Company Registered Number 00908396

GUARDIAN NEWS AND MEDIA LIMITED

Report of the directors and financial statements for the year ended 3 April 2011

CONTENTS

LIST OF DIRECTORS AND ADVISERS

Directors at 3 April 2011

J. Cornaby
S.A. Fitzsimons
A. Freeman
D. Gannon
C. Hughes
A. Miller
A. Rusbridger

D. Singer was appointed as a director on 18 April 2011.

In addition the following directors served during the financial year until their date of resignation as follows:

E.J. Bell	(Resigned on 31 July 2010)
T.S. Brooks	(Resigned on 9 February 2011)
C.M. Elliot	(Resigned on 30 June 2010)
C.J. McCall	(Resigned on 30 June 2010)

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
PO Box 68164
Kings Place
90 York Way
London
N1P 2AP

Guardian News and Media Limited
Registered no. 00908396

REPORT OF THE DIRECTORS
for the year ended 3 April 2011

The directors present their report and audited financial statements of Guardian News and Media Limited (the "Company") for the year ended 3 April 2011.

Principal activities

The Company's principal activities are 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 highly competitive marketplace, The Guardian continued to expand its global audience. In March 2011, guardian.co.uk reached 49.2 million monthly unique browsers (March 2010: 33.4 million) and had 342 million page impressions (March 2010: 285 million).

Our two main print titles, The Guardian and The Observer, continued to perform in line with expectations. The Guardian secured an increase in market share for domestic sales of 1.2 percent to 18.0 percent in March 2011 (March 2010: 16.8 percent), with an average circulation of 276,000 for the year (2010: 314,000). The Observer's market share in March 2011 was 15.5 percent (March 2010: 15.7 percent), while average circulation for the year was 316,000 (2010: 377,000). As elsewhere in the industry, year-on-year circulation declines were largely driven by structural issues, such as the migration of readers from print to digital platforms.

The difficult economic environment, and in particular the challenging advertising market, led to a decrease in Company turnover of 10.6 per cent to £196.5 million (2010: £219.7 million). The loss before tax for the year was £42.6 million (2010: £58.3 million). This is shown in the Company's profit and loss account on page 6. The fall in loss before tax reflects a reduction in exceptional costs, in particular organisational restructuring and office move costs.

Exceptional items in the year amount to £4.0 million (2010: £24.1 million).

Dividends

The directors are unable to recommend the payment of a dividend (2010: £nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with those of the group and are not managed separately. Accordingly, the principal risks and uncertainties of 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, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.

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 and are aware of the financial and economic factors affecting the performance of the Company, such 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, 30 million £1 ordinary shares were issued at par (2010: 50 million £1 ordinary shares).

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 Confederation of British Industry ("CBI") Prompt Payment Code. The creditor days figure for the year was 34 days.

REPORT OF THE DIRECTORS (continued)
for the year ended 3 April 2011

Directors and their interests

The directors of the Company at 3 April 2011 are as listed on page 2. E.J.Bell, T.S.Brooks, C.M.Elliot and C.J.McCall who were directors on 28 March 2010, resigned as directors during the year and D. Singer was appointed as a director on 18 April 2011. 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 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 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 £130,065, of which £31,264 were to local and £98,801 to national organisations (2010: £71,509, of which £30,471 local and £41,038 national). No payments to political parties were made during the year (2010: £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

J. Cornaby
Director
15 June 2011

Guardian News and Media Limited
Registered no. 00908396

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 3 April 2011 which comprise the Profit and Loss Account, the Balance Sheet and the notes 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 4 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 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 report of the directors and financial statements 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 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 3 April 2011 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 report of the directors 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.

Sam Tomlinson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 June 2011

Guardian News and Media Limited
Registered no. 00908396

PROFIT AND LOSS ACCOUNT
for the year ended 3 April 2011

	Note	2011 £000	2010 £000
All continuing operations			
Revenue	2	**196,463**	219,669
Operating costs	4(c)	**(233,407)**	(252,153)
Operating loss before exceptional items		**(36,944)**	(32,484)
Exceptional items	4(b)	**(4,037)**	(24,109)
Operating loss		**(40,981)**	(56,593)
(Loss)/profit on disposal of fixed assets		**(67)**	7
Interest receivable and similar income	5	**60**	37
Interest payable and similar charges	6	**(1,603)**	(1,779)
Loss on ordinary activities before taxation		**(42,591)**	(58,328)
Tax credit on loss on ordinary activities	7	**16,170**	11,580
Loss for the financial year	18	**(26,421)**	(46,748)

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 statements.

Guardian News and Media Limited
Registered no. 00908396

BALANCE SHEET
at 3 April 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Intangible assets	8	-		-	
Tangible assets	9	37,783		42,285	
Investments	10	1,169		1,169	
			38,952		43,454
Current assets					
Stock	11	1,678		1,225	
Debtors *	12	74,851		70,351	
Cash at bank and in hand		6,193		5,312	
		82,722		76,888	
Creditors: Amounts due within one year	13	(51,139)		(43,348)	
Net current assets			31,583		33,540
Total assets less current liabilities			70,535		76,994
Creditors: Amounts due after more than one year	14		(41,115)		(42,908)
Provisions for liabilities and charges	16		(22,120)		(30,365)
Net assets			7,300		3,721
Capital and reserves					
Called up share capital	17		357,600		327,600
Profit and loss account	18		(350,300)		(323,879)
Equity shareholder's funds	19		7,300		3,721

* Debtors includes an amount of £13,637,000 (2010: £16,994,000) relating to a deferred tax asset, which is expected to be realised after more than one year (see note 12).

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

The financial statements on pages 6 to 15 were approved by the Board of Directors on 15 June 2011 and signed on their behalf by:

J. Cornaby
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 3 April 2011

1. Accounting policies

Accounting basis
The financial statements 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 financial statements 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 FRS 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 economic life of the asset concerned. The principal annual rates used for depreciation are:

Plant and vehicles	6.7% - 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 expected 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.

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

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 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 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 3 April 2011

1. Accounting policies (continued)

Revenue

Revenue represents the fair value of consideration received or receivable for circulation, advertisement and other revenue (net of VAT, trade discounts 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 Company.

Circulation revenue is recognised on publication. Returns are estimated based on historical experience and presented net of revenue in the profit and loss account and net of debtors on the balance sheet. Subscription revenue is recognised on a straight-line basis over the life of the subscription. Revenue allocated to 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. Online advertising revenue is recognised as page impressions are served or evenly over the period, depending on the terms of the contract.

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 economic 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. Full details of the pension scheme are shown in the consolidated financial statements of Guardian Media Group plc.

2. Revenue

Sales are made substantially in the United Kingdom and relate to one class of business, being the dissemination of news, information and advertising matter by way of print and digital media. The Company has recognised revenue from barter transactions of £2,791,000 in the year (2010: £3,302,000).

3. Staff costs

	2011	2010
	£000	£000
(a) Staff costs during the year, including executive directors, comprise:		
Wages and salaries	**80,013**	94,604
Employer's social security costs	**8,152**	8,706
Employer's pension costs (see note 23)	**6,788**	7,380
	94,953	110,690

Included within staff costs are £3,343,000 (2010: £12,900,000) of exceptional items relating to organisational restructuring (see note 4(b)).

(c) Emoluments of directors	**2011**	2010
	£000	£000
Aggregate emoluments	**1,934**	2,201
Company pension contributions to money purchase schemes	**401**	476

As at 3 April 2011 retirement benefits are accruing to six directors under a money purchase scheme (2010: nine directors). Aggregate emoluments excludes £694,000 in respect of compensation for loss of office (2010: £552,000). A. Miller was employed by another Guardian Media Group plc company during the year and no recharge for his services is made to the Company (2010: same).

	2011	2010
Highest paid director:	**£000**	£000
Aggregate emoluments	**456**	411
Company pension contributions to money purchase schemes	**150**	154

4. Operating loss

	2011 £000	2010 £000
(a) The following amounts have been charged in arriving at the operating loss:		
Depreciation charge on tangible fixed assets:		
- Owned assets	9,868	10,037
- Under finance leases	372	372
Impairment charge on investments	125	-
Staff costs (see note 3)	94,953	110,690
Auditors' remuneration for audit of the Company's financial statements	59	54
Auditors' remuneration for tax services	99	192
Operating lease rentals:		
- Plant and machinery	110	191
- Buildings	3,994	4,183

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

(b) Also included in operating loss are the following exceptional costs:	2011 £000	2010 £000
Organisational restructuring	3,343	12,900
Company move to new premises	-	4,610
Impairment charge on investments	125	-
Bad debts	569	6,599
	4,037	24,109

(c) Operating costs comprise the following (less other operating income):	2011 £000	2010 £000
Raw materials and consumables	30,836	34,401
Other external charges	15,002	19,650
Staff costs (see note 3)	91,610	97,790
Depreciation on tangible fixed assets	10,240	10,409
Other operating expenses	85,970	90,418
Other operating income	(251)	(515)
	233,407	252,153

5. Interest receivable and similar income

	2011 £000	2010 £000
Interest income	60	37

6. Interest payable and similar charges

	2011 £000	2010 £000
Interest payable on finance leases	1,603	1,779

7. Tax credit on loss on ordinary activities

(a) Analysis of credit in year	2011 £000	2010 £000
Current tax		
UK corporation tax on results for the year	(21,987)	(8,460)
Adjustments in respect of prior period	2,422	(1,274)
Overseas tax	38	-
Total current tax	(19,527)	(9,734)
Deferred tax		
Origination and reversal of timing differences	2,133	(1,846)
Changes in tax rates or laws	1,224	-
Total deferred tax (see note 15)	3,357	(1,846)
Tax credit on loss on ordinary activities	(16,170)	(11,580)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 3 April 2011

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

	2011	2010
(b) Factors affecting the tax credit for the year	**£000**	£000
The tax for the period is lower (2010: higher) than the standard rate of corporation tax in the UK of 28% (2010: 28%)		
The differences are explained below.		
Loss on ordinary activities before tax	**(42,591)**	(58,328)
Loss on ordinary activities multiplied by standard corporation tax rate of 28% (2010: 28%)	**(11,925)**	(16,332)
Effects of:		
Non-deductible expenses	**679**	1,865
Income not taxable	**-**	(46)
Depreciation in excess of capital allowances	**2,415**	2,361
Other timing differences	**(1,058)**	(1,022)
Current year tax losses not recognised	**4,028**	3,264
Capital gains deemed transfer under s171	**-**	1,450
Adjustments to tax charge in respect of prior periods	**2,422**	(1,274)
Payments received for group relief in excess of standard tax rate	**(16,126)**	-
Overseas tax	**38**	-
Current tax credit for year	**(19,527)**	(9,734)

(c) Factors that may affect future tax charges

A change in the UK main corporation tax rate from 28% to 26% was substantially enacted on 29 March 2011, following the conclusion of the Budget debates, and was effective from 1 April 2011.

Further reductions to the UK corporation tax rate were announced in the June 2010 Budget. These further changes are expected to be enacted separately each year. However, these further changes had not been substantially enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

8. Intangible fixed assets

	Goodwill
	£000
Cost	
At 28 March 2010 and 3 April 2011	**14,354**
Amortisation	
At 28 March 2010 and 3 April 2011	**14,354**
Net book value	
At 28 March 2010 and 3 April 2011	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 3 April 2011

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 28 March 2010	13,209	89,108	27,365	525	130,207
Additions	-	2,725	310	2,899	5,934
Transfers from/(to) other asset classes	-	2,093	(488)	(1,605)	-
Disposals	-	(967)	(309)	(7)	(1,283)
At 3 April 2011	**13,209**	**92,959**	**26,878**	**1,812**	**134,858**
Accumulated depreciation					
At 28 March 2010	13,209	70,758	3,955	-	87,922
Depreciation charge for the year	-	8,592	1,648	-	10,240
Transfers from/(to) other asset classes	-	(811)	811	-	-
Disposals	-	(842)	(245)	-	(1,087)
At 3 April 2011	**13,209**	**77,697**	**6,169**	-	**97,075**
Net book value at 3 April 2011	-	**15,262**	**20,709**	**1,812**	**37,783**
Net book value at 28 March 2010	-	18,350	23,410	525	42,285

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

	2011	2010
	£000	£000
Cost	**52,847**	52,847
Accumulated depreciation	**(10,357)**	(9,985)
Accumulated impairment charge	**(42,247)**	(42,247)
Net book value	**243**	615

10. Investments

	Investment in subsidiary undertakings	Loan	Total
	£000	£000	£000
Net book value at 28 March 2010	802	1,169	1,169
Purchase of subsidiary undertaking	125	-	125
Impairment charge for the year	(125)	-	(125)
Net book value at 3 April 2011	**802**	**1,169**	**1,169**

The principal activities of the subsidiary undertakings are the dissemination of news, information and advertising matter by way of print and other media. The principal subsidiary undertakings are incorporated in Great Britain and registered in England and Wales, except where stated. During the year, Guardian News and Media Limited purchased FSE World Limited. This investment was impaired during the year.

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.

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%
FSE World 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) Limited is incorporated in South Africa.

11. Stock

	2011 £000	2010 £000
Raw materials	1,678	1,225

12. Debtors

	2011 £000	2010 £000
Trade debtors	23,623	27,779
Amount owed by group undertakings	28,805	10,799
Corporation tax receivable	-	2,601
Deferred tax asset (see note 15)	13,637	16,994
VAT receivable	383	401
Other debtors	998	1,566
Prepayments and accrued income	7,405	10,211
	74,851	70,351

The amounts owed by group undertakings are unsecured, interest free, have no fixed payment date and are repayable on demand.
Corporation tax receivable relates to group relief due from various group undertakings.
The deferred tax asset of £13,637,000 is expected to be realised after more than one year (2010: £16,994,000).

13. Creditors: amounts due within one year

	2011 £000	2010 £000
Trade creditors	9,346	3,178
Amount owed to group undertakings	11,427	8,724
Corporation tax payable	688	-
Taxation and social security	2,638	2,489
VAT payable	-	1,827
Other creditors (see note 14)	4,660	2,189
Accruals and deferred income	19,182	21,500
Finance leases (see note 14)	3,198	3,441
	51,139	43,348

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 3 April 2011

14. Creditors: amount due after more than one year

	2011	2010
	£000	£000
Finance leases	32,984	36,175
Other creditors	8,131	6,733
	41,115	42,908

Other creditors comprise of operating lease incentives of £9,518,000 (2010: £6,733,000), of which £1,387,000 (2010: £nil) is due within one year (see note 13).

Finance leases

Reconciliation between minimum lease payments and their present value:

	2011	2010
	£000	£000
Minimum lease payments	43,585	48,625
Future finance charges	(7,403)	(9,009)
Present value of finance lease liability	36,182	39,616

Of which £3,198,000 is payable within one year (2010: £3,441,000) (see note 13).

The lease payments under finance leases fall due as follows:

	Minimum lease payments	Future finance charges	Present value of finance lease liability
2011	£000	£000	£000
Not later than one year	4,645	1,447	3,198
Later than one year but not more than five	18,579	4,304	14,275
More than five years	20,361	1,652	18,709
	43,585	7,403	36,182
2010			
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

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

15. Deferred tax

	2011	2010
	£000	£000
Accelerated capital allowances	8,567	6,758
Short term timing differences	5,070	9,778
Losses	-	458
Deferred tax asset	13,637	16,994
Movement in the year :		
At 28 March 2010	16,994	15,148
(Charge) /credit to profit and loss account (see note 7)	(3,357)	1,846
At 3 April 2011	13,637	16,994

The deferred tax asset is expected to be recoverable after more than one year. The Company has an unprovided deferred tax asset of £13,367,000 (2010: £3,263,000) relating to carried forward trading losses (£10,397,000) (2010: £3,263,000) and short term timing differences (£2,970,000) (2010: £nil). No deferred tax asset is recognised on these amounts as it is not regarded as more likely than not that there will be suitable taxable profits/gains, against which they can be deducted in the foreseeable future. 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 contracts	Restructuring	Other	Total
	£000	£000	£000	£000
At 28 March 2010	16,467	6,631	7,267	30,365
Additional provisions	1,158	1,216	1,236	3,610
Unused amounts reversed	-	(174)	(1,087)	(1,261)
Used during the year	(2,276)	(6,457)	(1,861)	(10,594)
At 3 April 2011	15,349	1,216	5,555	22,120

The Company has provided for onerous printing contracts, which are expected to be utilised over the life of the contracts of up to 15 years.

The Company is in the process of transformation from a predominantly UK focused print organisation into an internationally focused multimedia platform organisation. This has resulted in a number of changes within the business, including redundancies. The provision is expected to be fully utilised within one year.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 3 April 2011

17. Called up share capital

	2011 £000	2010 £000
400,000,000 authorised ordinary shares (2010: 400,000,000) of £1 each	**400,000**	400,000
357,600,000 issued and fully paid ordinary shares (2010: 327,600,000) of £1 each	**357,600**	327,600

During the year, the Company issued 30,000,000 £1 ordinary shares, at par, to its immediate holding company, Guardian News and Media (Holdings) Limited.

18. Reserves

	Profit and loss £000	Share capital £000	Total £000
At 28 March 2010	(323,879)	327,600	3,721
Loss for the year	(26,421)	-	(26,421)
Issue of share capital	-	30,000	30,000
At 3 April 2011	**(350,300)**	**357,600**	**7,300**

19. Reconciliation of movement of equity shareholder's funds

	2011 £000	2010 £000
Loss for the year	**(26,421)**	(46,748)
Proceeds of issue of ordinary share capital	**30,000**	50,000
Net increase to equity shareholder's funds	**3,579**	3,252
Opening equity shareholder's funds	**3,721**	469
Closing equity shareholder's funds	**7,300**	3,721

20. Capital commitments authorised

Contracted capital expenditure as at 3 April 2011 amounted to £71,753 (2010: £nil).

21. Operating lease and similar commitments

	2011 £000	2010 £000
Total annual amounts payable under non-cancellable leases are as follows:		
Land and buildings		
Expiring in less than one year	-	-
Expiring between two and five years	-	-
Expiring in over five years	**4,754**	4,741
	4,754	4,741
Other		
Expiring within one year	-	-
Expiring between two and five years	**92**	150
Expiring in over five years	-	-
	92	150

The Company has sublet one operating lease and the total annual amount expected to be receivable is £666,000 (2010: £nil). Provisions have been recognised against those properties, which are vacant or where the sublet income is below the head lease commitment (see note 16).
Prior year amounts have been re-presented on a comparable basis with the current year.

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 its intermediate holding company, Guardian Media Group plc, 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. Post balance sheet events

There have been no significant events between the balance sheet date and the date of approval of these financial statements (2010: same).

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, PO Box 68164, Kings Place, 90 York Way, London, N1P 2AP.