

GMG INVESTCO LIMITED

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 April 2011**



GMG INVESTCO LIMITED

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GMG INVESTCO LIMITED

DIRECTORS AND ADVISERS

Directors

P E Boardman

S A Buckley (resigned 29 October 2010)

A Miller

S Davis (appointed 29 October 2010)

D Singer (appointed 18 April 2011)

Secretary

P E Boardman

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

Solicitors

Addleshaw Goddard

100 Barbirolli Square

Manchester M2 3AB

Registered Office

PO Box 68164

Kings Place

90 York Way

London N1P 2AP

GMG INVESTCO LIMITED**REPORT OF THE DIRECTORS****for the year ended 3 April 2011**

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

1 Principal activity

The company is an investment holding company. The Board does not envisage any major changes in the company's activity in the foreseeable future.

2 Business review and future developments

The directors consider the state of affairs of the company and the year end financial position to be satisfactory. The Board does not envisage any major changes in the company's activity in the foreseeable future.

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

4 Results and dividends

The results for the year are set out in the profit and loss account on page 4.

The directors do not propose the payment of a dividend (2010: £nil).

5 Change of Registered Office

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

6 Going concern

The directors have received confirmation 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 at least twelve months after the date of signing. For this reason, the going concern basis in preparing the financial statements continues to be appropriate.

7 Directors

The directors of the company at 3 April 2011 and movements in the year, are shown on page 1. Darren Singer was appointed as a director of the company on 18 April 2011.

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.

9 Disclosure of information to auditors

For all persons who are directors at the time of the approval of the Report of the Directors:

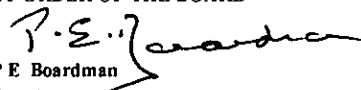
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provision of S418 (1) to (4) of the Companies Act 2006.

10 Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


P. E. Boardman
 Secretary
 PO Box 68164, Kings Place
 90 York Way, London N1P 2AP
 20 June 2011

GMG INVESTCO LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of GMG Investco Limited

We have audited the financial statements of GMG Investco Limited 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 Directors' Responsibilities statement set out on page 2, 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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3rd 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

10 June 2011

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GMG INVESTCO LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 3 April 2011**

	Note	2011 £000	2010 £000
Continuing operations			
Operating charges		(1)	(4)
Amounts written off investments in subsidiaries	8	-	(56,000)
Operating loss	2	(1)	(56,004)
Interest receivable and similar income	5	754	726
Interest payable and similar charges	6	(8,242)	(7,965)
Loss on ordinary activities before taxation		(7,489)	(63,243)
Tax credit on loss on ordinary activities	7	1,428	974
Loss for the financial year		(6,061)	(62,269)

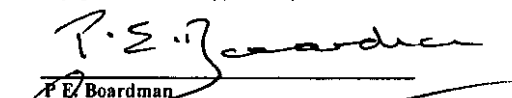
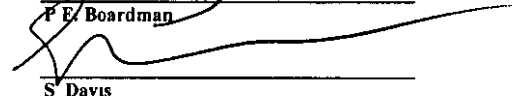
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

GMG INVESTCO LIMITED**BALANCE SHEET as at 3 April 2011**

	Notes	2011 £000	2010 £000
Fixed assets			
Investments	8	439,701	439,701
Current assets			
Amounts owed by group companies	10	57,614	55,824
Current liabilities			
Loan note issued to holding company	8	(521,553)	(513,311)
Corporation tax - group relief		-	(391)
Net liabilities		<u>(24,238)</u>	<u>(18 177)</u>
Capital and reserves			
Called-up share capital	11	40,000	40 000
Share premium	12	6,208	6 208
Profit and loss account	12	(70,446)	(64,385)
Total shareholders' deficit	13	<u>(24,238)</u>	<u>(18 177)</u>

The financial statements on pages 4 to 8 were approved by the board of directors on 20 June 2011 and were signed on its behalf by

DIRECTORS


 P. E. Boardman

 S. Davis

GMG INVESTCO LIMITED
 Registered no 03978213

GMG INVESTCO LIMITED**Notes to the financial statements for the year ended 3 April 2011****1 Principal accounting policies**

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

All accounting policies have been applied consistently throughout the year

The company is exempt from the requirement to produce consolidated financial statements, 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)

Investments

Shares in subsidiary companies are shown at cost less any amounts written off for impairment

Annually the directors consider whether any events or circumstances have occurred that could indicate that the carrying value of investments may not be recoverable. If such circumstances do exist a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded in the profit and loss account to reduce the carrying value of the related investment.

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.

Deferred taxation

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2 Operating loss

2011	2010
£000	£000

The following amounts have been charged in arriving at the operating loss

Audit services	1	1
Tax advice services	-	2
Tax compliance services	-	1

3 Directors' emoluments

None of the directors received remuneration for their services as directors of the company in either year.

4 Employee information

The average number of persons (including executive directors) employed in either year was nil.

5 Interest receivable and similar income

2011	2010
£000	£000

Interest receivable from holding company	224	204
Interest receivable from fellow subsidiaries	530	522
	<u>754</u>	<u>726</u>

6 Interest payable and similar charges

2011	2010
£000	£000

Interest payable to holding company	8,242	7,965
	<u>8,242</u>	<u>7,965</u>

GMG INVESTCO LIMITED

Notes to the financial statements for the year ended 3 April 2011 (continued)

7 Tax credit on loss on ordinary activities

	2011	2010
	£000	£000
Current tax		
UK corporation tax on loss for the year	(825)	-
Adjustments in respect of previous years	(603)	(974)
Tax credit on loss on ordinary activities	<u>(1,428)</u>	<u>(974)</u>

The tax assessed for the period is higher (2010 higher) than the standard effective rate of corporation tax in the UK, for the year ended 3 April 2011, of 28% (2010 28%)

The differences are explained below

	2011	2010
	£000	£000
Loss on ordinary activities before taxation	<u>(7,489)</u>	<u>(63,243)</u>
Loss on ordinary activities multiplied by standard rate in the UK 28% (2010 28%)	(2,097)	(17,708)
Effects of		
Expenses not deductible for tax purposes	1,420	1,502
Income not taxable	(148)	(146)
Adjustments in respect of previous years	(603)	(974)
Current year losses not recognised (note 9)	-	672
Non-deductible expenses - impairment of investment in subsidiaries	-	15,680
Current tax credit for year	<u>(1,428)</u>	<u>(974)</u>

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. As a result, the relevant deferred tax balances have been remeasured.

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 Fixed asset investments

	Country of registration or incorporation	Principal activity	Percentage owned
GMG Auto Trader	England & Wales	Publishing	100%
		2011	2010
		£000	£000
Cost			
At 29 March 2010		439,701	495,701
Amounts written off during the year		-	(56,000)
At 3 April 2011		<u>439,701</u>	<u>439,701</u>

On 18 September 2008 Guardian Media Group plc transferred its investment in GMG Auto Trader Limited to GMG Investco Limited, with the consideration being the issue of a loan note of £495,700.932. Interest on the loan note is charged at LIBOR plus 1%.

As at 3 April 2011, the loan note balance is comprised of

	Loan £000
Guardian Media Group plc	495,701
Rolled-up interest	25,852
	<u>521,553</u>

Notes to the financial statements for the year ended 3 April 2011 (continued)

9 Deferred taxation

The company has an unprovided deferred tax asset of £nil (2010 deferred tax asset £672 092) relating to tax losses. No deferred tax is recognised on these losses as it is not regarded as more likely than not that there will be suitable taxable profits/gain 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.

10 Amounts owed by Group companies

	2011	2010
	£000	£000
Amount owed by holding company	20,927	20,492
Amount owed by fellow subsidiaries	35,862	35,332
Corporation tax recoverable - group relief	825	-
	<u>57,614</u>	<u>55,824</u>

Amounts owed by fellow subsidiaries includes the following loans

	Loan Terms
	£000
GMG Radio Holdings Limited	24,180 Repayable on demand and bears an interest rate of LIBOR plus 1%
Rolled-up interest	<u>11 682</u>
	<u>35,862</u>

11 Called-up share capital

	2011	2010
	£000	£000
Authorised, issued and fully paid up during the period		
5 000 000 Ordinary shares of £1 each	5,000	5 000
41 207 877 Ordinary shares of £0.85 each	35,000	35,000
	<u>40,000</u>	<u>40,000</u>

12 Reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At 29 March 2010	6,208	(64,385)	(58,177)
Loss for the year	-	(6,061)	(6 061)
At 3 April 2011	<u>6,208</u>	<u>(70,446)</u>	<u>(64,238)</u>

13 Reconciliation of movements in shareholders' deficit

	2011	2010
	£000	£000
Opening shareholders' (deficit)/funds	(18,177)	44,092
Loss for the year	(6,061)	(62,269)
Closing shareholders' deficit	<u>(24,238)</u>	<u>(18 177)</u>

14 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 subsidiary members of the Guardian Media Group plc group are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation.

15 Holding company

The company's ultimate holding company is The Scott Trust Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the ultimate holding company's consolidated financial statements may be obtained from The Secretary, The Scott Trust Limited, PO Box 68164, Kings Place, 90 York Way, London N1P 2AP.