Guardian Media Group plc

Annual Report and Accounts 2000

Guardian Media Group plc is a UK media business with interests in national newspapers, regional and local newspapers, magazines, television and radio. The company is wholly-owned by the Scott Trust.

The Scott Trust was created in 1936 to secure the financial and editorial independence of the Guardian in perpetuity.

Financial Highlights of 1999/2000

Group sales (including joint ventures) of **£444 million** (up 8%)

Group operating profit before exceptional items of **£47 million** (down 6%)

Group profit before taxation of **£74 million** (down 8% before and up 8% after exceptional item)

Group net funds of **£176 million** (up 28%)

Group net assets of **£285 million** (up 21%)

Chairman's Statement

The Group has continued to sustain the pattern of progress which has developed over the last few years.

On a total turnover of £444 million (up 8%), pre-tax profits increased from £68.2 million to £73.5 million. Although operating profits fell from £46.1 million to £42.2 million, this was due to the increased spending on the Group's new media developments, accounting for a net cost of over £7 million in the year. Net cash inflow from continuing operations and exceptional items exceeded £50 million for the third consecutive year. As a result our net cash position strengthened to £176 million from £137 million in the previous year. At 2nd April 2000 the Group had net assets of £285 million, an increase of more than 50% in only two years.

This is my first opportunity as Chairman to report on the Group's continuing progress, and also to record our appreciation of the contribution made by my predecessor, Lord Gavron, during his three-year term of office. His wise counsel and stern defence of the principles which distinguish this organisation from most others in the media world, have been of immense value to us.

Guardian Media Group is a unique organisation in a communications world where strategy can often appear to be more important than accountability, and where corporate consolidation can seem to be a greater prize than independence.

The Scott Trust, which owns GMG, was created in a world markedly different from the one which exists at the beginning of the 21st Century. Yet its guiding principles not only continue to apply with the same precision that they did at the outset, but are now even more significant in a world not short of communications choices.

Trusted brands – like the Guardian and Observer on the national newspaper stage, like the Manchester Evening News, which is the flag carrier for the kind of quality and commitment for which all of our regional and local newspapers are known – are prized assets in a global society where information is available from limitless sources of varying credibility. And their ability to be able to extend their influence into the new media world is an encouraging sign as conventional advertising revenue streams come under pressure from a range of digital technology-driven alternatives. Much will depend on the abilities of our managers to create further opportunities for growth, not only on the Internet, but also across the widening variety of platforms which will deliver news, as well as information of all kinds, to an on-demand society where, increasingly, the balance of influence is shifting from the provider to the consumer.

This annual report reflects, of course, on a number of changes to our business in the last year. The Chief Executive reports in more detail in his review of operations. But an unchanging aspect of the organisation overall is the high professionalism and editorial integrity which typifies the approach of the staff of GMG. I pay tribute to the remarkable contribution of our people in a period of unprecedented change.

Although we lost the services of Lord Gavron from the Board towards the end of the year, we were pleased to welcome Alan Rusbridger, Editor of the Guardian and a member of the Scott Trust, as a member of the Board from August of last year.

The challenges ahead of us are arguably more complex than any which the organisation has faced in its history, but I am confident that the expertise and continuing commitment of all of those who work for GMG will enable it not only to continue to thrive, but sustain its primary mission of serving the public interest, which is the only allegiance we wish to have.

Paul Myners

Board of Directors

Paul Myners *+
Chairman
Aged 51. Joined the group in March 2000. He is also Chairman of Gartmore Investment Management plc and Deputy Chairman of PowerGen plc. Previously held directorships include Celltech, NatWest, Orange and N.M. Rothschild & Sons Limited.

Ian Ashcroft
Chief Executive, Regional Newspaper Division
Aged 54. Joined Manchester Evening News in 1972. Moved to Guardian Newspapers Limited where he became Deputy Managing Director. He was appointed to the Board in 1996. He is also a Director of IFRA and Trafford Park Printers Limited.

Jeremy Bullmore CBE+
Non-Executive
Aged 70. Joined the company and Board in 1988. He is a Non-Executive director of WPP Group plc and was formerly Chairman of J. Walter Thompson Company (London) Limited.

Nicholas Castro
Group Finance Director
Aged 49. Joined the company and Board in 1998. He was previously Group Finance Director of Yorkshire Tyne Tees Television Holdings plc and a partner with KPMG in London.

Giles Coode-Adams OBE DL*
Non-Executive
Aged 61. Joined the Board in 1999. He was formerly a Managing Director and then senior advisor to Lehman Brothers and from 1991 to 1997 was Chief Executive of the Royal Botanic Garden, Kew, Foundation. He is a Non-Executive Director of The Simon Group plc and Rathbone Brothers plc.

Elizabeth Forgan OBE+
Non-Executive
Aged 55. Joined the Board in 1998. Founder Senior Commissioning Editor Channel 4 TV. She was formerly the Managing Director of BBC Network Radio, a Guardian journalist and a member of The Scott Trust.

John Harris
Non-Executive
Aged 52. Joined the company in 1984 and was appointed to the Board in 1989. Was Chief Executive of Auto Trader Division until May 2000. Now Chief Executive of UK Publishing Division of Trader Media Group Limited.

Andrew Karney*+
Non-Executive
Aged 58. Joined the Board in 1997. He is a Director of various unquoted high technology and Internet companies. He was for many years an Executive Director of Logica plc and was a founder Director of Cable London plc.

Caroline Marland
Managing Director, National Newspaper Division
Aged 54. Joined the company in 1976 and was appointed to the Board in 1995. She is also a Non-Executive Director of Arcadia Group plc, a Director of the Advertising Standards Board of Finance and sits on the Newspaper Panel of Competition Commission.

Robert Phillis
Chief Executive, Guardian Media Group plc
Aged 54. Joined the company in December 1997 from the BBC where he was Deputy Director-General. He was previously Chief Executive of ITN, Group Managing Director of Carlton Communications plc and Managing Director of Central Independent Television plc.

Alan Rusbridger
Editor in Chief, The Guardian
Aged 46. Joined the Board in 1999. Joined the Guardian as a reporter in 1979, became Deputy Editor in 1993, appointed to Guardian Newspapers Board in 1994 and became Editor in 1995. He is the Executive Editor of the Observer.

Arthur Townsend
Company Secretary
Aged 59. Joined the company in 1968 and was appointed Secretary in 1979.

* Audit Committee
\+ Remuneration Committee

The Scott Trust

Trustees

Hugo Young (Chairman)
Malcolm Dean
Anne Lapping
Paul Myners
Lord Phillips
Robert Phillis
Peter Preston
Alan Rusbridger
Jonathan Scott
Martin Scott

As Chairman of the Trustees, Hugo Young attends all meetings of the Guardian Media Group plc Board, ex officio, and also chairs the Remuneration Committee of the Board.

Group Divisional Structure
as at 2nd April 2000

National Newspaper Division

The Guardian
The Observer
The Guardian Weekly
Guardian Europe
Money Observer

Guardian News Service
Guardian Press Centre

guardianunlimited.co.uk

learn.co.uk

Regional Newspaper Division

Manchester Evening News
Manchester Metro News
City Life
Jobs North West
Greater Manchester Jobs
manchesteronline.co.uk
M.E.N. Syndication
Manchester METRO

Stockport Express
Macclesfield Express
Stockport Times
Macclesfield Times
South Manchester Express
Wilmslow Express
Knutsford Express
The Advertiser Series
Motor Mart
Metro Distributors

Rochdale Observer
Heywood Advertiser
Middleton Guardian
Rossendale Free Press
Accrington Observer
Express Series
Asian News

Surrey Advertiser
Surrey Times Series
Woking Review Series
Woking News & Mail Series
Esher News & Mail Series
Aldershot News Series
Aldershot Mail Series
Surrey & Hants Courier Series
Surrey - Hants Star
Free Admart (25%)
Review Property Weekly
Property Courier
Local*Ads
The Rush

Berkshire Press
Reading Evening Post
Reading Central
Wokingham Times Series
Bracknell & Wokingham Standard
The Property Standard
The Property Paper

Auto Trader Division

North West Auto Trader
North East Auto Trader
South London Auto Trader
Midland Auto Trader (70%)
Scottish Auto Trader (70%)

Anglia Auto Trader (50%)
Western Auto Trader (50%)
South West Auto Trader (50%)
Irish Auto Trader (40%)
Top Marques (50%)
Bike Trader (50%)
Truck Trader (50%)
Classic American
Farmers Trader (50%)
Boats and Yachts (45%)
Buy a Boat (45%)
Free Ads (50%)
Supermarts
Auto Freeway titles (100% and 50%)

Belgium Auto Trader
Sydney Buy & Sell
Auto Trader, Classic Trader and Motor Trader (Holland)
AutoMarché (France) (90%)
Autobørsen and MC Borsen (Norway)
West Australia Auto Trader
Sydney Auto Trader

Apple Web Offset
Auto Trader National Sales (50%)
Auto Trader Systems (50%)

autotrader.co.uk

Radio Interests

GMG Radio Holdings Limited (100%)	**divisional holding company for GMG's radio interests, comprising:-**
Radio Investments Limited (49%)	investment company in the radio industry and operator of radio stations
Jazz fm plc (14%)	owns Jazz FM 102.2 in London and Jazz FM 100.4 in the North West
Real Radio Limited (85%)	holder of the regional radio licence for South Wales
Oneword Radio Limited (33%)	a channel on the national digital radio multiplex

Other Interests

GMG Endemol (50%)	a television programme production and distribution company
Fourth Estate (42%)	a leading independent book publisher
M&G Media (72%)	a multimedia organisation and publisher of a leading South African newspaper, Mail & Guardian
Trafford Park Printers (50%)	prints The Guardian, Manchester Evening News, The Daily Telegraph and The Sunday Telegraph
workthing.com (100%)	a company that provides recruitment and advertising services by way of electronic media
Channel M (25%)	a restricted service licence television station for Manchester

Chief Executive's Review of Operations

The Chairman has paid tribute to everyone within the Group's companies for the way in which we have been able to achieve another year of progress in a challenging time of intense competition and unparalleled change.

Making change work for us, while continuing to pursue our established high standards of professionalism, is one of the particular features of GMG's year. Adapting successfully to new ways of working and developing our companies in rapidly changing markets has been an achievement which no one takes for granted. Maintaining and extending quality across the whole range of what we do, has strengthened our future prospects.

We shall continue to reshape the Group during the coming 12 months to create a more diverse media group, with a broader base and better balance in terms of the risk and maturity of the businesses within our portfolio. We are developing new businesses where we see genuine opportunities to build on the strengths of our main brands and, redirecting our energies away from those areas, like television production and distribution, where consolidation of ownership, often on a global, or intercontinental scale, is now taking place at an unprecedented rate.

What doesn't change is GMG's commitment to the public interest, which is at the heart of the principles, which guide the Scott Trust. Though many of our businesses may be market leaders, they belong to a unique organisation with one overriding purpose: to enable the Guardian – which began it all – to continue to prosper as it carries out its special role in British journalism. The Group's strategy is designed to do more than merely accumulate cash. It is to create value, new revenue streams, and profitable businesses to safeguard the Guardian and its mission in the long term.

National Newspaper Division

Editorial and commercial success characterise the performance of Guardian Newspapers Ltd (GNL), not only within the Guardian, the Observer, Guardian Weekly and Money Observer, but also inside the fast-growing emergent new media and international publishing businesses. The challenge has been to balance resources and investment across both established and new strands in order to reinforce the strength of the brands and to meet the changing needs of readers and advertisers.

One of the key Divisional goals has been to ensure that GNL content is, literally, available any time, any place, anywhere. This has meant delivery of content across a wide variety of media platforms and on a global scale and Guardian content is now available in many different formats, tailored to the different information requirements and location of our readers. In addition to the UK print edition, GNL also publishes Guardian Europe, Guardian Global and Guardian Weekly, while Guardian Unlimited content is available through the PC, WAP phones, hand-held computers and interactive television.

The Guardian's awards as Media Brand of the Year and Newspaper of the Year, together with Guardian Unlimited's awards as Best Online news service and Best Daily Newspaper on the web (among many others), are important indicators of the Division's brand strengths. In November, Guardian Europe won the title of Newspaper of 1999 at the ACE International Publishing awards, following its successful redesign and increased sales.

At the same event, Guardian Newspapers received a silver award for International Publishing. This was due, at least in part, to the redesign of Guardian Weekly and the greater availability of the Observer International, now that it is printed in Madrid. In September, the Global Guardian became the first UK newspaper to be transmitted directly to appear the same day in the USA. A dedicated International Division, publishing all GNL's international titles, plus Money Observer, has now been set up to give focus to this area.

Redesigned in April 1999, the Guardian increased both market share and sales year-on-year, ending with a six-monthly ABC of 398,000. The Observer also increased both sale and market share and ended the year with a six-month ABC of 412,000 – up 7,000 on the previous year. This success is particularly noteworthy, since it represents a reversal of a pattern of long-term decline in sales through the last decade.

The Advertisement Department also had an exceptional year on both titles. Observer revenue grew by 12 per cent year-on-year and Guardian revenue by 20 per cent. The Guardian remains the clear market leader in recruitment with a market share of over 50 per cent, the highest share ever achieved, and a 7.5 per cent increase over the previous financial year.

Guardian Unlimited page impressions rose to over 14 million a year and revenue has grown by 500 per cent year-on-year. Overall, the Division is sustaining substantial investment in both the print products, IT infrastructure and new media operations, designed to support and create strong brands with an ever widening distribution and availability.

Regional Newspaper Division

The Regional Newspaper Division comprises the Manchester Evening News, the Surrey Advertiser, Reading Evening Post, the Rochdale Observer and the Stockport Express amongst 47 paid-for and free titles published from five regional centres in north-west and southern England. The outlook for 2000/01 is optimistic. While competition from the Internet will require a constant focus on the level of operating costs, the traditional businesses within the Division will show good growth, and the boom in Jobs advertising is likely to continue. Investment for the future will be required as we continue with the development of our new initiatives including the free morning paper, Manchester Metro, and local tv station for Manchester, Channel M. Manchesteronline will expand from being the MEN's internet site to the Manchester Portal. SurreyAdvertiser and GetReading are already established web sites, the aim is for all our papers to also be published on the net.

In April 1999 the economic climate was far from optimistic. In the first quarter of the year, job advertising

Chief Executive's Review of Operations continued

continued to fall, averaging around 15 per cent below the previous year, although Display and other Classified remained firm. By the autumn, as the economy strengthened once again the Jobs market responded positively and this coincided with a boom in Property advertising which resulted in year-on-year revenue growth across the Regional Newspaper Division.

The valuation of community newspapers is a dynamic process which has been reflected in the prices for which regional newspaper groups have been acquired but some commentators still fail to appreciate the full value of free papers and their steady growth in readership over a 15-year period.

In October 1999, through its significant stake in AdHunter, GMG Regional Newspapers became a major part of Fish4, a new Internet brand of four market-leading consumer web sites. Including a directory service of more than 1.9 million businesses under the Fish4it brand, the sites are becoming leading sources for finding cars, jobs, homes and local businesses. For example, Fish4cars carries one of the largest database of used cars in the country, averaging between 180,000 and 200,000 vehicles. Manchesteroline continues to develop as the city's major portal, embracing news, sport, business, lifestyle, leisure and entertainment information. It already offers the fastest growing commercial property database in the city.

In November, the Manchester Evening News launched Manchester Metro – the city's first own daily morning paper for nearly 40 years – as a free publication aimed at commuters both in the city centre and as they head to work by car, bus, train or tram. Associated Newspapers published a rival publication, now renamed News North West shortly thereafter. Latest research shows a 43-23 per cent preference for Manchester Metro against its competitor.

As a further evidence of our multimedia strengths, GMG is part of joint venture called Channel M Television Limited, a new television station serving a potential audience of 400,000, including the largest student campus in Europe. The station has been awarded a four-year licence by the Independent Television Commission.

Auto Trader Division/ Trader Media Group

Auto Trader magazines once again showed their resilience in difficult trading conditions. The new and used car market struggled to maintain the level of sales established in previous years, while potential car buyers waited for the Competition Commission's report on new car prices, and responses from Government and car manufacturers created a confused and frustrated motor advertising market.

The move to full colour throughout our magazines and the high level of expertise and endeavour of all of our employees ensured continued growth and a healthy year-on-year revenue increase. Full colour also had a positive impact on circulation. Despite an aggressive cover price strategy, copy sales are increasing in most areas, particularly in the north-west, where, as in other regions, strong increases have been seen over last year. The free pick-up magazines, Auto Freeway, also had an excellent year, increasing revenues by almost 60 per cent.

The national magazine portfolio now includes Top Marques, Bike Trader, Truck Trader, Boats and Yachts for Sale, Buy a Boat and Classic American. All of these magazines produced excellent growth in all areas, strengthened their market positions and made a significant profit contribution to the Division.

The free private advertising papers, Supermart and Free Ads, increased market dominance with healthy growth in circulation and trade advertising revenues, once again making a notable contribution to profits.

Auto Trader Interactive, www.autotrader.co.uk, has made exciting and impressive progress during the year. By the end of the financial year, page impressions had increased to over 16.5 million per month, subsequently increasing to 21.5 million. The site now offers over 200,000 vehicles for sale, with many of the top 100 dealer groups using the site. It is now the most widely used advertising site for automobiles in the UK and mainland Europe.

In May 2000, the Auto Trader Division merged with Hurst Publishing Limited, to create a new company, Trader Media Group, designed to strengthen the business and accelerate its rate of growth. Owned equally by GMG and BC Partners, the new company is one of the leading specialist advertising periodical companies in Europe, and operates the UK's number one automotive Internet site. It owns all of the publishing, printing and new media businesses previously owned by GMG and Hurst and now publishes over 70 publications with a combined weekly circulation of over 1.2 million. The Trader Media Group employs more than 3,500 people. As Chairman of the new Group, I am delighted that John Harris has become Chief Executive of the entire UK printing and publishing activity, working with Graham Luff as Chief Executive of the new Group.

GMG Radio Holdings Division

The Division marked the first year of its existence by winning the regional licence for South Wales, broadcasting to a potential population of more than 1.3 million and due to launch at the beginning of October. By the end of this year, applications will also have been made for the West Midlands licence, broadcasting to three million people, the Yorkshire regional licence, and by April 2001, the licence for the East Midlands.

During the year, GMG's radio interests have already grown in a number of ways. We are broadcasting partners in Oneword, which is a channel dedicated to books, plays and comedy, and which can be heard on both the national digital network and Sky Digital. We have joined with Capital, Jazz and Chrysalis to apply for regional digital licences across the UK. These services will be able to broadcast up to 10 different channels, and GMG has developed a separate station called Smooth FM, targeted at a 45+ audience, with classics of the sixties, as well as present-day melodic songs. We are now 14 per cent shareholders in Jazz FM, operating from London and Manchester. We

Chief Executive's Review of Operations continued

have also increased our investment in Radio Investments Limited to nearly 50 per cent. This company owns, controls, or has interests in more than 30 music-led stations.

We look forward to this autumn's Communications White Paper, which we believe will lead the way to further expansion of radio's growing influence in the UK media sector.

GMG Endemol Entertainment

The remarkable development of GMGEE reflects the phenomenal growth in global television as well as the particular strengths of the former Broadcast Communications Division. In the first few months of 2000, global mergers between companies such as Time Warner and AOL, and between Pearson Television, Audiofina and CLT-UFA, have reshaped the landscape in international television production and distribution. Against this background, therefore, GMG has decided to dispose of its remaining minority stake in GMGEE to its joint venture partner, Endemol Entertainment.

Underlining the pace of change within international media, the European Commission had already given clearance to the acquisition of Endemol's parent company by Telefonica, the Spanish telecommunications operator, which is also a television broadcaster through its subsidiaries, Antena 3 and Via Digital. The scale of the new organisation's capacity in production and distribution will provide GMGEE with the necessary broader base from which to operate in the new global television sector.

Other Interests

The Group continues to have a major investment in Trafford Park Printers (50 per cent). Trafford Park Printers is a joint venture with The Telegraph, printing The Guardian, The Observer, Manchester Evening News, The Daily and Sunday Telegraph and a number of third party publications.

As part of the Group's multimedia strategy, we have taken a 20 per cent stake in Artsworld, which will be the UK's first digital tv arts channel. The company, led by its Chairman, Sir Jeremy Isaacs, plans to launch a premium subscription service on Sky Digital later this year.

In December 1999 we disposed of our minority interest in GMTV (15 per cent), and in June of this calendar year the book publisher Fourth Estate in which we held a 42% interest was sold to Harper Collins.

Community

One of GMG's key activities is the part it plays within the wider community. Set-piece initiatives ranging from continued support for national schemes such as the Teaching Awards, Tools for Schools and the New Deal (which provides job opportunities for those who have been unemployed for more than six months), are all aimed at helping young people in a variety of ways. This Group-led initiative is reflected in a series of specific community projects to be found across GMG. Thirty GNL volunteers work in two London schools. Among other things, they read with children, give management support for head teachers and develop school websites. Within Regional Newspapers, many local campaigns have been given crucial support. In March, the Prime Minister paid tribute to what he called the "trailblazing" campaign of the Manchester Evening News in persuading people to give up their free time to help the community.

Auto Trader's extensive community schemes involve all of its companies and many individual staff. One, Mick Murray from Irish Auto Trader, has, to date, abseiled off the top of two hotels to raise money for children in need.

During the year, GMG became official media sponsor of the Commonwealth Games to be held in Manchester in 2002.

Group Outlook

After two years of record profits, the new financial year has started well at operating levels within all Divisions of the Group. The trading outlook remains favourable with advertising markets remaining firm and still showing year-on-year growth in many sectors of the market. Newsprint prices will remain stable until the end of the calendar year, but there is likely to be some upward pressure on cost in the fourth quarter. The capital investment programme continues to prioritise new IT systems and infrastructures as we develop our internet operations within our existing businesses and new ventures. These operations will involve heavy start-up losses during 2000/01, and some of the commercial ventures involve a relatively high degree of risk, requiring very careful monitoring.

In addition to the expansion and protection of our established businesses, the Group has made a significant financial commitment to fund a new internet recruitment business. Workthing.com went live on 7th July and is expected to establish itself as a leading broadly based operator within the next 18 months. Taken together with the growth of our radio operations, it provides further evidence of our strategy to broaden GMG's portfolio of media assets.

We will continue to seek out new opportunities, partnerships and alliances in the new and converging media and communications sectors. But in a period of rapid change and high risk investment in new markets, exercising financial rigour across all of our operations assumes even greater importance as an essential discipline, both in ensuring the Group's financial prosperity and maintaining our obligations to the Scott Trust.

I commented last year on the dedication and commitment of all of our staff. This has been reinforced during the past year, not least by the emergence of new, young creative and managerial talent within new media. People remain our single most important asset, and I would like to record my own sincere appreciation of everyone's contribution to this year's results.

Bob Phillis

Financial Review

Introduction
This review covers the 53 weeks to 2nd April 2000 and provides an overview of the Group's financial performance and situation.

Turnover
Group turnover (excluding joint ventures and the effect of the disposal of a share of Broadcast Communications plc in 1999) for the year increased by £34.7 million (9.8%) to £389.9 million. Advertising revenue grew across the Group by an average of 12.0% to £288.2 million. Newspaper revenue in National Newspaper and Regional Newspaper divisions showed a slight decline, whilst magazine sales revenue at Auto Trader division showed growth.

Profits
The Group achieved operating profits before exceptional items of £47.3 million in the year, £2.8 million (5.5%) lower than in 1998/99. This was due to a number of factors including additional investment on internet development and the launch of a free morning paper in Manchester. The Group's newsprint costs increased by £1.9 million in the year. Overall, Group pre-exceptional operating margins decreased from 13.7% to 12.1%.

Group profits before tax were £73.5 million in the year, £5.3 million (7.7%) higher than 1998/99. This result reflects a significant contribution from joint ventures and associates (our share moves from a profit of £4.0 million to £5.1 million, net interest income of £9.8 million (up £1.2 million) and income from fixed asset investments (including exceptional items) of £16.4 million (up £12.4 million).

Taxation
The tax charge for 1999/00 is £22.4 million (30.4%). This rate is close to the full UK corporation tax rate of 30%.

Cash Flow
The Group generated £38.8 million of cash in the year, an increase of £22.2 million on 1998/99. Net cash inflow from continuing operating activities amounted to £57.8 million, up £9.8 million on 1998/99. Cash inflows also included net interest, rent and dividends of £9.5 million (down £3.0 million) and net capital expenditure and financial investment proceeds of £3.8 million. Cash outflows comprised mainly tax (up £5.2 million to £23.4 million), and acquisitions and disposals of £8.7 million. In summary, cash inflow before management of liquid resources and financing increased by £22.4 million (134.9%) to £39.0 million after taking lease finance repayments and other charges of £0.1 million into account.

Treasury Policy
Funds are deposited with a number of leading UK and international banks. Interest rates on deposits are fixed for the term of the deposits. The Group's international activities and foreign exchange exposure are limited.
As at 2nd April 2000, the Group had no debt other than £7.6 million of finance leases (of which only £0.2 million is repayable within one year) and £0.3 million of loan notes. Interest rates on the majority of leases are at floating rates.

Balance Sheet
As at 2nd April 2000, the Group had net assets of £285.0 million. This represents an increase of £49.7 million on last year. Working capital showed a net increase of £1.2 million.

The Group's overall net cash position improved by £38.8 million to £175.5 million.

The Group has no material borrowings, other than lease finance. It continues to be in a strong financial position.

Nicholas Castro

Report of the Directors

1. Activities and review of the business

The Group results for the period are set out in the Group Profit and Loss Account on page 12. A review of the Group's performance and future prospects is contained in the Chairman's Statement on page 2 and the Chief Executive's Review of Operations on pages 5 to 7. The company has paid a preference dividend of 4.0p per share amounting to £4,000. In view of the need to conserve resources for long term capital expenditure, the Directors do not recommend payment of any dividend on the ordinary shares.

The principal activity of the Group is the dissemination of news, information and advertising matter by way of print and other media. The Directors consider the principal activities of the Group to be one class of business.

2. Directors' responsibilities

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 Group and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 2nd April 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

3. Going concern

After reviewing the Group's cash balances and projected cash flows the Directors believe that the Group has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

4. Employee involvement

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

5. Employment of disabled persons

The policy for the employment of the disabled is that full and fair consideration should be given to their aptitudes and abilities.

6. Tangible fixed assets

The market value of freehold and leasehold property is estimated by the Directors to be approximately £8.5 million greater than its balance sheet value of £15.7 million.

The movements in tangible fixed assets during the period are set out in the table on page 23.

7. Creditor payment policy

The Group has implemented systems to ensure the prompt recognition of all identifiable liabilities to creditors and payments are made to these creditors in line with the CBI's Prompt Payers Code. The creditor days figure for the company for the year was 29 days (1999 24 days).

8. Donations

Charitable donations amounted to £106,600 (1999 £84,000). There were no contributions to political organisations during the period.

9. Ownership

All the ordinary shares of Guardian Media Group plc are owned by the Scott Trust.

10. Directors

The Directors at 28th July 2000 are listed on page 3.

Lord Gavron, who was Chairman on 29th March 1999, resigned on 29th February 2000. Paul Myners was appointed as Chairman on 1st March 2000. Alan Rusbridger was appointed as a Director on 29th July 1999. Giles Coode-Adams was appointed as a Non-Executive Director on 29th April 1999.

According to the Register kept under section 325 of the Companies Act 1985, no Director had any interest in the shares of the company or its subsidiaries.

Report of the Directors continued

11. Directors Emoluments

	Salary/ Fees £000	Performance Related Bonus £000	Benefit in Kind £000	Total £000		Employer's Contributions to Money Purchase Pension Schemes £000
R W Phillis	267	275	13	555		93
N Castro	157	130	10	297		46
C A Marland	190	105	15	310		34
J R Harris	172	75	16	263		16
I S Ashcroft	167	100	12	279		33
A C Rusbridger (*from 29th July 1999)	158	–	6	164	(8 months)	11
Non-executive directors						
P Myners (*from 1st March 2000)	4	–	–	4	(1 month)	–
J J D Bullmore	25	–	–	25		–
A L Karney	38	–	–	38		–
E A L Forgan	25	–	–	25		–
J G S Coode-Adams (*from 29th April 1999)	23	–	–	23	(11 months)	–
Lord Gavron	–	–	–	–		–
	1,226	685	72	1,983		233

*Date of appointment as a director.

Salary/fees
Salaries and fees have been set by the Remuneration Committee having regard to market conditions.

Fees paid to A L Karney include £12,500 in respect of computer consultancy.

Performance related bonus.
The bonuses payable to executive directors have been determined by the Remuneration Committee.

a) The bonus arrangements for R W Phillis and N Castro are based on a formula related to profit before tax above a minimum threshold.

b) The bonus arrangements for C A Marland, J R Harris and I S Ashcroft are based on annual pre-determined divisional and group financial performance targets. The whole bonus is treated as earned in the year it is awarded but payment of one third is deferred for two years and is normally conditional on the director continuing as an employee. Similar bonus arrangements apply to other senior executives in the operating divisions.

c) A C Rusbridger has no contractual entitlement to any bonus payment.

Pensions
Retirement benefits are accruing to the executive directors under money purchase schemes. C A Marland, J R Harris and I S Ashcroft are also members of a top-up scheme providing defined benefits. This scheme is non-contributory as regards the members and in the opinion of the actuary no contributions are required to be made by the company as the scheme is fully funded to meet its liabilities as they fall due.

Benefits in kind
These relate to the provision of motor car and healthcare benefits.

12. Auditors
A resolution to reappoint the auditors PricewaterhouseCoopers will be proposed at the Annual General Meeting.

13. Year 2000
As a result of the Group's programme to address Year 2000 issues no material business interruptions or systems problems have been experienced.

By Order of the Board

Arthur Townsend
Secretary

28th July 2000

Report of the Auditors
To the members of Guardian Media Group plc

We have audited the financial statements on pages 12 to 33.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report, including as described on page 9 the financial statements. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the company and the Group at 2nd April 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester

28th July 2000

Group Profit and Loss Account

For the year ended 2nd April 2000	Note	**2000 £000**	1999 £000
All continuing activities:-			
Turnover including share of joint ventures		**444,483**	411,572
Less: share of joint ventures		**(54,619)**	(45,739)
Group turnover	2	**389,864**	365,833
Operating costs	3	**(347,634)**	(319,698)
Group operating profit	5	**42,230**	46,135
Share of profit of joint ventures		**5,122**	2,385
Share of (losses)/profit of associates		**(29)**	1,567
Total operating profit: group and share of joint ventures and associates		**47,323**	50,087
Exceptional items:			
Profit on disposal of fixed assets		**0**	1,829
Profit on disposal of share of subsidiary undertaking		**0**	3,661
Profit on disposal of fixed asset investments	6	**16,039**	0
Operating profit after exceptional items		**63,362**	55,577
Income from fixed asset investments	7	**328**	3,969
Interest receivable and similar income	8	**9,898**	9,067
Interest payable and similar charges	9	**(66)**	(442)
Profit on ordinary activities before taxation		**73,522**	68,171
Tax on profit on ordinary activities	10	**(22,354)**	(21,074)
Profit on ordinary activities after taxation		**51,168**	47,097
Equity minority interests		**(1,334)**	(1,277)
Profit for the financial period	11	**49,834**	45,820
Preference dividend paid		**(4)**	(3)
Retained profit for the period	26	**49,830**	45,817

The notes on pages 18 to 33 form part of these accounts.

Group Balance Sheet

As at 2nd April 2000	Note	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Intangible assets	12		**3,434**		2,561
Tangible assets	13		**66,438**		66,255
Investment property	14		**230**		230
Investments					
Joint ventures	16				
Share of gross assets		**46,991**		33,362	
Share of gross liabilities		**(19,730)**		(18,444)	
Goodwill arising on acquisition		**2,393**		0	
			29,654		14,918
Associates	17		**1,293**		6,642
Other investments	18		**9,753**		11,152
Current assets					
Stocks	19	**1,664**		1,822	
Debtors	20	**68,234**		66,065	
Cash at bank and in hand		**183,504**		144,866	
		253,402		212,753	
Current liabilities					
Creditors: amounts falling due within one year	21	**70,787**		69,979	
Net current assets			**182,615**		142,774
Total assets less current liabilities			**293,417**		244,532
Creditors: amounts falling due after more than one year	22		**7,965**		8,179
Provisions for liabilities and charges					
Deferred taxation	23		**424**		1,035
Net assets			**285,028**		235,318
Capital and reserves					
Called up share capital	24		**1,000**		1,000
Revaluation reserve	25		**535**		870
Profit and loss account	26		**282,474**		232,477
Equity shareholders' funds			**283,909**		234,247
Non-equity shareholders' funds			**100**		100
Total shareholders' funds			**284,009**		234,347
Equity minority interests			**1,019**		971
			285,028		235,318

Directors:

Paul Myners

Nicholas Castro

These accounts were approved by the Board of Directors on 28th July 2000.

The notes on pages 18 to 33 form part of these accounts.

Company Balance Sheet

As at 2nd April 2000	Note	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Tangible assets	13		**240**		240
Investment property	14		**230**		230
Investments					
Subsidiary companies	15		**40,683**		32,618
Joint ventures	16		**26,975**		10,768
Associates	17		**60**		4,408
Other investments	18		**5,012**		5,017
Current assets					
Stocks	19	**1,074**		1,145	
Debtors	20	**76,636**		77,458	
Cash at bank and in hand		**179,491**		141,086	
		257,201		219,689	
Current liabilities					
Creditors: amounts falling due within one year	21	**173,426**		211,024	
Net current assets			**83,775**		8,665
Total assets less current liabilities			**156,975**		61,946
Creditors: amounts falling due after more than one year	22		**593**		564
Net assets			**156,382**		61,382
Capital and reserves					
Called up share capital	24		**1,000**		1,000
Revaluation reserve	25		**535**		535
Profit and loss account	26		**154,847**		59,847
Equity shareholders' funds			**156,282**		61,282
Non-equity shareholders' funds			**100**		100
Total shareholders' funds			**156,382**		61,382

Directors:

Paul Myners

Nicholas Castro

These accounts were approved by the Board of Directors on 28th July 2000.

The notes on pages 18 to 33 form part of these accounts.

Group Statement of Total Recognised Gains and Losses

For the year ended 2nd April 2000	**2000 £000**	1999 £000
Profit for the financial period	**49,834**	45,820
Unrealised (deficit)/surplus on revaluation of investments	**0**	(268)
Unrealised surplus on revaluation of investment property	**0**	5
	49,834	45,557
Exchange differences	**(168)**	53
Total recognised gains and losses relating to the period	**49,666**	45,610

Note of Group Historical Cost Profits and Losses

Profit on ordinary activities before taxation	**73,522**	68,171
Realisation of revaluation surplus on investments sold in the period	**335**	0
Historical cost profit on ordinary activities before taxation	**73,857**	68,171
Historical cost profit for the period retained after taxation, minority interests and dividends	**50,165**	45,817

Reconciliation of Movements in Group Shareholders' Funds

Balance at 29th March 1999	**234,347**	184,266
Retained profit for the period	**49,830**	45,817
Other recognised losses for the period	**0**	(263)
Exchange differences	**(168)**	53
Goodwill written back	**0**	4,474
Balance at 2nd April 2000	**284,009**	234,347

The notes on pages 18 to 33 form part of these accounts.

Group Cash Flow Statement

For the year ended 2nd April 2000		2000 £000	1999 £000
Net cash inflow from continuing operating activities		**57,848**	48,071
Dividends from joint ventures and associates		**1,823**	1,048
Returns on investments and servicing of finance			
Preference dividends paid		**(4)**	(3)
Dividends paid to minority shareholders		**(1,360)**	(1,381)
Rents received on investment property		**13**	18
Other dividends received		**311**	3,959
Interest received		**8,964**	9,380
Interest paid		**0**	(116)
Finance lease interest paid		**(295)**	(403)
Net cash inflow from returns on investments and servicing of finance		**7,629**	11,454
Taxation paid		**(23,390)**	(18,169)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(15,253)**	(32,769)
Sale of tangible fixed assets - exceptional item		**0**	4,626
Sale of tangible fixed assets		**1,490**	1,020
Purchase of other fixed asset investments		**(2,507)**	(4,609)
Sale of other fixed asset investments		**1,785**	1,386
Sale of other fixed asset investments - exceptional item	6	**18,304**	0
Net cash inflow/(outflow) for capital expenditure and financial investment		**3,819**	(30,346)
Acquisitions and disposals			
Purchase of shares in subsidiary companies		**(1,032)**	(1,394)
Sale of shares in subsidiary companies		**0**	8,394
Purchase of business		**0**	(950)
Purchase of shares in joint ventures and associates		**(7,564)**	0
Sale of shares in joint ventures and associates		**0**	102
Cash acquired/disposed of with subsidiary		**0**	(1,590)
Loans made to joint ventures and associates		**(2,005)**	(1,055)
Loans repaid by joint ventures and associates		**1,855**	1,024
Net cash (outflow)/inflow for acquisitions and disposals		**(8,746)**	4,531
Cash inflow before management of liquid resources and financing		**38,983**	16,589
Management of liquid resources			
Cash placed on short term deposit		**(24,400)**	(29,143)
Purchase of government securities		**0**	(1,540)
Sale of government securities		**0**	1,533
Sale of certificates of deposit		**0**	9,000
Net cash outflow from management of liquid resources		**(24,400)**	(20,150)
Financing			
Payment of principal under finance lease		**(177)**	(126)
Net cash outflow from financing		**(177)**	(126)
Increase/(decrease) in cash in the period	27	**14,406**	(3,687)

Reconciliation of Net Cash Flow to Movement in Net Funds

For the year ended 2nd April 2000	**2000 £000**	1999 £000
Increase/(decrease) in cash in the period	**14,406**	(3,687)
Cash outflow from increase in liquid resources	**24,400**	20,150
Cash outflow from decrease in debt and lease financing	**177**	126
Change in net funds resulting from cash flows	**38,983**	16,589
Other non cash changes	**(168)**	12
Movement in net funds in the period	**38,815**	16,601
Opening net funds	**136,713**	120,112
Closing net funds	**175,528**	136,713

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

Continuing activities

Operating profit	**42,230**	46,135
Depreciation	**12,572**	10,970
Amortisation	**191**	15
Profit on sale of tangible fixed assets	**(326)**	(212)
(Profit)/loss on sale of other fixed asset investments	**(136)**	30
Amounts written off investments	**0**	241
Decrease/(increase) in stocks	**158**	(85)
Increase in debtors	**(2,500)**	(11,949)
Increase in creditors	**5,659**	2,926
Net cash inflow from continuing operating activities	**57,848**	48,071

Summary of the effect of increased investment in subsidiaries, joint ventures and associates during the period:

	Cash consideration £000	Cash acquired £000	Net cash paid £000	Net assets/ (liabilities) acquired £000	Goodwill capitalised £000
Subsidiary :					
Acquisition of minority interests in group companies	1,032	0	1,032	(32)	1,064
Joint ventures and associates	7,564	0	7,564	5,171	2,393
	8,596	0	8,596	5,139	3,457

The separable net assets/(liabilities) recorded in the books of the acquired entities were considered to be at their fair values.

Notes
relating to the 2000 Accounts

1. Accounting policies

Accounting basis

The accounts on pages 12 to 33 have been prepared in accordance with applicable accounting standards in the United Kingdom. Set out below is a summary of the more important Group accounting policies, which have been applied consistently. The accounts have been prepared on the historical cost basis as modified by the revaluation of certain assets.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 2nd April 2000. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Goodwill is capitalised and written off to reserves over its estimated useful life, a maximum period of 20 years. As permitted by FRS 10 goodwill previously written off has not been reinstated. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Joint ventures and associates

The Group's share of profits less losses of joint ventures and associates are included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the audited accounts of the undertakings concerned. Where a joint venture or an associate has a different year end date to the Group, amounts from the latest audited accounts are adjusted to bring in to line with the Group's year end date. The amounts involved are not material to the Group.

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	10%
Computer equipment	20%-33%
Motor vehicles	20%
Furniture, fixtures and fittings	10%

Freehold and leasehold buildings are written off over their expected useful lives or fifty years, whichever is the shorter.

In accordance with Statement of Standard Accounting Practice No. 19, depreciation is not charged on freehold and long leasehold investment property which is included in the balance sheet at valuation; short leasehold investment property is written off over the period of the unexpired term.

Depreciation is charged on assets from the 1st of the month following date of acquisition.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Turnover

This represents amounts invoiced to customers (net of VAT) less discounts.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

Notes
relating to the 2000 Accounts continued

1. **Accounting policies** (continued)

Translation of foreign currencies
Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end and the results of overseas subsidiaries are translated at the average rate of exchange for the financial year. Exchange differences arising from the translation of the opening net investment in subsidiaries and on long term inter-company balances used to finance those investments, together with differences from the translation of the results of those companies at the average rate, are taken to reserves. Other exchange differences are taken to the profit and loss account.

Pensions
The majority of the Group's employees are members of defined contribution pension schemes operated by the parent company. The charge to the profit and loss account comprises the total contributions payable to the schemes in the period. The expected cost of pensions in respect of defined benefit schemes operated by Group companies is charged to operating profit so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The cost is assessed in accordance with the advice of independent qualified actuaries.

Investment income
Income from bank and short term deposits is included in the accounts when receivable. Dividends are included in the accounting period in which they are received.

Finance and operating leases
Assets held under finance leases are capitalised at the fair value of the asset at the inception of the leases, with an equivalent liability categorised under creditors due within and after one year. Assets are depreciated over the shorter of the lease term and their 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.

Costs in respect of operating leases are charged in arriving at the operating profit on a straight line basis over the period of the lease.

Revaluation of investments
The valuations of investment property and certain other investments are reviewed annually and any major changes incorporated in the accounts. Listed investments are valued by the Directors at the lower end of the band within which market prices are expected to fluctuate. Unlisted investments are stated at Directors' valuation which equates to the Group's share of net asset value, except where this is below cost in which case a provision is made for any impairment in accordance with FRS 11. Investment property is valued every three years by independent consultant surveyors.

2. **Turnover**
Sales are made substantially in the U.K.

3. **Operating costs**

	2000 £000	1999 £000
Raw materials and consumables	**49,742**	49,654
Other external charges	**54,571**	56,625
Staff costs (see note 4)	**114,033**	104,788
Depreciation of tangible fixed assets	**12,572**	10,970
Amortisation of goodwill	**191**	62
Other operating charges	**116,661**	97,328
(Profit)/loss on sale of other fixed asset investments	**(136)**	30
Amounts written off investments	**0**	241
	347,634	319,698

Notes
relating to the 2000 Accounts continued

4. Staff costs

		2000 £000	1999 £000
(a)	Staff costs during the period including executive directors		
	Wages and salaries	**96,155**	88,937
	Employer's social security costs	**9,890**	8,652
	Employer's pension costs	**5,109**	4,518
	Severance payments	**2,879**	2,681
		114,033	104,788

		No.	No.
(b)	Average number of persons employed including executive directors		
	Production	**1,844**	1,745
	Selling and distribution	**1,937**	1,880
	Administration	**627**	645
		4,408	4,270

		2000 £000	1999 £000
(c)	Emoluments of directors of Guardian Media Group plc		
	Aggregate emoluments	**1,983**	1,866
	Company pension contributions to money purchase schemes	**233**	212
	Compensation for loss of office	**0**	162

Retirement benefits are accruing to six directors under a money purchase scheme (1999 five directors) and to three directors under a defined benefit scheme (1999 three directors)

	2000 £000	1999 £000
Highest paid director		
Aggregate emoluments – salary and benefits	**280**	274
– performance related bonus	**275**	282
Company pension contributions to money purchase schemes	**93**	92

The remuneration of the chairman until his retirement on 29th February 2000 amounted to £nil (1999: £nil)

The remuneration of the chairman from 1st March 2000 amounted to £4,167.

5. Group operating profit

	2000 £000	1999 £000
The following amounts have been charged in arriving at the operating profit:		
Depreciation – Tangible owned fixed assets	**11,559**	8,971
– Tangible fixed assets held under finance leases	**1,013**	1,999
Auditors' remuneration (parent company £74,330 (1999 £67,625))	**201**	207
Operating lease rentals:		
Plant and machinery	**12,237**	11,043
Buildings	**662**	867

Remuneration of the company's auditors for provision of non-audit services to the company and its subsidiaries was £589,000 (1999 £440,000).

Notes
relating to the 2000 Accounts continued

6. Profit on disposal of fixed asset investments

During the year the Group disposed of its 15% interest in GMTV Limited and part of its interest in Unidad Editorial

	GMTV £000	Unidad Editorial £000	Total £000
Proceeds	16,779	1,525	18,304
Cost	1,800	465	2,265
Profit	14,979	1,060	16,039

7. Income from fixed asset investments

	2000 £000	1999 £000
Dividends from unlisted investments	**311**	3,959
Rents receivable on investment property	**17**	10
	328	3,969

8. Interest receivable and similar income

	2000 £000	1999 £000
Interest on cash at bank and short term investments	**8,581**	8,618
Other interest receivable	**1,317**	449
	9,898	9,067

9. Interest payable and similar charges

	2000 £000	1999 £000
Finance leases	**66**	406
Other loans	**0**	36
	66	442

Notes
relating to the 2000 Accounts continued

10. Tax on profit on ordinary activities

		2000 £000	1999 £000
(a)	Current period		
	Group:		
	Corporation tax at 30% (1999 31%)	**22,168**	17,338
	Deferred taxation	**(705)**	994
	Tax credit on United Kingdom dividends received	**22**	772
	Overseas taxation	**0**	300
		21,485	19,404
	Joint ventures:		
	Corporation tax at 30% (1999 31%)	**1,863**	1,089
	Deferred taxation	**(8)**	3
	Associates:		
	Corporation tax at 30% (1999 31%)	**21**	401
		23,361	20,897
(b)	Prior year		
	Group:		
	Corporation tax at 30% (1999 31%)	**(1,072)**	93
	Deferred taxation	**94**	41
	Joint ventures:		
	Corporation tax at 30% (1999 31%)	**(42)**	(2)
	Deferred taxation	**13**	45
		22,354	21,074

11. Profit of the parent company

As permitted by section 228 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The Group results for the period include a profit of £95,004,000 (1999 profit £31,056,000) which is dealt with in the accounts of the parent company.

12. Intangible assets

	The group Goodwill £000
Cost	
At 29th March 1999	2,623
Additions	1,064
At 2nd April 2000	3,687
Accumulated amortisation	
At 29th March 1999	62
Charge for period	191
At 2nd April 2000	253
Net book value	
At 2nd April 2000	3,434
Net book value	
At 28th March 1999	2,561

The goodwill of £1,064,000 arises on the acquisition of the remaining 20%, 10% and 1.3% respectively of the share capital of Autoborsen, European Auto Trader BV and Star Newspapers (Camberley) Limited. This goodwill is being amortised over 20 years, being the directors estimate of its useful life.

Notes
relating to the 2000 Accounts continued

13. **Tangible fixed assets**

	The company Land and buildings £000	The group Land and buildings £000	Plant and vehicles £000	Fixtures and fittings £000	Total £000
Cost					
At 29th March 1999	264	18,879	78,759	18,971	116,609
Reclassification	0	0	1,753	(1,753)	0
Additions	0	126	9,325	4,468	13,919
Disposals	0	(149)	(10,426)	(1,441)	(12,016)
At 2nd April 2000	**264**	**18,856**	**79,411**	**20,245**	**118,512**
Depreciation					
At 29th March 1999	24	2,864	38,230	9,260	50,354
Reclassification	0	0	929	(929)	0
Charge for period	0	366	9,268	2,938	12,572
Disposals	0	(71)	(9,375)	(1,406)	(10,852)
At 2nd April 2000	**24**	**3,159**	**39,052**	**9,863**	**52,074**
Net book value					
At 2nd April 2000	**240**	**15,697**	**40,359**	**10,382**	**66,438**
Net book value					
At 28th March 1999	240	16,015	40,529	9,711	66,255

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

	2000 £000	1999 £000
Cost	**7,986**	7,986
Accumulated depreciation	**(5,320)**	(4,307)
Net book value	**2,666**	3,679

The net book value of land and buildings is made up as follows :

	The company **£000 2000**	The company £000 1999	The group **£000 2000**	The group £000 1999
Freehold	**0**	0	**8,998**	9,616
Long leasehold	**240**	240	**6,668**	6,365
Short leasehold	**0**	0	**31**	34
	240	240	**15,697**	16,015

14. **Investment property**

	The group and company Freehold £000	Long leasehold £000	Total £000
Net book value			
at 2nd April 2000 and 29th March 1999	140	90	230
Historical cost of revalued property	0	4	4

The above properties have been valued by CB Hillier Parker Limited as at 31st March 1999, the basis of valuation being open market value for existing use. As at 2nd April 2000 the directors believe this value is appropriate.

Notes
relating to the 2000 Accounts continued

15. Subsidiary companies

The Company	Unlisted shares £000	Loan stock £000	Total £000
Cost			
At 29th March 1999	39,083	5,601	44,684
Additions	40,634	0	40,634
Transfer to subsidiaries	(36,742)	(4,772)	(41,514)
At 2nd April 2000	**42,975**	**829**	**43,804**
Amounts written off			
At 29th March 1999	7,941	4,125	12,066
Transfer to subsidiaries	(5,649)	(3,296)	(8,945)
At 2nd April 2000	**2,292**	**829**	**3,121**
Net book value at 2nd April 2000	**40,683**	**0**	**40,683**
Net book value at 28th March 1999	31,142	1,476	32,618

The additions and transfers to subsidiaries noted above related to a reorganisation of the Group.

Particulars of the principal subsidiary companies are given in note 35.

16. Joint ventures

(a) The group

	Interests in joint ventures £000	Goodwill £000	Loans £000	Total £000
Cost or valuation				
At 29th March 1999	8,053	0	6,865	14,918
Additions	5,111	2,393	2,005	9,509
Disposals	0	0	(1,815)	(1,815)
Transfer from associates	5,395	0	0	5,395
Share of retained profit	4,188	0	(892)	3,296
Dividends	(1,783)	0	0	(1,783)
Other movements	134	0	0	134
At 2nd April 2000	**21,098**	**2,393**	**6,163**	**29,654**

(b) The company

	Shares £000	Loans £000	Total £000
Cost or valuation			
At 29th March 1999	19,256	11,130	30,386
Additions	7,504	0	7,504
Disposals	0	(1,495)	(1,495)
Transfer from associates	4,408	0	4,408
Transfer to subsidiary	(3,299)	(3,917)	(7,216)
At 2nd April 2000	**27,869**	**5,718**	**33,587**
Amounts written off			
At 29th March 1999	15,353	4,265	19,618
Written back in period	(5,568)	(880)	(6,448)
Transfer to subsidiary	(3,173)	(3,385)	(6,558)
At 2nd April 2000	6,612	0	6,612
Net book value at 2nd April 2000	**21,257**	**5,718**	**26,975**
Net book value 28th March 1999	3,903	6,865	10,768

Notes
relating to the 2000 Accounts continued

16. Joint ventures (continued)

		2000 £000	1999 £000
(c)	The group's aggregate share in its joint ventures is detailed below:		
	Share of fixed assets	**24,634**	19,218
	Share of current assets	**22,357**	14,144
	Share of liabilities due within one year	**(11,324)**	(10,269)
	Share of liabilities due after one year	**(8,406)**	(8,175)
	Share of net assets	**27,261**	14,918

(d) Dividends received by the Group from joint venture companies were £1,782,633 (1999 £1,047,500)

During the year the company and the Group increased its interest in Radio Investments Limited from 28% to 49%, and this interest has been transferred from associates to joint ventures. Goodwill of £2,393,000 arose on this acquisition and will be amortised over 20 years, being the directors estimate of its useful economic life.

Particulars of the principal joint venture companies are given in note 35.

17. Associates

		Shares £000	Loans £000	Total £000
(a)	The group			
	Cost or valuation			
	At 29th March 1999	6,563	79	6,642
	Additions	60	0	60
	Disposals	0	(40)	(40)
	Transfer to joint ventures	(5,395)	0	(5,395)
	Share of retained losses	(50)	0	(50)
	Dividends	(40)	0	(40)
	Other movements	116	0	116
	At 2nd April 2000	**1,254**	**39**	**1,293**

		Shares £000	Loans £000	Total £000
(b)	The company			
	Cost or valuation			
	At 29th March 1999	4,408	0	4,408
	Additions	60	0	60
	Transfer to joint ventures	(4,408)	0	(4,408)
	At 2nd April 2000	**60**	**0**	**60**
	Amounts written off			
	At 2nd April 2000 and 29th March 1999	0	0	0
	Net book value at 2nd April 2000	**60**	**0**	**60**
	Net book value 28th March 1999	4,408	0	4,408

(c) Dividends received by the Group from associates were £40,000 (1999 £nil)

Particulars of the principal associates are given in note 35.

Notes
relating to the 2000 Accounts continued

18. Other investments

(a) The group

	Listed shares £000	Unlisted shares £000	Term deposits/ loans £000	Total £000
Cost or valuation				
At 29th March 1999	1,511	7,391	2,250	11,152
Additions at cost	356	2,151	0	2,507
Disposals	0	(2,656)	(1,250)	(3,906)
At 2nd April 2000	**1,867**	**6,886**	**1,000**	**9,753**
Analysis				
Cost	356	5,630	1,000	6,986
Valuation	1,511	1,256	0	2,767
	1,867	**6,886**	**1,000**	**9,753**

The historical cost of investments included at valuation amounted to £2,458,000. Market value of investments listed on the London Stock Exchange at the year end (2nd April 2000) amounted to £3,416,000 (1999 £1,511,000).

(b) The company

	Listed shares £000	Unlisted shares £000	Term deposits/ loans £000	Total £000
Cost or valuation				
At 29th March 1999	1,511	1,256	2,250	5,017
Additions at cost	356	889	0	1,245
Disposals	0	0	(1,250)	(1,250)
At 2nd April 2000	**1,867**	**2,145**	**1,000**	**5,012**
Analysis				
Cost	356	889	1,000	2,245
Valuation	1,511	1,256	0	2,767
	1,867	**2,145**	**1,000**	**5,012**

The historical cost of investments included at valuation amounted to £2,458,000. Market value of investments listed on the London Stock Exchange at the year end (2nd April 2000) amounted to £3,416,000 (1999 £1,511,000).

Details of shareholdings of voting significance are given in note 35.

19. Stocks

	2000		1999	
	The company £000	**The group £000**	The company £000	The group £000
Raw materials and consumables	**1,074**	**1,664**	1,145	1,822

Notes
relating to the 2000 Accounts continued

20. Debtors

	2000 The company £000	2000 The group £000	1999 The company £000	1999 The group £000
Trade debtors	**43,576**	**57,800**	43,547	55,661
Amounts owed by subsidiaries	**27,732**	**0**	26,906	0
Amounts owed by associates	**114**	**2,432**	170	605
Other debtors	**518**	**858**	688	1,516
Prepayments and accrued income	**4,696**	**7,144**	4,777	6,495
Corporation tax	**0**	**0**	1,370	1,788
	76,636	**68,234**	77,458	66,065

21. Creditors: amounts falling due within one year

	2000 The company £000	2000 The group £000	1999 The company £000	1999 The group £000
Obligations under finance leases	**0**	**271**	0	205
Trade creditors	**16,209**	**20,724**	16,018	21,077
Amounts owed to subsidiaries	**127,630**	**0**	171,555	0
Amounts owed to associates	**0**	**795**	310	626
Corporation tax	**3,250**	**12,992**	2,203	17,056
Taxation and social security	**5,336**	**8,782**	3,680	7,157
Other creditors	**128**	**772**	472	1,512
Accruals and deferred income	**20,873**	**26,451**	16,786	22,346
	173,426	**70,787**	211,024	69,979

22. Creditors: amounts falling due after more than one year

	2000 The company £000	2000 The group £000	1999 The company £000	1999 The group £000
Obligations under finance leases	**0**	**7,372**	0	7,615
Other creditors	**593**	**593**	564	564
	593	**7,965**	564	8,179
The total value of obligations under finance leases repayable by instalments.				
– within one year	**0**	**271**	0	205
– within two to five years	**0**	**1,633**	0	1,334
– over five years	**0**	**5,739**	0	6,281
	0	**7,643**	0	7,820

Notes
relating to the 2000 Accounts continued

23. Deferred taxation

	2000 The company £000	2000 The group £000	1999 The company £000	1999 The group £000
Provided				
Accelerated tax allowances on fixed assets	**0**	**2,440**	0	2,824
Short term timing differences	**0**	**(2,016)**	0	(1,789)
	0	**424**	0	1,035

The movement on deferred taxation provision is analysed as follows:

	The group £000
At 29th March 1999	1,035
Tax on profit on ordinary activities	(611)
At 2nd April 2000	424

Unprovided	2000 The company £000	2000 The group £000	1999 The company £000	1999 The group £000
Revaluation of fixed asset investments	**348**	**348**	350	350
Short term timing differences	**(348)**	**0**	(350)	0
	0	**348**	0	350

No recognition has been made of potential future tax relief arising on certain revalued investments amounting to £163,000 (1999 £163,000).

24. Called up share capital

	The company 2000 £000	The company 1999 £000
Authorised, issued, called up and fully paid:		
4% cumulative preference shares of £1 each (now 2.8% and related tax credit)	100	100
Ordinary shares of £1 each	900	900
	1,000	1,000

The 4% cumulative preference shares have no voting rights attached and in the event of a winding up of the company are not entitled to any surplus assets.

25. Revaluation reserve

	The company £000	The group £000
At 29th March 1999	535	870
Transfer from revaluation reserve to profit and loss account reserve	0	(335)
At 2nd April 2000	**535**	**535**

Notes
relating to the 2000 Accounts continued

26. Profit and loss account

	The company £000	The group £000
The movement on retained profits is analysed below:		
At 29th March 1999	59,847	232,477
Retained profit for the period	95,000	49,830
Realisation of revaluation surplus	0	335
Exchange differences	0	(168)
At 2nd April 2000	**154,847**	**282,474**
Cumulative goodwill written off to reserves		64,579

27. Analysis of net funds

	1999 £000	Cash flow £000	Other non-cash changes £000	**2000 £000**
Net cash:				
Cash at bank and in hand	144,866	38,806	(168)	**183,504**
Less: deposits treated as liquid resources	(140,600)	(24,400)	0	**(165,000)**
	4,266	14,406	(168)	**18,504**
Liquid resources:				
Deposits included in cash	140,600	24,400	0	**165,000**
Debt:				
Finance leases	(7,820)	177	0	**(7,643)**
Loan notes	(333)	0	0	**(333)**
	(8,153)	177	0	**(7,976)**
Net funds	136,713	38,983	(168)	**175,528**
Analysed in balance sheet:				
Cash at bank and in hand	144,866			**183,504**
Finance leases				
within one year	(205)			**(271)**
after one year	(7,615)			**(7,372)**
Loan notes (included in equity minority interests)	(333)			**(333)**
	136,713			**175,528**

Notes
relating to the 2000 Accounts continued

28. Post balance sheet events

During the year the Group transferred the majority of its Auto Trader interests to a new company Auto Trader Holdings Limited which was ultimately 100% owned by the Group. On 24th May 2000 Hurst Publishing Group Limited acquired Auto Trader Holdings Limited from the Group. The consideration for which was a 50% interest in Hurst Publishing Group Limited which owned other Auto Trader titles prior to this transaction and is now trading as Trader Media Group.

On 28th April 2000 the Group disposed of its interest in 3 Australian companies Sydney Auto Trader Pty Limited, Sydney Buy and Sell Pty Limited and WA Auto Trader Pty Limited.

On 12th July 2000 the Group disposed of its interest in Fourth Estate Limited.

29. Capital commitments authorised

Contracts for capital expenditure and investments for the Group amounted to approximately £4,143,000 (1999 £4,465,000). There are no capital commitments in respect of the company (1999 £nil).

30. Contingent liabilities and financial commitments

(a) The company has given a guarantee to National Westminster Bank Plc to secure the liabilities of certain of its subsidiary companies. At 2nd April 2000 no subsidiary company had a bank overdraft (1999 £nil).

(b) The company has given joint and several guarantees and indemnities and sole guarantees in respect of certain leasing obligations of Trafford Park Printers Limited and Berkshire Press Limited amounting to £11 million.

(c) The company has given a sole guarantee on behalf of a subsidiary company in respect of a printing agreement with West Ferry Printers Limited amounting to a maximum of £25 million.

31. Operating lease and similar commitments

The Group has entered into a number of operating leases and similar annual commitments. The total amount payable under these leases is as follows:

	Land and buildings		Other	
	2000 £000	1999 £000	**2000 £000**	1999 £000
Expiring within one year	**32**	30	**0**	19
Expiring between two and five years inclusive	**129**	275	**38**	29
Expiring in over five years	**424**	416	**7,884**	7,931
	585	721	**7,922**	7,979

There are no operating lease or similar commitments in respect of the company (1999 £nil).

Notes
relating to the 2000 Accounts continued

32. Related party transactions

Transactions between subsidiary members of the Guardian Media Group plc are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation. In the course of normal operations the Group has traded on an arms length basis with joint ventures, associates and other related undertakings, principally Trafford Park Printers and Auto Trader joint ventures. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	£million
Sales	6.4
Purchases	11.9

As at 2nd April 2000 there were no material balances outstanding in relation to these transactions.

During the year the Guardian Media Group plc paid £90,000 to seven members of the Scott Trust in relation to their duties as Trustees. A further £199,000 was paid to three of the Trustees, non of whom are directors of the Group, for services rendered to Guardian Newspapers Limited and paid on a normal arms length basis. No members of the board received additional remuneration for services as a Trustee.

33. Ultimate controlling party

The ultimate controlling party of the Group is the Scott Trust which owns 100% of the issued share capital of Guardian Media Group plc.

34. Pensions

The majority of the Group's employees are members of defined contribution pension schemes operated by the company. The Group also contributes to a small number of pension schemes which are of the defined benefit type. These defined benefit schemes are insignificant in relation to the Group's overall pension arrangements. Pension scheme assets are held in separate trustee administered funds. The total pension charge for the Group is shown in note 4(a).

The most recent triennial actuarial valuations of the defined benefit pension schemes stated that the assets of the schemes were sufficient to cover the liabilities as at the date of valuation. The actuaries' recommendations on the level of funding are being followed.

Notes
relating to the 2000 Accounts continued

35. Subsidiaries and other companies

The principal activity of the subsidiary and associates is the dissemination of news, information and advertising matter by way of print and other media. The following information relates to those subsidiary companies, which in the opinion of the directors, principally affected the results or financial position of the Group. The subsidiary companies are incorporated in Great Britain and registered in England and Wales except where noted.

(a) Subsidiary companies	Description of shares held	Equity holding
National Newspaper Division		
Guardian Newspapers Limited^	£1 ordinary shares	100%
Guardian Press Centre Limited^	£1 ordinary shares	100%
M & G Media (PTY) Limited=^	1 cent ordinary shares	71.8%
Regional Newspapers Division		
Greater Manchester Newspapers Limited^	£1 ordinary shares	100%
Surrey and Berkshire Newspapers Limited^	£1 ordinary shares	100%
	£1 deferred shares	100%
Star Newspapers (Camberley) Limited^	£1 ordinary shares	100%
Auto Trader Division		
Midland Auto Trader Limited^	£1 ordinary shares	70%
Scottish Auto Trader Limited#^	£1 ordinary shares	70%
Scottish Supermart Limited^	£1 ordinary shares	51%
Planedge Limited^	£1 ordinary shares	100%
Auto Trader Publications (GMG) Limited^	£1 ordinary shares	100%
Auto Trader Holland Limited^	£1 ordinary shares	100%
Auto Trader Australia Limited^	£1 ordinary shares	100%
Auto Trader Norway Limited^	£1 ordinary shares	100%
Belgian Auto Trader Limited^	£1 ordinary shares	100%
Auto Trader Europe Limited^	£1 ordinary shares	100%
Other		
GMG Radio Holdings Limited	£1 ordinary shares	100%
Workthing Limited (formerly GMGWOW Limited)	£1 ordinary shares	100%

Registered in Scotland

=Incorporated in South Africa

^Investments not held directly by GMG plc

Notes
relating to the 2000 Accounts continued

35. **Subsidiaries and other companies** (continued)

(b) Joint venture companies

Joint venture companies	Description of shares/ loan stock in issue	Percentage holding
GMG Endemol Entertainment plc	3,656,990 10p ordinary shares	50%
	£4,468,223 loan stock	72%
Radio Investments Limited	1,508,440 ordinary shares of 10p	49%
Auto Trader Limited	100 ordinary shares of £1	50%
Auto Trader National Sales Limited	200 ordinary shares of £1	50%
	£2,920,000 loan stock	50%
Western Publishing Limited	100 ordinary shares of £1	50%
Anglia Auto Trader Limited	1000 ordinary shares of £1	50%
South West Free Ads Limited	100 ordinary shares of £1	50%
South East Publishing Limited	100 ordinary shares of £1	50%
	£700,000 loan stock	50%
Auto Trader National Magazines Limited	100 ordinary shares of £1	50%
Auto Trader Systems Limited	2 ordinary shares of £1	50%
	£7,663,876 loan stock	49%
Freedom House Publishing Company Limited	1000 ordinary shares of £1	45%
Irish Auto Trader Limited	100 ordinary shares of £1	40%
Trafford Park Printers Limited	10,000 ordinary shares of £1	50%

(c) Associate

Associate		
Fourth Estate Limited	439,670 ordinary shares of £1	42%
	£38,875 loan stock	100%

(d) Other significant interests

Other significant interests		
Jazz fm plc	22,287,545 ordinary shares of 1p	14.4%
Press Association Limited	7,965,000 ordinary shares of £1	3.9%
Newspaper Licensing Agency Limited	£510,000 loan stock	16.7%

All the above companies are incorporated in Great Britain and registered in England and Wales and operate principally in their country of incorporation.

Group Five Year Review

	Year to 2nd April 2000 £000	28th March 1999 £000	29th March 1998 £000	30th March 1997 £000	31st March 1996 £000
Turnover including share of joint ventures	**444,483**	411,572	390,816	348,091	320,214
Less: share of joint ventures	**(54,619)**	(45,739)	(23,256)	(21,890)	(18,434)
Group turnover	**389,864**	365,833	367,560	326,201	301,780
Operating costs	**347,634**	319,698	324.753	302,799	287,550
Operating profit	**42,230**	46,135	42,807	23,402	14,230
Share of profit of joint ventures and associates	**5,093**	3,952	2,386	1,118	(12)
Total group operating profit including share of joint ventures and associates	**47,323**	50,087	45,193	24,520	14,218
Exceptional items	**16,039**	5,490	0	(19,767)	0
Operating profit after exceptional items	**63,362**	55,577	45,193	4,753	14,218
Income from fixed asset investments	**328**	3,969	770	416	1,965
Net interest receivable	**9,832**	8,625	7,076	5,231	3,913
Profit on ordinary activities before taxation	**73,522**	68,171	53,039	10,400	20,096
Tax on profit on ordinary activities	**(22,354)**	(21,074)	(18,709)	(4,964)	(7,570)
Profit on ordinary activities after taxation	**51,168**	47,097	34,330	5,436	12,526
Assets employed					
Fixed assets	**70,102**	69,046	48,690	49,379	70,315
Investments	**40,700**	32,712	24,859	24,647	20,935
Cash at bank and in hand less obligations under finance leases	**175,861**	137,046	120,445	85,738	61,446
Other net assets/(liabilities)	**(1,635)**	(3,486)	(9,002)	281	4,966
Net assets	**285,028**	235,318	184,992	160,045	157,662

Corporate Directory

Guardian Media Group
Registered Office:
164 Deansgate
Manchester
M60 2RD
Tel: 0161 832 7200

Head Office:
75 Farringdon Road
London EC1M 3JY
Tel : 020 7239 9749

The Guardian & The Observer
119 Farringdon Road
London EC1R 3ER
Tel : 020 7278 2332

Greater Manchester Newspapers
164 Deansgate
Manchester M60 2RR
Tel : 0161 832 7200

Surrey Advertiser and Berkshire Newspapers
Stoke Mill
Woking Road
Guildford
Surrey GU1 1QA
Tel : 01483 508700

Trader Media Group
Unit 6
Thatcham Business Village
Colthrop Lane
Thatcham
Berkshire RG19 4LW
Tel: 01635 292807

Registered Auditors
PricewaterhouseCoopers
Chartered Accountants
101 Barbirolli Square
Lower Moseley Street
Manchester M2 2PW

Solicitors
Lovells
65 Holborn Viaduct
London EC1A 2DY

Bankers
National Westminster Bank plc
Manchester City Office
Spring Gardens
Manchester M60 2DB

Printed by FOLIUM Financial & Security Printers, Birmingham. Tel: 0121-236 6969

Guardian Media Group plc
75 Farringdon Road
London EC1M 3JY
Tel : 0171 239 9749