that are given to hotels and airlines for a nominal fee) from The Guardian and The Observer in August 2009.

guardian.co.uk has continued to grow. In March 2010 guardian.co.uk had 33.4 million unique users (March 2009: 26.2 million) and there were 285 million page impressions viewed during March 2010 (March 2009: 232 million).

In a challenging advertising market the Company's turnover has decreased by 12.9 per cent over the prior year to £219.7 million (2009: £252.1 million). The loss before tax for the year was £58.3 million (2009: £57.0 million). This is shown in the Company's profit and loss account on page 6.

Exceptional items in the year amount to £24.1 million (2009: £26.5 million).

Dividends

The directors do not recommend the payment of a dividend (2009: nil).

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Guardian Media Group plc, which include those of the Company, are discussed in the Group's consolidated financial statements, copies of which are available from The Secretary, Guardian Media Group plc, No. 1 Scott Place, Manchester, M3 3GG.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. During the year the Company published its social, ethical and environmental audit that measures the impact of its corporate social responsibility programme.

Employees

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

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 Company continues and the appropriate training is arranged. It is the policy of the Company 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.

Share Issue

During the year 50 million £1 ordinary shares were issued at par.

Going Concern

The Company's intermediate parent, Guardian Media Group plc, is owned 100% by The Scott Trust Limited whose core purpose is to secure the financial and editorial independence of The Guardian in perpetuity. The directors believe that the Company has adequate resources to continue operations for the foreseeable future and confirmation has been received from Guardian Media Group plc that it will provide financing facilities to enable the Company to carry on its business as a going concern. For this reason the going concern basis in preparing the financial statements continues to be appropriate.

Creditors Payment Policy

The Company has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors and payments are made to these creditors in line with the CBI's Prompt Payment Code. The creditor days figure for the year was 27 days (2009: 28 days restated).

REPORT OF THE DIRECTORS (continued)
for the year ended 28 March 2010

Directors and their Interests

The directors of the Company at 28 March 2010 are as listed on page 2. Stella Beaumont, Marc Sands, Joe Clark and Nick Castro who were directors on 29 March 2009, resigned as directors during the year. Andrew Miller, Jonathon Cornaby and Colin Hughes were appointed as directors during the year. All other directors served throughout the year.

No director had any interest in contracts made by the Company.

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- 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.

Disclosure of Information to Auditors

Each person who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(1) to (4) of the Companies Act 2006.

Donations

Payments to charitable organisations during the year amounted to £71,509 of which £30,471 were local and £41,038 national organisations (2009: £203,097, of which £90,051 local and £113,046 national). No payments to political parties were made during the year (2009: nil).

Auditors

In the absence of a notice proposing that the appointment be terminated, the auditors will be deemed to be re-appointed for the next financial year.

BY ORDER OF THE BOARD

Jonathon Cornaby
Director of Finance
9 June 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GUARDIAN NEWS AND MEDIA LIMITED

We have audited the financial statements of Guardian News and Media Limited ('the Company') for the year ended 28 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 Directors' Responsibilities Statement 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 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 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

S Copeland

Sonia Copeland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 June 2010

Guardian News and Media Limited
Registered no. 908396

PROFIT AND LOSS ACCOUNT
for the year ended 28 March 2010

	Note	**2010 £000**	2009 £000
All Continuing Operations			
Turnover	2	**219,669**	252,066
Operating costs	4c	**(252,668)**	(280,822)
Other operating income		**515**	-
Operating loss before exceptional items		**(32,484)**	(28,756)
Exceptional items	4b	**(24,109)**	(26,512)
Operating loss		**(56,593)**	(55,268)
Profit on disposal of fixed assets		**7**	-
Interest receivable and similar income	5	**37**	258
Interest payable and similar charges	6	**(1,779)**	(1,971)
Loss on ordinary activities before taxation		**(58,328)**	(56,981)
Tax credit on loss on ordinary activities	7	**11,580**	10,938
Loss for the financial year	18	**(46,748)**	(46,043)

The Company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

The notes on page 8 to 15 form part of these financial stataments.

Guardian News and Media Limited
Registered no. 908396

BALANCE SHEET
at 28 March 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed Assets					
Intangible assets	8		-		-
Tangible assets	9		42,285		48,377
Investments					
Subsidiaries	10		802		802
Other investments	10		367		367
			43,454		49,546
Current assets					
Stock	11	1,225		1,359	
Debtors	12	70,351		66,381	
Cash at bank and in hand		5,312		5,193	
		76,888		72,933	
Creditors: Amounts due within one year	13	43,348		55,479	
Net current assets			33,540		17,454
Total assets less current liabilities			76,994		67,000
Creditors: Amounts due after more than one year	14		42,908		43,065
Provisions for liabilities and charges	16		30,365		23,466
Net assets			3,721		469
Capital and reserves					
Called up share capital	17		327,600		277,600
Profit and loss account	18		(323,879)		(277,131)
Equity shareholder's funds			3,721		469

The notes on page 8 to 15 form part of these financial stataments.

The financial statements on pages 6 to 15 were approved by the Board of Directors on 9 June 2010 and signed on their behalf by:

Jonathon Cornaby
Director of Finance

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 28 March 2010

1. Accounting policies

Accounting basis
The accounts have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below. The accounts have been prepared on the historical cost basis.

Confirmation has been received from Guardian Media Group plc that, with The Scott Trust Limited's core purpose being to secure the financial and editorial independence of The Guardian, it will provide additional financing facilities to enable the Company to carry on its business as a going concern.

The Company is exempt from the requirement to produce consolidated financial statements, under s400 of the Companies Act 2006, on the basis that it is a wholly owned subsidiary of Guardian Media Group plc.

Cash flow statement
The Company is a wholly owned subsidiary of Guardian Media Group plc and the cash flows of the Company are included in the consolidated Group cash flow statement of Guardian Media Group plc. Consequently the Company is exempt from publishing a cash flow statement under Financial Reporting Standard Number 1 (revised 1996).

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

Plant and vehicles	20% - 33%	Fixtures and fittings	4% - 33%

Assets in course of construction are not depreciated until they are completed and employed by the Company. Depreciation is charged on assets from the time they become operational, over their useful economic life.

Development costs relating to the creation of software are capitalised if it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the costs can be reliably measured. Expenditure on research is expensed. Computer equipment and digital assets are included within plant and vehicles.

The carrying value of fixed assets 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 value in use of expected future cash flows of the relevant income generating unit.

Valuation of investments
Shares in subsidiaries and other investments are stated at cost except where net asset value is below cost in which case a provision is made for any impairment in accordance with FRS 11, "Impairment of fixed assets and goodwill".

Stock
Stock is stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Taxation
The Company provides for corporate taxation on the results for the period at the normal rate applicable to that period and recognises Group relief when made available.

In accordance with FRS 19, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

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

The deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 28 March 2010

1. Accounting policies (continued)

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

Circulation and advertising revenue is recognised on publication or display.

Subscription revenue is recognised on a straight-line basis over the life of the subscription.

Revenues from barter transactions are recognised when the advertisements are displayed and are recorded at the fair value of goods or services received, in accordance with UITF Abstract 26 'Barter Transactions for Advertising'.

Leases
Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the asset and the present value of minimum lease payments. The equivalent liability is categorised under current and non-current liabilities. Assets under finance leases 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 of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

The aggregate benefit of operating lease incentives is recognised as a reduction of rental expense. The benefit is allocated on a straight-line basis over the shorter of the lease term and the period ending on the date from which it is expected that prevailing market rental will be payable and recorded within other creditors.

Provisions
A provision is recognised in the financial statements when an obligation exists at the balance sheet date, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of that obligation can be made.

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.

Foreign Currency Transactions
Transactions denominated in foreign currencies during the period are translated at rates ruling at the dates of the transactions. Monetary assets and liabilities held in foreign currencies are stated in sterling at rates applicable at the balance sheet date. Differences arising on translation and on the conversion of foreign currency transactions during the year are taken to the profit and loss account.

Pension costs
The Group operates defined contribution pension schemes. Contributions are made in accordance with the scheme rules, and charged to operating costs as incurred.

2. Turnover

Sales are made substantially in the United Kingdom and relate to one class of business. The Company has recognised revenue from barter transactions of £3,302k in the year (2009: £1,794k).

3. Staff costs

	2010	2009
	£000	£000
(a) Staff costs during the period, including executive directors:		
Wages and salaries	**94,604**	86,125
Employer's social security costs	**8,706**	8,932
Employer's pension costs (see note 23)	**7,380**	7,425
	110,690	102,482

Included within staff costs are £12,900k (2009: £4,197k) of exceptional items relating to organisational restructuring (refer note 4b).

	No.	No.
(b) Average number of persons employed during the year, including executive directors:		
Production	**936**	927
Selling and distribution	**505**	528
Administration	**257**	318
	1,698	1,773

(c) Emoluments of directors	**2010**	2009
	£000	£000
Aggregate emoluments	**2,201**	2,272
Company pension contributions to money purchase schemes	**476**	492

As at 28 March 2010 retirement benefits are accruing to nine directors under a money purchase scheme (2009: nine directors) and to no directors under a defined benefit scheme (2009: no directors). Aggregate emoluments include £552,429 in respect of compensation for loss of office (2009: £198,366). C.J. McCall and N. Castro were employeed by another GMG company during 2010 and no recharge for their services is made to the Company.

	2010	2009
Highest paid director:	**£000**	£000
Aggregate emoluments	**411**	445
Company pension contributions to money purchase schemes	**154**	156

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 28 March 2010

4. Operating loss

	2010 £000	2009 £000
(a) The following amounts have been charged in arriving at the operating loss:		
Depreciation charge on tangible fixed assets		
- Owned assets	10,037	8,280
- Under finance leases	372	129
Amortisation of goodwill	-	2,846
Impairment charge on intangible fixed assets	-	11,383
Impairment charge on investments	-	4,001
Staff costs (see note 3)	97,790	98,285
Auditors' remuneration for audit of the Company's annual accounts	54	55
Auditors' remuneration for tax services	192	219
Operating lease rentals:		
Plant & machinery	1,200	1,084
Buildings	4,183	8,609

(b) Also included in operating loss are the following exceptional costs:	2010 £000	2009 £000
Organisational restructuring	12,900	4,197
Company move to new premises	4,610	6,931
Impairment charge on intangible fixed assets	-	11,383
Impairment charge on investments	-	4,001
Bad debts	6,599	-
	24,109	26,512

(c) Operating costs:	2010 £000	2009 £000
Raw materials and consumables	34,401	43,417
Other external charges	19,650	25,965
Staff costs (see note 3)	97,790	98,285
Depreciation on tangible fixed assets	10,409	8,409
Other expenses	90,418	104,746
	252,668	280,822

5. Interest receivable and similar income

	2010 £000	2009 £000
Interest income	37	258

6. Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on intercompany loans	-	(119)
Interest payable on finance leases	(1,779)	(1,852)
	(1,779)	(1,971)

7. Tax credit on loss on ordinary activities

a) Analysis of credit in year	2010 £000	2009 £000
Current tax		
UK corporation tax on results for the year	(8,460)	(9,893)
Adjustments in respect of prior period	(1,274)	(161)
Overseas tax	-	111
Total current tax	(9,734)	(9,943)
Deferred tax		
Origination and reversal of timing differences (see note 15)	(1,846)	(995)
Total deferred tax (see note 15)	(1,846)	(995)
Tax credit on loss on ordinary activities	(11,580)	(10,938)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 28 March 2010

7. Tax credit on loss on ordinary activities (continued)

b) Factors affecting the tax credit for the year	**2010 £000**	2009 £000
The tax for the period is higher (2009: higher) than the standard rate of corporation tax in the UK (28%) (2009: 28%) The differences are explained below.		
Loss on ordinary activities before tax	**(58,328)**	(56,981)
Loss on ordinary activities multiplied by standard corporation tax rate of 28% (2009: 28%)	**(16,332)**	(15,955)
Effects of:		
Non-deductible expenses	**1,865**	6,125
Income not taxable	**(46)**	(713)
Depreciation in excess of capital allowances	**2,361**	1,898
Other timing differences	**(1,022)**	(1,248)
Current year tax losses not recognised	**3,264**	-
Capital gains deemed transfer under s171	**1,450**	-
Adjustments to tax charge in respect of previous periods	**(1,274)**	(161)
Overseas tax	**-**	111
Current tax credit for year	**(9,734)**	(9,943)

c) Factors that may affect future tax charges
There are no significant factors known at 28 March 2010 which may affect future tax charges (29 March 2009: No significant factors).

8. Intangible fixed assets

	Goodwill £000
Cost	
At 29 March 2009 and 28 March 2010	14,355
Amortisation	
At 29 March 2009 and 28 March 2010	14,355
Net book value at 29 March 2009 and 28 March 2010	-

9. Tangible fixed assets

	Land and buildings	Plant and vehicles	Fixtures and fittings	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 29 March 2009	13,209	84,600	26,852	1,261	125,922
Additions	-	673	(86)	3,732	4,319
Transfers from/(to) other asset classes	-	3,869	599	(4,468)	-
Less : Disposals	-	(35)	-	-	(35)
At 28 March 2010	**13,209**	**89,107**	**27,365**	**525**	**130,206**
Depreciation					
At 29 March 2009	13,209	62,333	2,003	-	77,545
Depreciation charge for the year	-	8,457	1,952	-	10,409
Less : Disposals	-	(32)	-	-	(32)
At 28 March 2010	**13,209**	**70,758**	**3,955**	**-**	**87,922**
Net book value at 28 March 2010	-	**18,350**	**23,410**	**525**	**42,285**
Net book value at 29 March 2009	-	22,267	24,849	1,261	48,377

Assets held under finance leases, capitalised and included in tangible fixed assets (see note 14) at the present value of minimum lease payments:

	2010	2009
	£000	£000
Cost	**52,847**	52,847
Accumulated depreciation	**(9,985)**	(9,613)
Accumulated impairment charge	**(42,247)**	(42,247)
Net book value	**615**	987

10. Investments

	Investment in subsidiary undertakings	Loan	Total
	£000	£000	£000
Net Book Value at 28 March 2010 and 29 March 2009	**802**	**367**	**1,169**

The principal activity of the subsidiary companies is the dissemination of news, information and advertising matter by way of print and other media. The principal subsidiary companies are incorporated in Great Britain and registered in England and Wales, except where stated.

The Company is exempt from the requirement to produce consolidated financial statements, under s400 of the Companies Act 2006, on the basis that it is a wholly owned subsidiary of Guardian Media Group plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 28 March 2010

10. Investments (continued)

Subsidiary Companies	Description of shares held by the Company	Equity Holding
ContentNext Media, inc.*	$0.001 ordinary shares	100%
	$0.001 preference shares	100%
Guardian Education Interactive Limited**	£1 ordinary shares	100%
Guardian Magazines Limited**	£1 ordinary shares	100%
Guardian News Service Limited**	£1 ordinary shares	100%
Guardian Press Centre Limited**	£1 ordinary shares	100%
Kable Limited**	£1 ordinary shares	100%
	£1 ordinary b shares	100%
Learnco Limited**	£1 ordinary shares	100%
Learnthings South Africa (Pty) Limited**/***	1 Rand ordinary shares	100%
Learnthings UK Limited**/***	£1 ordinary shares	100%
OG Enterprises Limited	£1 ordinary shares	100%

* ContentNext Media, inc is incorporated in the United States of America.

** These companies were dormant during the year under review.

*** These companies are wholly owned subsidiaries of Guardian Education Interactive Limited. Learnthings South Africa (Pty) Ltd is incorporated in South Africa.

11. Stock

	2010 £000	2009 £000
Raw materials	1,225	1,359

12. Debtors

	2010 £000	2009 £000
Trade debtors	27,779	32,782
Amount owed by Group undertakings	10,799	2,811
Corporation tax receivable	2,601	4,832
Deferred tax asset (see note 15)	16,994	15,148
VAT receivable	401	909
Other debtors	1,566	863
Prepayments and accrued income	10,211	9,036
	70,351	66,381

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

Corporation tax receivable relates to Group relief due from various Group companies.

13. Creditors: amounts due within one year

	2010 £000	2009 £000
Trade creditors	3,178	3,812
Amount owed to Group undertakings	8,724	17,481
Taxation and social security	2,489	2,662
VAT payable	1,827	345
Other creditors	2,189	2,434
Accruals and deferred income	21,500	25,450
Current portion of long term liabilities (see note 14)	3,441	3,295
	43,348	55,479

The amounts due to Group undertakings are unsecured, interest free and have no fixed repayment date.

14. Creditors - amount due after more than one year

	2010	2009
	£000	£000
Finance Leases	36,175	39,547
Other creditors	6,733	3,518
	42,908	43,065

Finance leases

Reconciliation between minimum lease payments and their present value:

	2010	2009
	£000	£000
Minimum lease payments	48,625	53,675
Future finance charges	(9,009)	(10,833)
Present value of finance lease liability	39,616	42,842

Of which £3,441k is payable in one year.

The lease payments under finance leases fall due as follows:

	Minimum lease payments	Future finance charges	Present value of finance lease liability
2010	£000	£000	£000
Not later than one year	5,051	1,610	3,441
Later than one year but not more than five	18,657	4,945	13,712
More than five years	24,917	2,454	22,463
	48,625	9,009	39,616
2009			
Not later than one year	5,051	1,756	3,295
Later than one year but not more than five	19,043	5,547	13,496
More than five years	29,581	3,530	26,051
	53,675	10,833	42,842

Finance leases comprise predominantly of printing machinery, the term of which is 18 years with an interest rate of 4.5% per annum.

15. Deferred tax

	2010	2009
	£000	£000
Accelerated capital allowances	6,758	3,868
Short term timing differences	9,778	10,797
Losses	458	483
Total deferred tax asset	16,994	15,148
Movement in the year :		
At 29 March 2009	15,148	14,153
Credit to profit and loss account (see note 7)	1,846	995
At 28 March 2010	16,994	15,148

Deferred tax assets on accelerated capital allowances are expected to be recoverable after more than one year. The company has an unprovided deferred tax asset of £3,263,146 (2009: £nil) relating to current year losses. No deferred tax is recognised on these trading losses as it is not regarded as more likely than not that there will be suitable taxable profits/gains against which they can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

16. Provisions for liabilities and charges

	Printing contract	Restructuring	Other	Total
	£000	£000	£000	£000
At 29 March 2009	19,022	1,389	3,055	23,466
Additional provisions	-	6,631	5,232	11,863
Used during the year	(2,555)	(1,389)	(1,020)	(4,964)
At 28 March 2010	16,467	6,631	7,267	30,365

The Company has provided for an onerous printing contract which is expected to be utilised over the life of the contract, 15 years.

The Company is in the process of transformation from a predominantly UK focused print organisation into an internationally focused digital media business. This has resulted in job reductions already announced and a voluntary redundancy programme has been opened for editorial departments. The restructuring provision is expected to be fully utilised during the 2011 financial year.

The remaining provisions relate primarily to the Company's move from its previous premises and is expected to be utilised over the life of the lease, 15 years.

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17. Called up share capital	2010 £000	2009 £000
400,000,000 authorised ordinary shares (2009: 400,000,000) of £1 each	**400,000**	400,000
327,600,000 issued and fully paid ordinary shares (2009: 277,600,000) of £1 each	**327,600**	277,600

During the year the Company issued 50,000,000 £1 ordinary shares, at par, to its immediate holding company, Guardian News and Media (Holdings) Limited.

18. Reserves	Profit & Loss £000	Share Capital £000	Total £000
At 29 March 2009	(277,131)	277,600	469
Loss for the year	(46,748)	-	(46,748)
Issue of share capital	-	50,000	50,000
At 28 March 2010	**(323,879)**	**327,600**	**3,721**

19. Reconciliation of movement of shareholder's funds	2010 £000	2009 £000
Loss for the year	**(46,748)**	(46,043)
Proceeds of issue of ordinary share capital	**50,000**	30,000
Net increase / (reduction) to shareholder's funds	**3,252**	(16,043)
Opening shareholder's funds	**469**	16,512
Closing shareholder's funds	**3,721**	469

20. Capital commitments authorised

There is no contracted capital expenditure as at 28 March 2010 (2009: nil).

21. Operating lease and similar commitments	2010 £000	2009 £000
The total annual amounts payable under lease and similar commitments are as follows:		
Land and Buildings		
Expiring in less than one year	-	-
Expiring between two and five years	-	-
Expiring in over five years	**3,658**	4,384
	3,658	4,384
Other		
Expiring within one year	-	-
Expiring between two and five years	**150**	150
Expiring in over five years	-	-
	150	150

22. Related party transactions

The directors regard Guardian Media Group plc as the controlling party by virtue of its 100% interest in the equity share capital of the Company. Transactions with fellow members of the Guardian Media Group plc are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation and the Group's consolidated financial statements are publicly available.

23. Pensions

The majority of the Company's employees are members of a defined contribution pension scheme operated by the ultimate holding company. The pension charge for the year is shown in note 3(a). Details of the Group's pension scheme are shown in the consolidated financial statements of Guardian Media Group plc. No pension contributions are outstanding or prepaid at year end.

24. Ultimate holding company

The Company's immediate holding company is Guardian News and Media (Holdings) Limited, a company registered in England and Wales. The Company's ultimate holding company and ultimate controlling party is The Scott Trust Limited. Copies of the ultimate holding company's consolidated financial statements may be obtained from The Secretary, The Scott Trust Limited, No. 1 Scott Place, Manchester M3 3GG.