Company Registration Number 908396

GUARDIAN NEWS AND MEDIA LIMITED

Directors' report and financial statements
for the period ended 29 March 2009

Guardian News and Media Limited

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Guardian News and Media Limited

LIST OF DIRECTORS AND ADVISERS

Directors at 29 March 2009
S.E. Beaumont
E.J. Bell
T.S. Brooks
N. Castro
J.L. Clark
C.M. Elliot
S.A. Fitzsimons
A. Freeman
D. Gannon
C.J. McCall
A. Rusbridger
M.D. Sands

Secretary
D. Gannon

Registered Auditors
PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London WC2N 6RH

Solicitors
Lovells LLP
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London
EC1A 2DY

Bankers
The Royal Bank of Scotland plc
Corporate and Institutional Banking
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Registered Office
No. 1 Scott Place
Manchester M3 3GG

DIRECTORS' REPORT
for the year ended 29 March 2009

The directors present their report and audited financial statements of Guardian News and Media Ltd ('the Company') for the year ended 29 March 2009.

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 well. The Guardian secured a market share of domestic sales of 18.6 percent in March 2009 (2008: 17.4 percent), with an average circulation of 347,000 for the year (2008: 363,000). The Observer secured a market share of domestic sales of 17.8 percent in March 2009 (March 2008: 17.9 percent), with an average circulation of 438,000 for the year (2008: 456,000).

guardian.co.uk has continued to grow. In March 2009 guardian.co.uk had 26.2 million unique users (March 2008: 18.7 million) and there were 232 million page impressions viewed during March 2009 (March 2008: 173 million).

In a challenging advertising market the Company's turnover has decreased by 2.8 per cent over the prior year to £252.1 million (2008: £259.3 million). The loss before tax for the year was £57.0 million (2008: £82.6 million). This is shown in the Company's profit and loss account on page 6.

During the year the Company relocated from four addresses in Farringdon to Kings Place in Kings Cross. The move involved four years of careful planning and was a landmark moment in the history of the organisation.

During July the Company purchased a 100% shareholding of ContentNext Media, inc. The portfolio of activities of ContentNext complement the Company and is a good strategic fit to the business. During the year the carrying value of ContentNext was impaired following difficult trading conditions.

Dividends

The directors do not recommend the payment of a dividend (2008: 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 30 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 30 days (2008: 27 days).

Directors and their Interests

The directors of the Company at 29 March 2009 are as listed on page 2. Roger Alton, Jeff Loo, Paul Myners and Shaun Williams who were directors on 30 March 2008, resigned as directors during the year. Sheila Fitzsimons was appointed as director 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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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

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 s234ZA of the Companies Act 1985.

Donations

Payments to charitable organisations during the year amounted to £203,097 (2008: £308,453). No payments to political parties were made during the year (2008: 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

Tim Brooks
Managing Director
25 June 2009

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 29 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 June 2009

Guardian News and Media Limited

PROFIT AND LOSS ACCOUNT
for the year ended 29 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
All Continuing Operations					
Turnover	2		252,066		259,283
Operating costs - before exceptional items		(280,822)		(274,621)	
- exceptional items		(26,512)		(76,784)	
Total operating costs	4		(307,334)		(351,405)
Operating loss			(55,268)		(92,122)
Interest receivable and similar income	5		258		136
Interest payable and similar charges	6		(1,971)		(2,427)
Profit on disposal of fixed assets			-		11,848
Loss on ordinary activities before taxation			(56,981)		(82,565)
Tax credit on loss on ordinary activities	7		10,938		27,210
Loss for the financial year			(46,043)		(55,355)

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 pages 8 to 15 form part of the financial statements.

Guardian News and Media Limited

BALANCE SHEET
at 29 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed Assets					
Intangible assets	8		-		14,229
Tangible assets	9		48,377		21,250
Investments					
Subsidiaries	10		802		802
Other investments	10		367		367
			49,546		36,648
Current assets					
Stock	11	1,359		1,086	
Debtors	12	66,381		97,146	
Cash at bank and in hand		5,193		10,670	
		72,933		108,902	
Creditors: Amounts due within one year	13	55,479		58,237	
Net current assets			17,454		50,665
Total assets less current liabilities			67,000		87,313
Creditors: Amounts due after more than one year	14		43,065		42,479
Provisions for liabilities and charges	16		23,466		28,322
Net assets			469		16,512
Capital and reserves					
Called up share capital	17		277,600		247,600
Profit and loss account	18		(277,131)		(231,088)
Equity shareholder's funds			469		16,512

The financial statements on pages 6 to 15 were approved by the Board of Directors on 25 June 2009 and signed on their behalf by:

Tim Brooks
Managing Director

25 June 2009

Guardian News and Media Limited

NOTES TO THE ACCOUNTS
for the year ended 29 March 2009

1. Accounting policies

Accounting basis
The accounts have been prepared on a going concern basis in accordance with the Companies Act 1985 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 s228 of the Companies Act 1985, 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).

Intangible fixed assets
Goodwill is stated at cost and amortised over its estimated useful life, five years.

Goodwill is reviewed for impairment when there is an indication that it might be impaired.

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
The valuation of investments are reviewed annually and any major changes incorporated in the financial statements. 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 forecasts which have been prepared and approved by the board.

No timing differences are recognised in respect of:

- fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset;
- gains on the sale of assets where those gains have been rolled over into replacement assets; 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.

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.

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 profit 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 £1,794k in the year (2008: £668k).

3. Staff costs	**2009**	**2008**
	£000	**£000**
(a) Staff costs during the period, including executive directors:		
Wages and salaries	**86,125**	85,927
Employer's social security costs	**8,932**	8,608
Employer's pension costs (see note 23)	**7,425**	5,670
	102,482	100,205
(b) Average number of persons employed during the year, including executive directors:	**No.**	No.
Production	**927**	893
Selling and distribution	**528**	489
Administration	**318**	328
	1,773	1,710

(c) Emoluments of directors	**2009**	2008
	£000	£000
Aggregate emoluments	**2,272**	3,194
Company pension contributions to money purchase schemes	**492**	560

As at 29 March 2009 retirement benefits are accruing to nine directors under a money purchase scheme (2008: eleven directors) and to no directors under a defined benefit scheme (2008: no directors). Aggregate emoluments include £198,366 in respect of compensation for loss of office (2008: £345,358).

	2009	2008
Highest paid director:	**£000**	£000
Aggregate emoluments	**445**	401
Company pension contributions to money purchase schemes	**156**	134

4. Operating loss

	2009 £000	2008 £000
(a) The following amounts have been charged/(credited) in arriving at the operating loss:		
Depreciation charge on tangible fixed assets		
- Owned assets	8,280	5,918
- Under finance leases	129	3,414
Amortisation of goodwill	2,846	-
Impairment charge on intangible fixed assets	11,383	-
Impairment charge on investments	4,001	-
Impairment charge on tangible fixed assets	-	46,691
Provision for onerous contract	1,463	21,128
Profit on disposal of division	-	(410)
Staff costs (see note 3)	102,482	100,205
Auditors remuneration for audit of the Company's annual accounts	55	55
Auditors remuneration for tax services	219	155
Auditors remuneration for services relating to corporate finance transactions	-	40
Operating lease rentals:		
Plant & machinery	1,084	3,512
Other	8,609	3,389

(b) Operating costs:	2009 £000	2008 £000
Raw materials and consumables	43,417	48,324
Other external charges	25,965	23,310
Staff costs (see note 3)	102,482	100,205
Depreciation on tangible fixed assets	8,409	9,332
Other expenses	127,061	170,234
	307,334	351,405

Included within operating costs are exceptional items totalling £26.5 million. Of this balance, £11.4 million relates to the impairment of goodwill (see note 8), £4.0 million relates to the impairment of investments (see note 10). The remainder relates to staff severance costs from an organisational restructure (see note 16) and incremental costs relating to the Company's move to new premises.

5. Interest receivable and similar income

	2009 £000	2008 £000
Interest income	258	136

6. Interest payable and similar charges

	2009 £000	2008 £000
Interest payable on intercompany loans	(119)	(455)
Interest payable on finance leases	(1,852)	(1,972)
	(1,971)	(2,427)

7. Tax credit on loss on ordinary activities

a) Analysis of credit in year	2009 £000	2008 £000
Current tax		
UK corporation tax on results for the year	(9,893)	(13,401)
Adjustments in respect of prior period	(161)	(97)
Overseas tax	111	-
Total current tax	(9,943)	(13,498)
Deferred tax		
Origination and reversal of timing differences (see note 15)	(995)	(13,740)
Impact of change in UK tax rate	-	28
Total deferred tax (see note 15)	(995)	(13,712)
Tax credit on loss on ordinary activities	(10,938)	(27,210)

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

	2009	2008
b) Factors affecting the tax credit for the year	**£000**	£000
The tax for the period is higher (2008: higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below.		
Loss on ordinary activities before tax	**(56,981)**	(82,565)
Loss on ordinary activities multiplied by standard corporation tax rate of 28% (30%)	**(15,955)**	(24,770)
Effects of:		
Non-deductible expenses	**6,125**	1,038
Income not taxable	**(713)**	(3,742)
Depreciation in excess of capital allowances	**1,898**	1,553
Other timing differences	**(1,248)**	12,520
Adjustments to tax charge in respect of previous periods	**(161)**	(97)
Overseas tax	**111**	-
Current tax credit for year	**(9,943)**	(13,498)

c) Factors that may affect future tax charges

There are no significant factors known at 29 March 2009 which may affect future tax charges (30 March 2008 : The standard rate of corporation tax changed to 28% with effect from 1 April 2008 and a number of changes to the capital allowance regime were enacted in the 2008 Finance Act).

8. Intangible fixed assets

	Goodwill
	£000
Cost	
At 30 March 2008 and 29 March 2009	14,355
Amortisation	
At 30 March 2008	126
Amortisation charge for the year	2,846
Impairment charge for the year	11,383
At 29 March 2009	14,355
Net book value at 29 March 2009	-
Net book value at 30 March 2008	14,229

During the year the Company performed an impairment review of the carrying value of its assets, triggered by the Company's historic trading losses. With the Company's intermediate parent, Guardian Media Group plc, 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.

Other than the newly acquired subsidiary, ContentNext Media, inc (see note 10), the directors consider the whole Company to be a single income generating unit (IGU) since there is not one element that is independent of the other. The business of the Company is to source content of high editorial quality and seek consumers for such. As a result content is our business and is sourced primarily in the Guardian, Observer and guardian.co.uk. The recoverable amount of each IGU was determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management and in-line with medium term planning. A discount rate of 8.5% was used in the value in use calculations.

An impairment charge of £11.4 million arose in the main IGU at the end of the year, resulting in the carrying amount of the Company's goodwill assets being written down to their recoverable amount. Other than a write down of the ContentNext investment (see note 10), it was determined that all other assets had value in uses greater than their carrying value.

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 30 March 2008	13,209	98,345	8,642	5,463	125,659
Additions	-	9,111	2,178	24,247	35,536
Transfers from/(to) other asset classes	-	6,647	21,802	(28,449)	-
Less : Disposals	-	(29,503)	(5,770)	-	(35,273)
At 29 March 2009	**13,209**	**84,600**	**26,852**	**1,261**	**125,922**
Depreciation					
At 30 March 2008	13,209	84,801	6,399	-	104,409
Depreciation charge for the year	-	7,035	1,374	-	8,409
Less : Disposals	-	(29,503)	(5,770)	-	(35,273)
At 29 March 2009	**13,209**	**62,333**	**2,003**	-	**77,545**
Net book value at 29 March 2009	-	**22,267**	**24,849**	**1,261**	**48,377**
Net book value at 30 March 2008	-	13,544	2,243	5,463	21,250

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

	2009	2008
	£000	£000
Cost	52,847	51,731
Accumulated depreciation	(9,613)	(9,484)
Accumulated impairment charge	(42,247)	(42,247)
Net book value	987	-

10. Investments

	Investment in subsidiary undertakings	Loan	Total
	£000	£000	£000
Net Book Value at 30 March 2008	802	367	1,169
Purchase of subsidiary company	4,001	-	4,001
Impairment charge for the year	(4,001)	-	(4,001)
Net Book Value at 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.

On 10 July 2008 the Company purchased a 100% shareholding of ContentNext Media, inc. The portfolio of activities of ContentNext complement the Company and is a good strategic fit to the business.

As part of the impairment exercise performed by the Company (see note 8), the carrying value of investment in subsidiary undertakings were written down to their recoverable amount.

The Company is exempt from the requirement to produce consolidated financial statements, under s228 of the Companies Act 1985, on the basis that it is a wholly owned subsidiary of Guardian Media Group plc.

NOTES TO THE ACCOUNTS - continued
for the year ended 29 March 2009

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	2009 £000	2008 £000
Raw materials	1,359	1,086

12. Debtors	2009 £000	2008 £000
Trade debtors	32,782	35,064
Amount owed by Group undertakings	2,811	27,777
Corporation tax receivable	4,832	10,649
Deferred tax asset (see note 15)	15,148	14,153
VAT receivable	909	-
Other debtors	863	1,720
Prepayments and accrued income	9,036	7,783
	66,381	97,146

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	2009 £000	2008 £000
Trade creditors	3,812	2,786
Amount owed to Group undertakings	17,481	17,000
Taxation and social security	2,662	2,634
VAT payable	345	1,420
Other creditors	2,434	7,874
Accruals and deferred income	25,450	23,702
Current portion of long term liabilities (see note 14)	3,295	2,821
	55,479	58,237

The amounts due to Group undertakings are unsecured and have no fixed repayment date. Upon those balances where interest accrues, interest is payable at rates of between 4% and 5%.

14. Creditors - amount due after more than one year

	2009 £000	2008 £000
Finance Leases	39,547	42,139
Other creditors	3,518	340
	43,065	42,479

Finance leases

Reconciliation between minimum lease payments and their present value:

	2009 £000	2008 £000
Minimum lease payments	53,675	57,574
Future finance charges	(10,833)	(12,614)
Present value of finance lease liability	42,842	44,960

Of which £3,295k is payable in one year.

The lease payments under finance leases fall due as follows:

2009	Minimum lease payments £000	Future finance charges £000	Present value of finance lease liability £000
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
2008			
Not later than one year	4,673	1,852	2,821
Later than one year but not more than five	18,656	6,093	12,563
More than five years	34,245	4,669	29,576
	57,574	12,614	44,960

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

	2009 £000	2008 £000
Accelerated capital allowances	3,868	2,133
Short term timing differences	10,797	12,020
Losses	483	-
Total deferred tax asset	15,148	14,153
Movement in the year :		
At 30 March 2008	14,153	417
Credit to profit and loss account (see note 7)	995	13,712
Transferred from Group company	-	24
At 29 March 2009	15,148	14,153

16. Provisions for liabilities and charges

	Printing contract £000	Restructuring £000	Other £000	Total £000
At 30 March 2008	21,128	4,460	2,734	28,322
Additional provisions	-	1,092	2,909	4,001
Unused amounts reversed	-	(376)	(1,264)	(1,640)
Used during the year	(2,106)	(3,787)	(1,324)	(7,217)
At 29 March 2009	19,022	1,389	3,055	23,466

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 2010 financial year.

The remaining provisions relate primarily to the Company's move to new premises and ongoing litigation claims. The majority of these provisions are expected to be settled within one year, the balance over the longer term.

17. Called up share capital

	2009 £000	2008 £000
400,000,000 authorised ordinary shares (2008: 400,000,000) of £1 each	**400,000**	400,000
277,600,000 issued and fully paid ordinary shares (2008: 247,600,000) of £1 each	**277,600**	247,600

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 & Loss £000	Share Capital £000	Total £000
At 30 March 2008	(231,088)	247,600	16,512
Loss for the year	(46,043)	-	(46,043)
Issue of share capital	-	30,000	30,000
At 29 March 2009	(277,131)	277,600	469

19. Reconciliation of movement of shareholder's funds

	2009 £000	2008 £000
Loss for the year	**(46,043)**	(55,355)
Proceeds of issue of ordinary share capital	**30,000**	70,000
Net (reduction) / increase to shareholder's funds	**(16,043)**	14,645
Opening shareholder's funds	**16,512**	1,867
Closing shareholder's funds	**469**	16,512

20. Capital commitments authorised

There is no contracted capital expenditure as at 29 March 2009 (2008: £21,481k).

21. Operating lease and similar commitments

	2009 £000	2008 £000
The total annual amounts payable under lease and similar commitments are as follows:		
Land and Buildings		
Expiring in less than one year	-	1,846
Expiring between two and five years	-	192
Expiring in over five years	**4,384**	3,297
	4,384	5,335
Other		
Expiring within one year	-	267
Expiring between two and five years	**150**	155
Expiring in over five years	-	2,987
	150	3,409

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 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.