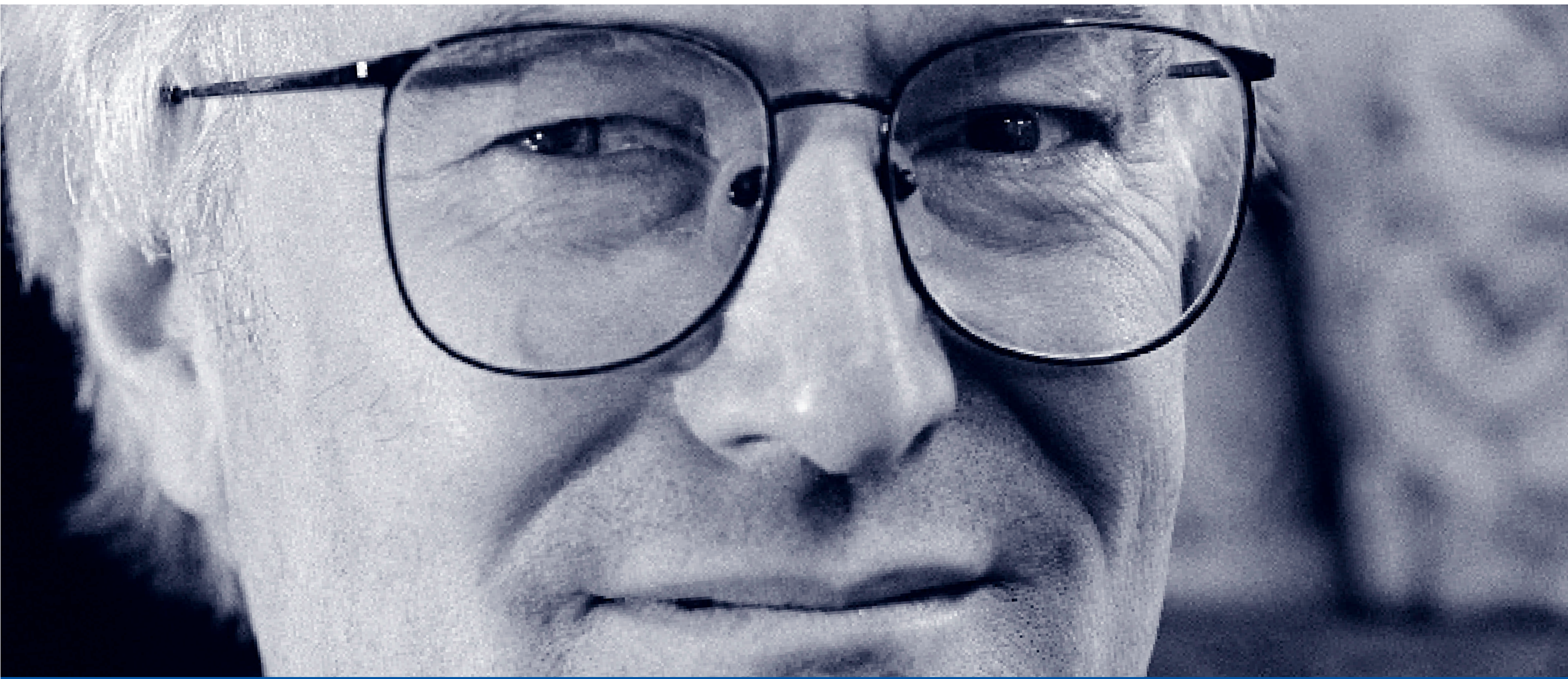
GUARDIAN MEDIA GROUP



Hugo Young (1938-2003)

Chairman of the Scott Trust (1989-2003), owners of Guardian Media Group plc

Nothing he wrote was for effect, or advantage, or calculation or influence. He didn't write to please editors, or proprietors or politicians or mandarins – or even readers. He simply wrote what he believed. That this should have had such an effect among those whom he wrote about may suggest how rare and precious this gift was.

Alan Rusbridger, Editor, The Guardian

Guardian Media Group plc Annual Report and Accounts 2004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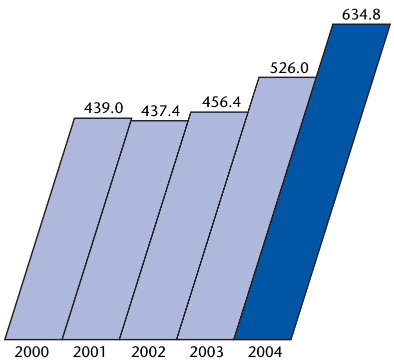
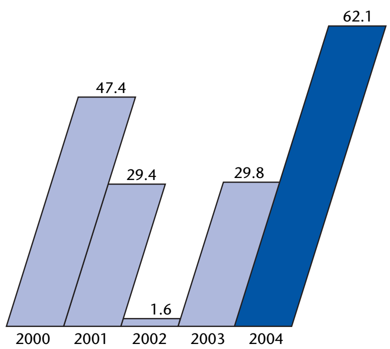
Guardian Media Group plc is a UK media business with interests in national newspapers, community newspapers, magazines, radio and internet businesses. The company is wholly-owned by the Scott Trust.

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

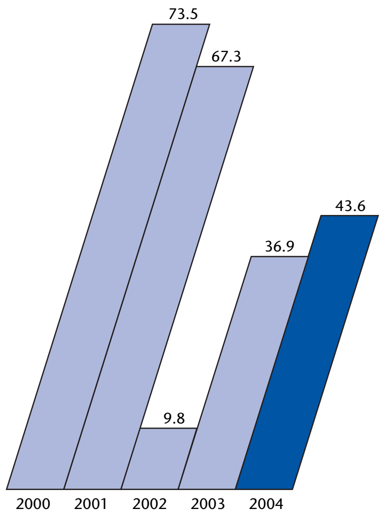
Financial highlights 2004



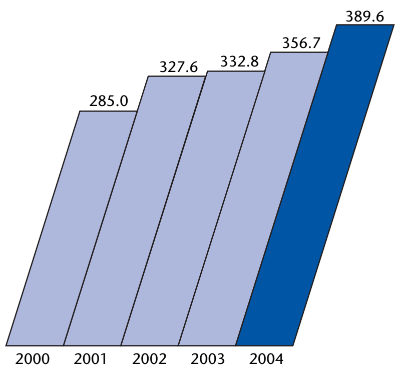
Turnover including share of joint ventures and associates. £m



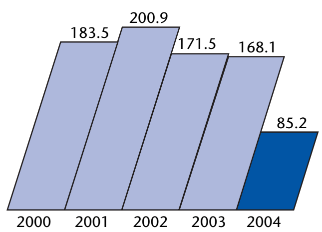
Total group operating profit including share of joint ventures and associates. £m



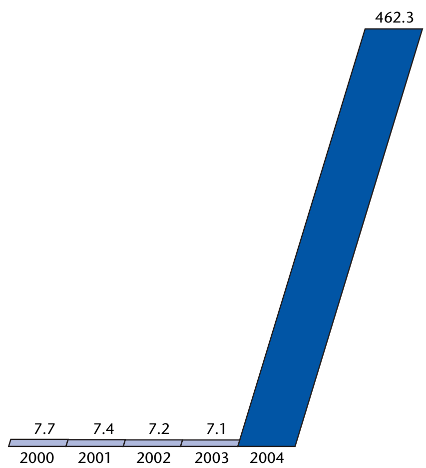
Profit before taxation. £m



Group net assets. £m



Cash £m



Debt (net of costs) £m

Guardian Media Group plc structure

GUARDIAN MEDIA GROUP

National Newspaper Division

- Publishers of The Guardian, The Observer, The Guardian Weekly, Guardian Europe and Money Observer.
- Electronic publishers of guardianunlimited.co.uk and Learn which provides learning resources for school students.

Regional Newspaper Division

- Publishers of the Manchester Evening News, Reading Evening Post and co-publishers with Associated Newspapers of Metro (Greater Manchester).
- Publishers of 41 weekly newspapers throughout Greater Manchester, Cheshire, Lancashire, Surrey, Berkshire and Hampshire.
- Electronic publishers of manchesteronline.co.uk and other sites relating to the weekly newspapers.

Radio Division

- Operates regional radio stations, under the Real Radio brand in South Wales, South and West Yorkshire and Central Scotland, under the *JAZZFM* brand in London and under the smooth fm brand in the North West.
- Holds a 24.3% shareholding in MXR, a holder of regional digital multiplex licences.
- Holds a 22% shareholding in Digital News Network, provider of news services.

Trader Media Group

- A magazine publishing and printing company.
- Titles include Auto Trader, Top Marques, Bike Trader, Truck Trader, Caravan Trader, Farmers Trader, Boats and Yachts, Buy a Boat, Auto Freeway, Ad Trader, TNT Magazine, SX Magazine and Classic American.
- Electronic publishers of autotrader.co.uk and adtrader.co.uk.
- Publishing subsidiaries in The Netherlands, Italy, and South Africa.
- Printers include Apple Web Offset, Acorn Web Offset and Wiltshire.

Other Interests

- workthing.com (95.2%) A company that provides recruitment and advertising services by way of electronic media.
- PeopleBank (90.4%) A company that provides hosted and corporate recruitment sites and searchable CV databases.
- Trafford Park Printers (50%) Prints The Guardian, The Observer, Manchester Evening News, The Daily Telegraph and The Sunday Telegraph.
- Paper Purchase & Management (50%) Provider of newsprint and magazine paper to the Guardian, Manchester Evening News, Auto Trader, The Daily Telegraph and The Sunday Telegraph.
- Channel M (100%) A restricted service licence television station for Manchester.
- Fish4 (25.1%) A company that provides electronic classified advertising services.
- Seven Publishing (26.8%) Publisher of consumer magazines delicious. and Gardenlife.

Chairman's statement

Paul Myners
Chairman

The resilience of the Group's structure and strategy has played a major part in a year of significant progress. Our companies have continued to perform well in a period of intense competition. We have resisted the quick fixes which others have employed to confront the challenges of a rapidly changing sector. Our established policy of investing in quality and innovation is producing benefits for the future of the organisation. With the acquisition of Trader Media Group we have further strengthened the long-term security of both The Guardian and The Observer.

Turnover within the Group increased by 20.7 per cent to £634.8 million (including share of joint ventures and associates) and pre-tax profits rose from £36.9 million last year to £43.6 million. The acquisition of the remaining shares in Trader Media Group that the Group previously did not own, on 3rd October 2003, had a significant effect on our turnover, operating profits, cash flow and balance sheet. The Group funded the acquisition by arranging borrowing facilities of £514.9 million, as well as employing £120.0 million of our cash resources. On a like for like basis, the Group's turnover rose by £23.6 million or 6.6%, with the remaining increase due to the complete ownership of Trader Media Group for the second half of the financial year. The Group's total operating profit for the year, excluding the amortisation of intangibles and for the previous year, exceptional items, was £84.5 million, compared with £38.4 million in 2003. Net interest payable, including bond redemption costs and refinancing charges and other investment income, was £18.5 million, compared with net interest receivable of £7.2 million in the previous year. The level of amortisation charges rose significantly to £22.4 million (prior year £8.6 million), principally due to the goodwill relating to Trader Media Group. This charge will rise further next financial year, resulting from the full year effect of the Group's ownership of Trader Media Group.

Our core objective is the protection of our national titles, The Guardian, The Observer and Guardian Unlimited. All other activities are in pursuit of that core objective and exist as a store of value to enable us to pursue our primary objective.

As the Chief Executive reports, our main printed titles have both performed strongly in a volatile advertising climate and fiercely competitive commercial environment, while again excelling in editorial terms. In the year to March 2004, the Guardian's market share was sustained at 18 per cent. Its average circulation of 385,589 during the year contained 84 per cent of sales at full price, the highest in the market. Similarly, The Observer, with an average circulation of 454,524 and a 17 per cent market share, achieved 85 per cent of full price sales, the highest in its market. Guardian Unlimited achieved record-breaking revenues and significantly extended reach.

GMG Regional Newspapers saw a return to strong growth, achieving a £30 million profit for the first time, and revenue from the developing online businesses grew during the year by 39 per cent. Our Radio Division demonstrated remarkable progress, outperforming the radio industry as a whole, exceeding revenue budgets as well as achieving higher turnover and audience levels. Trader Media is a business that has consistently delivered, exceeding expectations on all key metrics.

The strategic review which culminated in bringing Trader Media in its entirety into the Group began as long ago as May 2002 at a GMG Board meeting attended by the late Hugo Young as Chairman of the Scott Trust, which owns the Group. He supported the acquisition in the context, as he always put it, "of the famously terse instruction that the business should be run 'as heretofore'". Hugo believed that both Trust and Board are stewards of an idea of ownership, and a faith in high-class journalism, that runs right through the Company. When he died in September last year, Alan Rusbridger described him as "a wise, tireless and enlightened Chair of the Scott Trust". His journalistic principles, as Alan's sentiments on the front cover of this report emphasise, were based on belief. This characterised his approach to life, to the public interest, and to his 14-year term as Trust Chairman. His perception of the unique role of The Guardian and The Observer, "profit-seeking, without in every year having to be profit-making", and of the Group's responsibility to nurture them through hard times, as well as to encourage them to expand and prosper when appropriate, is part of his inspirational legacy which will live on.

In November 2003, the Trust appointed Liz Forgan as its new Chair. A member of the Trust from 1988-93, she became an independent director of the GMG Board in 1998. I am delighted that we shall continue to benefit from her wise counsel as she will continue to attend GMG Board meetings. In May 2004, Richard Eyre was invited to join the GMG Board as an independent director and I look forward to the contribution he will make to our deliberations in the years ahead drawing on his wide media experience.

Together with the BBC and many millions of radio listeners worldwide, we mourned this year the loss of Alistair Cooke, who first joined the Manchester Guardian as UN Correspondent in 1945.

In a year of international conflict and political turmoil, our journalism was again distinguished by personal bravery and professional excellence.

We operate in a period of unparalleled distrust, of politicians, of people in positions of authority generally, whether in business or public life. I believe that one way of defining a society is by what it fears most. We are becoming profoundly afraid of breaches of trust in all walks of life, particularly in business and the professions, with a perceived crisis of trust in society which places increasing focus on making institutions transparent, whether in the public or private sector. To enhance the transparency and understanding of our own activities we are, in this report, providing more detail in the segmental analysis of the Group's operations across its operating divisions.

However, transparency on its own is not enough. A company's values and beliefs hold it together more than its structure and systems. "Openness, transparency and accountability" are words which have become the unquestioned holy grails of good governance, and, while important, have been praised to the exclusion of principles which are actually at the heart of good governance – trust, confidence and integrity – and without which would have little value.

These principles are at the core of this organisation, where immediate profit and the bottom line are not primary or over-riding considerations in the way we operate. The Scott Trust's values can be appreciated even more vividly against the backcloth of the turmoil in our own industry, where the broadsheet/tabloid battle still rages and a number of national titles faced uncertainty of future ownership. We do not react to passing commercial concerns since our strategy has always been about the long-term: attracting and retaining new readers through sustained editorial investment in our newspapers and websites, offering innovative solutions to advertisers, and remaining distinctive in an ever-converging newspaper market.

None of this, however, means that we are not self-critical, or that we could not do better. As I reported last year, we began a new internal initiative with the launch of a social, environmental and ethical audit of all of the operations within Guardian Newspapers Limited, to ensure that the division continues to uphold the Scott Trust's principles.

The first audit was externally verified by **ethics etc**, an independent social accounting, consultancy and assurance provider. Its director, Richard Evans, concluded that the national newspaper division was well on the way to producing an exemplary social and sustainability report. While he noted the need for a proper environmental audit and an integrated environmental management system for the company's offices in London, he commented: "…this is not a journey that started a year or so ago. What differentiates this report from many corporate social responsibility reports is the way it measures today's performance against ideals and a vision that established the papers' and the company's character many decades ago".

Our readers are, of course, among the stakeholders in this organisation. As part of the self-examination process, a survey was conducted asking readers if they thought newspapers had a responsibility to refuse to carry certain kinds of advertising. A total of 50 per cent of readers of The Guardian and The Observer and 52 per cent of those who use Guardian Unlimited expressed a preference for the exclusion of chatline advertisements in the television and entertainment section, the Guide. As the Guardian Readers' Editor, Ian Mayes, reported: "They have gone, never to return, taking with them a yearly revenue for The Guardian and The Observer of £350,000 a year: a significant sacrifice, you might agree, in the economic climate."

While the self-examination continues, evidence emerges of the underlying culture of the organisation. The report reveals that the organisation's liberal culture is not confined to the editorial departments, but is "embedded throughout the company", demonstrated by the support from across the organisation for community projects, particularly involving schools. It also recorded some progress on diversity (93.5 per cent white editorial staff compared with 96 per cent for the industry as a whole). Recycled paper now makes up 76 per cent of the newsprint used in the Guardian and its associated newspapers (the industry figure is 65.1 per cent).

The survey of readers discovered other things too. For example, a total of 91 per cent of those taking the Guardian trusted its coverage.

In a world where celebrity overshadows substance, where fact has to fight hard against innuendo, the possession of trust is a staunch ally in any enterprise, let alone a noble enterprise.

Which I believe this one to be.

I cannot close this report without extending congratulations from myself, the Board and all involved at GMG to our Chief Executive, Bob Phillis, on the award of a knighthood in the Queen's Birthday Honours for services to media.

Paul Myners
paul.myners@myners.com

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Guardian Media Group plc Board of directors

From left to right:

1 Paul Myners*+^
Chairman
Aged 56. Joined the Group in March 2000. He is Chairman of the Remuneration and Nominations Committees. He is also Chairman of Aspen Insurance Holdings Limited, an independent director on the board of The Bank of New York Inc. and mmO2 plc and Interim Chairman of Marks and Spencer plc. He is Chairman of the Trustees of Tate.

2 Sir Robert Phillis
Chief Executive,
Guardian Media Group plc
Aged 58. Joined the Group 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. He is Non-Executive Chairman of All3Media Group Limited.

3 Nicholas Castro
Group Finance Director
Aged 53. Joined the Group and Board in 1998. He was previously Group Finance Director of Yorkshire Tyne Tees Television Holdings plc and a partner with KPMG in London.

4 Alan Rusbridger
Editor,
The Guardian
Aged 50. 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, became Editor in 1995, and joined the Scott Trust in 1997. He is Executive Editor of The Observer, a Member of the Press Complaints Commission's Code Committee and a Visiting Fellow at Nuffield College.

5 Carolyn McCall
Chief Executive,
National Newspaper Division
Aged 42. Appointed to the Board in 2000. Appointed to Guardian Newspapers Board in 1995. She is a Trustee of Tools for Schools (a business/education initiative co-founded by the Guardian). She was previously a Non-Executive Director of New Look Group plc.

6 Ian Ashcroft
Chief Executive,
Regional Newspaper Division.
Aged 58. 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, since when he has been Chairman of Fish4 Limited and Trafford Park Printers Limited. He is a Senator of IFRA.

7 Graham Luff
Chief Executive,
Trader Media Group
Aged 59. Joined Trader Media Group in 1995. He was appointed to the Board on 6 October 2003. He was previously Managing Director of Newspaper Publishing Plc (publishers of The Independent and Independent on Sunday), Managing Director of London News Radio, Financial Director of Energis Communications, having started his career at Kodak Limited.

8 Giles Coode-Adams OBE DL*^
Senior Independent Director
Aged 65. Joined the Board in 1999. He is Chairman of the Audit Committee. 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 Gardens, Kew, Foundation. He is a Non-Executive Director of Rathbone Brothers plc.

9 John Bartle CBE+^
Independent
Aged 59. Joined the Board in 2002. He was previously co-founder and joint CEO of advertising agency BBH, co-founder of TBWA London and has worked for Cadbury Schweppes. He has a number of Non-Executive and advisory appointments in the communications and charity sectors.

10 Andrew Karney*+^
Independent
Aged 62. Joined the Board in 1997. He is a Director of Baronsmead VCT 3 plc, Language Line Limited and a number of technology companies. He was for many years an Executive Director of Logica plc and was a founder Director of Cable London plc.

11 Richard Eyre*^
Independent
Aged 50. Joined the Board in 2004. He is Non-Executive Chairman of RDF Media Limited. He has held several chief executive positions in key media companies, including Pearson Television Limited, ITV Network and Capital Radio plc.

12 Philip Boardman
Company Secretary
Aged 47. Joined the Group and appointed Secretary in 2001. Previously he was Group Financial Controller of Hickson International PLC and Fenner PLC.

* Audit Committee
\+ Remuneration Committee
^ Nominations Committee

Chief Executive's review of operations

Sir Robert Phillis
Chief Executive

A passing observer of the UK newspaper scene might suppose that the year has been only about intense battles on the tabloid/broadsheet front, or, in the case of two major national newspapers, boardroom dramas on the scale of a Hollywood epic.

It has been a period, however, when GMG has emerged from a highly competitive period, stronger than before and with the editorial and financial security of The Guardian and The Observer transformed through the full acquisition of Trader Media Group. This brings to the Group a stable of magazines and websites valued at more than £1 billion, which in turn allows us to earmark a substantial sum of money to meet the longer-term needs of the Group as a whole.

This development once again illustrates the value of our unique ownership, with the Scott Trust more focused on editorial independence and excellence than short-term profits or losses. We also owe much to all our staff for their professional expertise and dedication, as well as their commitment to the principles for which the organisation stands. That those principles have as much resonance today as they did in the 19th Century, has much to do with Hugo Young, whose death last year deprived us not only of a Scott Trust Chairman, and a brilliant columnist, but also a wise friend. Journalism is poorer without him; society was enriched by his presence.

National Newspapers
As the Chairman has explained, The Guardian and The Observer have faced intense competition as well as the vagaries of an unpredictable advertising market in a year of major developments in the national newspaper sector. Losses for the division in the year were reduced to £6.2 million (£7.5 million in 2003) on a turnover up 5 per cent at £227.5 million.

The launch of tabloid versions of The Independent and The Times, backed by substantial marketing and production spend, inevitably had a significant short-term impact on the weekday broadsheet market. The Guardian faced extremely tough year-on-year circulation comparisons as its circulation had risen sharply in the run-up to the Iraq war last year. More recently, the market has levelled out with an apparent net circulation drop of just 20,000 for the Guardian – clear evidence of the loyalty of Guardian readers. The Guardian's 18 per cent market share, its average circulation of 385,589, and the achievement of the industry-wide leadership mark of 84 per cent full price sales, all provide clear evidence of its inherent strength and quality.

There has inevitably been considerable industry speculation about our likely response to the quality tabloid launches. It is at a time like this that our ownership structure, through the Scott Trust, allows us to focus on long-term strategy, rather than the short-term demands of shareholders. We rejected the option of a tabloid Guardian in February, after concluding it was not right editorially as there is a real danger that a successful paper in tabloid format has to change both how it presents itself and its tone. Radical and distinctive options for strengthening and improving our newspapers, while preserving the Guardian's editorial integrity, are, however, being explored.

It has been another year in which the Guardian's journalism excelled in all areas. Coverage of the Iraq war and its aftermath, and the Hutton Inquiry, won high praise. Within weeks of the ending of the war and the publication of the Hutton Report, the division had produced books drawing on our formidable journalistic expertise: more than 30 titles were published by Guardian Books in the year. Guardian Films, our television production company, produced 18 films in its first 18 months, primarily for the BBC and Channel 4, a promising start for this new venture.

While the advertising market remains volatile, there were clear signs of recovery and the Display team has made significant progress in revitalising the client sales strategy and doubling revenue from sponsorship and projects. The Guardian continues to be the number one recruitment brand with more jobs advertised than any other paper, and in the year achieved a 64 per cent share of the recruitment market. The Guardian Jobs site was relaunched to enhance its recruitment offering, and there will be a stream of new services over the next year. To reflect this, the classified advertising department has been renamed Guardian Recruitment Solutions. The continued development of our vertical markets – media, education and public – has seen the appointment of a publisher for each sector.

The Sunday market has been particularly difficult this year, with heavy promotion from the Sunday Times including their CD Rom The Month. In this context, The Observer's performance has been impressive. It has increased market share of both circulation sales and advertising. In fact it has had its highest ever year for advertising revenue and has outperformed the market in terms of revenue growth. Under Roger Alton's editorship, its journalism continues to be both distinctive and challenging.

The Observer had an average circulation of 454,524, a 17 per cent market share and – like the Guardian – the highest proportion of full price sales – 85 per cent – in its market. Its cover price was raised to £1.40 during the year.

September 2003 saw the launch of Observer Music Monthly, the third of The Observer's monthly magazines, which attracted immediate reader and advertiser acclaim. Two travel magazines are now being published annually by The Observer, and two further "Observer Uncovered" editorial specials were published: one on the Body, the other on Crime, which won the overall Magazine of the Year and the Best Designed Newspaper Supplement of the Year at the Magazine Design awards.

Guardian Unlimited retained its position as the most popular UK newspaper website and moved closer to profitability, due to a combination of sustained editorial excellence and technical stability. It served 97.5 million page impressions to 8.6 million users in the final, and most successful, month of the year and, according to Comscore, its UK internet audience reach for the month was 7 per cent, more than twice that of its nearest competitor. Approximately 3.6 million monthly users are based in the U.S. with another 2.8 million scattered across the globe, from Iceland to Australia and China to Canada. It was also a record-breaking year for Guardian Unlimited's revenues, up by over 30 per cent for the second year running, with display and sponsorship – the fastest growing areas – up by 57 per cent.

The past year has also been a crucial one for Learn, our digital education resources business. The year began with our acquisition of 100 per cent ownership of the business, enabling a closer integration of Learn into our over-arching education strategy. It concluded with Learn poised to enter its first break-even year. During 2003/4, the business secured its largest contract yet, a five year deal to provide a customised version of Learnpremium to all schools in Northern Ireland. Learn is in essence two businesses – one selling school subscriptions to Learnpremium and the other selling education content services to a range of mostly public sector clients. Learnpremium sales climbed to more than 2,300 subscribing schools by March 2004, and are targeted to reach more than 4,000 by 2005. The services side of the business includes contracts with the Department for Education and Skills to provide evaluations of digital materials for schools, and to build its website; building content for the TeacherNet site and also for the Welsh National Grid for Learning.

Regional Newspapers

2003/4 saw a return to strong growth with a profit of £30 million being achieved for the first time, on a turnover of £127.2 million, 4 per cent up on the prior year.

In the first half of the year job advertising was in year on year decline and improved profitability was achieved through tight cost constraint. In the second half, advertisement recovery finally arrived, up by nearly 6 per cent, year on year, producing a further improvement in profitability.

GMG Regional Newspapers Division did not allow costs to accelerate in the 90s boom, so it was able to weather the subsequent downturn without any significant cost-cutting or redundancy programmes. However, it invested in the internet, where Fish4 is making an increasingly valuable contribution to the business, as well as a local television station, Channel M; it turned its Metro franchise from loss into profit, expanded the leaflet business and put research and development money into media convergence.

While the upward trend in circulation was maintained in the first half of the year, and the MEN was the most successful of the metropolitan evenings, circulation of both the daily evening newspapers and the southern based weeklies faltered towards the end of the year, though the northern weeklies continued their upward growth. The new reality is that the newspaper market, like radio and television, is fragmenting and fragmentation aids our ever-improving free newspaper stable that delivers the total market coverage to advertisers. The key to benefiting from fragmentation has been a programme of innovation and new product launches.

Online revenue grew during the year by 39 per cent although overall internet activities remained in loss. Users of our north-west portal, manchesteronline.co.uk, more than doubled, while fish4jobs established itself as the UK's most visited jobs site.

The new press at Reading, serving the southern titles, had already achieved the projected return on capital and during the year, third-party revenue significantly increased. The division has followed up its expenditure on the building, pre-press and pressroom at Reading with a £3 million investment in inserting and publishing equipment. Progress has also been made in the planning of new all-colour printing facilities for our northern-based titles.

Radio

Our Radio division has once again shown remarkable growth over the year; divisional losses were reduced to £2.1 million (prior year £6.3 million) with growth in revenue and audience levels outperforming the radio industry as a whole. Year on year, turnover increased on a like-for-like basis by almost 60 per cent. The division also won a number of industry awards and achieved Investor In People status during the year.

jazz fm has seen turnover increase in the year by 65 per cent in London and 103 per cent in the Northwest. The division's youngest, Real Radio station, in Yorkshire, drove turnover up by 93 per cent year on year while the more established operations of Real Wales and Real Scotland saw their turnovers move forward by 34 per cent and 55 per cent respectively.

GMG Radio now broadcasts across the UK on Sky, via analogue and digital platforms, and has developed a broader application strategy under the new OFCOM licensing proposals.

In programming, the division has recorded impressive performances. In market share terms, Real Radio reached the top of the regional radio league table with Scotland and Wales holding the top two slots. Real Yorkshire, which recently celebrated its second birthday, is growing quickly while showing impressive loyalty from its audience with over 11 hours on average listening per week.

The division re-branded jazz fm in the Northwest as smooth fm in March 2004 and early indications suggest increased sales and audience growth. It is planned to extend the brand through new licence applications in the next financial year.

Among industry awards were two Sony nominations for Real in Yorkshire, whose youthful news team won a bronze in the News Story Award, and for our Group Programme Director John Simons, who was named Station Programmer of the Year. Real Radio Yorkshire won the Ntl News Team of the Year and the IRN award for Scoop of the Year, while Real Scotland was applauded for its high level of contributions to IRN across the year. Our North West-based regional sales team won the Adline Sales Team of the Year Award at the first attempt, and Real Scotland took the Drum Award for the Radio Sales Team of the Year. The division also launched a radio training school based in Yorkshire, with strong ties to Leeds University and colleges in the region.

It was a year of change within GMG Radio Enterprises, under a new Managing Director with a remit to take advantage of an enlarged division with much sought-after brands, including the prestigious Hed Kandi label. Against the background of further progress in establishing our regionally-based radio operations, GMG sold its shareholding in Radio Investments Limited (which owns and manages a portfolio of over 20 local radio licences across the UK), to The Local Radio Company plc for a consideration of £13.0 million in May 2004.

Trader Media Group

In October 2003, GMG acquired the remaining 52 per cent of Trader Media Group Limited. The company has delivered further growth and its best ever set of results, following three years of sustained progress since the merger in May 2000 of GMG's Autotrader business with that of Hurst Publishing Limited, owned by BC Partners. The results for Trader Media Group are included in the results reported for GMG as a 48 per cent joint venture until 3rd October 2003, and as a totally owned subsidiary thereafter. The operating profit before amortisation and, for the previous year, exceptional items of £73.8 million compares with a contribution of £42.6 million in 2003.

At the core of the business is Auto Trader. Now the leading media brand in the motoring sector, the strategy of building a strong brand combined with pre-eminence in all key channels to market has paid dividends and continues to deliver the best response in the market for advertisers, whether private, dealers or for other motoring brands.

Auto Trader's circulation has held steady at nearly 335,000 weekly circulation (ABC July – December 2003), with the latest NRS figures showing a year on year growth of 3 per cent. The website, autotrader.co.uk, is also the UK's busiest automotive site and is delivering 2.4 million unique visitors (ABCe January 2004) every month and had 150.6 million page impressions in March 2004. The traffic is up 40 per cent against the previous year.

The Auto Trader DTV offer on Sky has continued to develop and over 50,000 searches are provided by mobile phones every month through partnerships with O2, Orange and T Mobile.

TMG also produces other widely recognised automotive classified magazines with associated websites including Bike Trader, Top Marques, Auto Freeway, Truck Trader, Motor Home & Caravan Trader and Classic American. One highlight has been the performance of Bike Trader, with circulation up year on year and web site traffic also up over 30 per cent, despite direct competition in the sector. Other classified magazines include Ad Trader and Boats & Yachts For Sale, which, when combined with the TMG portfolio, take the total circulation to over a million copies per issue.

The overseas divisions in South Africa, Italy and the Republic of Ireland continued to show significant growth in revenue and profitability in the year. Structural changes in The Netherlands are beginning to produce improved financial performance.

The strong performance of the brands in the marketplace has been translated into another record-breaking business performance in the year ended March 2004. Audience growth has allowed further improvements to advertising yields across all channels and supported cover price increases for the magazines. An increased audience has meant a better rate of response, which in turn has attracted more advertisers. For example, Auto Trader has seen its penetration of the franchised and the key non-franchised dealers grow year on year. This performance has been enhanced with the development of the new car section, "Buy New", which has taken Auto Trader into new markets and opened up additional revenue streams.

The web sites have been central to this success and have attracted new clients including the major dealer groups and motoring brands. Innovative ideas have reinforced the pre-eminence of the brand and contributed to the profitability of the digital business which is now at levels unrivalled among web sites in any sector in the UK.

Workthing

Workthing has made further progress towards its goal of being a leading provider of web-enabled recruitment solutions in the UK. The company's products include www.workthing.com, one of the UK's leading jobs and career advice sites, and PeopleBank Technology, which powers some of the largest corporate career sites in the UK, including those for Barclays, Compass, Tesco and Whitbread.

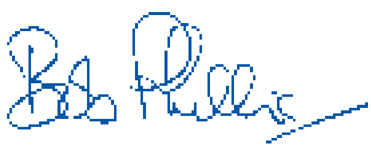
Revenues have risen by 50 per cent compared to the previous year, reflecting the focusing of the workthing.com brand on direct clients in selected sectors. Within workthing.com these include blue-chip clients such as Carphone Warehouse, Homebase, Fitness First, Peugeot Citroen, Transport for London and UBS. Good progress has also been made with the PeopleBank Technology brand, which included significant service extensions at Tesco and Compass, and new wins at Barclays, Marks & Spencer Money, Portakabin and The Scotsman newspaper.

The company won a number of industry awards during the year, including 'Best Generalist Jobsite' at the National Online Recruitment Awards in November and, for the second year running, Recruiter Magazine's 'Award for Excellence as Best Online Service' in March 2004.

Group outlook

Looking forward GMG is in a strong financial position. In the new financial year priority must be given to the reduction of debt within the Trader Media Group and to investing in the future for The Guardian and The Observer newspapers. Opportunities for future growth in both the Regional Newspaper and Radio divisions will be identified and carefully evaluated in our efforts to ensure the long-term financial strength of the GMG Group.

As we report elsewhere in this annual report, Group-wide community initiatives continue to expand not only across the UK, but internationally as well. Their growing effectiveness is a tribute to the energy and concern for others shown by GMG staff.



Sir Robert Phillis
bob.phillis@gmgplc.co.uk

The Scott Trust

Liz Forgan OBE
Chair, The Scott Trust

Appointments to the Scott Trust – owner of the Guardian Media Group and proprietor of its newspapers – are not made by universal suffrage. Mine was set in motion by a phone call from Hugo Young made last year under terrible circumstances. He was in hospital, undergoing exhausting treatment but facing, with characteristic courage and clarity the knowledge that he might not recover. At such a time most men would have saved their reserves of energy for other things but the Scott Trust was deeply important to Hugo and he was determined to fulfil a last responsibility to it by attending to his successor as Chairman even at a time of such anguish for himself and his family.

He discussed neither the somewhat arcane duties of the Trust nor any particular qualifications of mine that might be relevant. "I don't have to tell you. I know you know," was all he said. I have never had a more eloquent compliment or, when the other Trustees confirmed Hugo's suggestion, been entrusted with a more solemn task.

The Scott Trust has very few rules. Historically its culture has been handed down by an osmotic process which Hugo's phone call exemplified and it relies on an instinctive understanding by its members of the values that underlie this rare partnership between profitable enterprise and independent journalism. The system might raise a few eyebrows in any Corporate Governance review. But it has served its purpose well since its foundation in 1936 with the simple injunction that the business, including the newspapers, be "carried on as nearly as may be upon the same principles as they have heretofore been conducted."

The Trust, as sole shareholder, holds the Group responsible for delivering shareholder value. What is unusual is that, for this shareholder, value resides first and foremost in guaranteeing the independence of the journalism and the freedom of the editors rather than the return on capital invested.

Of course the profitability of the Group as a whole is itself a vital part of that guarantee. All its divisions are profit-seeking and many are highly profit-making. Everyone is extremely proud of that achievement. But commercial success is not itself the end. It is the means of achieving something even more important.

In a rapidly fragmenting media marketplace the Scott Trust is sometimes mentioned as a possible model for other media businesses seeking to safeguard their range and integrity in the face of fierce market pressures. We are envied by communications organisations that were once protected by public service funding arrangements or by regulation and who now see unfettered market competition as a threat to minority provision, to innovation and to journalism strong enough to resist commercial pressures.

It is not as easy as it looks. Four very unusual things must be in place for this model to work. First comes a benefactor who will match the act of great personal generosity combined with far-seeing business sense by which the Scott family gave away their property to the Trust. Then that benefactor must want to dedicate his generosity to the difficult cause of independent journalism or public service broadcasting. Third must come a partnership with outstanding commercial talent to run a successful business on very unusual and sometimes frustrating terms. Lastly all who work in the enterprise, profitable divisions or not, must share in the understanding of why things are run as they are and in the pride of being part of such an enterprise.

It has taken many different sorts of people to make the Scott Trust what it is today. Driving commercial operators, visionaries like Hugo himself, successive members of the Scott family, people skilled in politics, finance, marketing and sales, great journalists, extraordinary editors. Traditionalists and innovators. People who take pride in brave journalism as well as in a healthy profit on the bottom line but who know which comes first.

The Scott Trust is a legacy – material and cultural. It is no guarantee either of commercial success or outstanding journalism but it is the inherited responsibility of the Trustees to preserve the conditions where both are possible. Hugo Young discharged that responsibility with great honour.

Liz Forgan OBE
liz.forgan@gmgplc.co.uk

The Scott Trustees

Liz Forgan OBE
Chair of the Scott Trust
Aged 58. Chair of the Scott Trust since 2003. She was formerly an Independent Director of Guardian Media Group plc, Director of Programmes at Channel 4 TV, Managing Director of BBC Network Radio, a Guardian journalist and a member of the Scott Trust. She is Chair of the Heritage Lottery Fund.

Larry Elliott
Aged 48. Joined the Trust in 2002. He joined the Guardian as an industrial reporter from the Press Association in 1988. He became economics correspondent in 1989 and economics editor in 1995.

Anne Lapping
Aged 62. Joined the Trust in 1994. She is a Director of Brook Lapping Productions Limited and a Member of the Council for the London School of Economics. She was formerly on the board of Channel Four Television Company Limited and a writer on the Economist.

Paul Myners
Aged 56. Joined the Trust and Group in March 2000. He is also Chairman of Aspen Insurance Holdings Limited, an independent director on the board of The Bank of New York Inc. and mmO2 plc and Interim Chairman of Marks and Spencer plc. He is Chairman of the Trustees of Tate.

Will Hutton
Aged 54. Joined the Trust in 2004. He is Chief Executive of The Work Foundation and is a Governor of the London School of Economics. He was formerly on the board of Guardian Newspapers Limited and editor in chief of The Observer.

Geraldine Proudler
Aged 47. Joined the Trust in 2002. She is a solicitor specialising in media law. Partner at law firm Olswang. She has defended the Guardian in libel actions since 1982, including the successful defences of actions brought by cabinet minister Jonathan Aitken and Neil Hamilton MP.

Sir Robert Phillis
Aged 58. Joined the Trust and Group 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. He is Non-Executive Chairman of All3Media Group Limited.

Alan Rusbridger
Aged 50. Joined the Trust in 1997 and 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 Executive Editor of The Observer, a Member of the Press Complaints Commission's Code Committee and a Visiting Fellow at Nuffield College.

Jonathan Scott
Aged 56. Joined the Trust in 1988. He is currently a consultant to KPMG Corporate Finance. He was previously a Director of KPMG Corporate Finance and SBC Warburg.

Martin Scott
Aged 62. Joined the Trust in 1988. He worked for the Company in Manchester from 1965 to 1978. He is a speaker and consultant at Ashridge and other business schools.

Corporate social responsibility

GMG has launched an ambitious programme to ensure the values of the Scott Trust are embedded right across all the businesses within the Group. It has unveiled plans for a rolling programme of social audits in all divisions to ensure the Group is accountable to all its stakeholders.

Social audits are similar in style to financial audits and allow companies to have an understanding of the impacts on all the areas they touch, ranging from staff and readers/listeners to their local communities and the environment. The Chairman made the need for this clear when declaring that the Scott Trust, which owns GMG, "requires us to observe and maintain the highest professional standards in every aspect of our operations, through our business, in our relationships with customers, staff and suppliers as well as in our devotion to the public service principles which guide us." In the spirit of the Trust, each division will be given the freedom to interpret the values to reflect their individual operations.

As the Chairman has reported, Guardian Newspapers Limited (GNL) piloted the programme last year with the successful publication of its first social, ethical and environmental audit. The report was externally verified by social auditor, Richard Evans, who called it "remarkably thorough and honest." Geneva Overholser, the former ombudsman of the Washington Post, described it as "as fine an example of media accountability as I can recall".

On the back of the audit, GNL won the Environmental Newspaper Company of the Year award in April 2004. The citation for the award stated: "Top marks from all judges. This document social, environmental and ethical audit is one of the most comprehensive and holistic audits I've seen … impressive and sets the standard for this sector."

Nearly 5,000 copies of the report have been sent to staff and readers as well as universities and other newspaper groups around the world. The feedback has been positive. One Guardian reader wrote to the editor: "I was hugely impressed by what you have achieved. I finished the report feeling that this is my Guardian, something I am proud to read and a source of knowledge that I can trust in an increasingly complex and uncertain world."

The next GMG division to undertake the process will be Regional Newspapers, followed by Radio and Trader Media Group (TMG). Each division will undertake surveys of stakeholders such as employees and readers/listeners as well as review its HR policies and environmental performance. TMG is already making a start in this area by undertaking an independent environmental audit of all its print sites.

One of the key aspects of social reporting is community involvement and once again the divisions within GMG have shown an outstanding commitment to the regions in which they operate. While there is a huge range of activities that GMG is involved in, there are three specific areas that the divisions feel most keenly about: journalism, education, and the spread of HIV/Aids in Africa.

Journalism

Real Radio Yorkshire has become the first commercial radio broadcaster in Britain to launch a media school to provide university, college and school students with first hand experience of the industry. The station has partnered with Yorkshire's four main university media centres as well as schools and colleges across the county to support and develop new talent. In January 2004, it also became the first commercial radio broadcaster to fully sponsor a postgraduate journalism student.

The Scott Trust also supports the development of talented journalists in this country by providing bursaries worth around £60,000 annually for six aspiring writers to study journalism at the City University, London, and Sheffield University.

The Guardian Foundation, the charitable and training arm of the Trust, continued its traditional activities – practical sharing of expertise with journalists from Eastern Europe and the financial underpinning of the Mail and Guardian's own training scheme in South Africa – as well as forming new partnerships. For example, in Moldova there was a need for practical advice in building advertising revenue, and a team from the Guardian's own advertising department provided it.

The Foundation built on its long-standing relationship with the British Association for Central and Eastern Europe, staging a London seminar for 26 journalists from 13 European Union applicant nations on "Reporting Europe." A new partnership link with the BBC World Service Trust took Sarah Lester from the Manchester Evening News and Mike McNay from the Guardian to Odessa in the Ukraine.

And 2003 was also the first year that the Trust had made a separate pot of money available for backing particular projects. The resource was used in relatively small parcels as seedcorn for research and events dedicated to press freedom, from the celebration of World Press Freedom Day to the efforts of the legal charity Interights, defending journalists in distant courts.

As a permanent legacy of the 2002 Commonwealth Games, Regional Newspapers Division launched a free weekly paper called the North and East Manchester Advertiser. It focuses predominantly on regeneration issues in and around the socially deprived areas of Beswick, where the City of Manchester Stadium now stands. Positive relationships have been formed with local regeneration organisations and journalists feel that the editorial focus has brought them closer to their target readership, most of whom live within the regeneration areas. The newspaper circulates to over 70,000 households and provides employment opportunities for the local community in journalism, sales and distribution.

Education

GNL expanded its award-winning schools volunteering programme over the past year. As well as supporting three schools in London, the scheme has been launched in Manchester with 11 members of staff mentoring and reading at two local schools. The Guardian also added an international dimension to its programme after Environment editor John Vidal wrote about the people of a small village in Malawi unable to finance their children's education. As a result, readers donated more than £20,000 and 24 children from the village are now going to secondary school. The scheme will be expanded in the current year.

All GNL's community activities as well as its social audit can now be viewed online at http://www.guardian.co.uk/values.

In London, the Newsroom, the Guardian and Observer archive and visitor centre opposite the Guardian and Observer offices, continued to build its reputation. Between April 2003 and March 2004, the Newsroom ran 514 educational sessions involving 9,062 individuals. This included school groups, further and higher education groups, teachers, adult learners and families. Every day a school group creates a news front page using state of the art IT and specially designed software. This facility is now booked a year in advance with a long waiting list. The range of workshops has been extended to include history and science workshops as well as others supporting the Newsroom's exhibitions. Increasingly, the schoolroom is using outside school time for after-school groups and adult learners.

Through its local titles, Greater Manchester Weekly Newspapers has close links with various schools. In memory of a former editor, the Middleton Guardian runs the annual Alex Holt Memorial Awards which recognise outstanding achievement in English by individual students. The paper also has a schools programme in which staff, including current editor Gerry Sammon, give talks to classes. The Middleton Guardian's interest in education is echoed in a recent campaign, which saved a village primary school from closure by Rochdale Council. The Rochdale Observer is closely linked to the Childer

Corporate social responsibility

continued

Grace Mathanga and Dr Huber at his clinic in Malawi where free ARVs will be distributed by the Saving Grace foundation for HIV/Aids sufferers.

Award which celebrates local school children's personal achievements such as their community involvement or triumphing over adversity.

The Accrington Observer ran an appeal to raise the £50,000 needed for its local school, Norden High School, to apply for specialist Sports College status. If successful, the sports facilities will be available for the whole community to use.

TMG continues to be one of the patron companies which supports the Outward Bound Trust, part of the Prince's Trust, in providing educational outward bound experiences for children from disadvantaged backgrounds.

HIV/AIDS

South African Auto Trader is continuing its support for children affected with HIV/Aids. In addition to the Lambano Baby Sanctuary and the William Campbell Children's Home, Auto Trader now support a second HIV/Aids children's home in Durban. This has been achieved through the support, creative thinking and fundraising skills of all Auto Trader staff in South Africa.

Trader encourages both staff and payroll contributions, as well as individual fund-raising by matching all contributions to the projects.

GNL has also been active in this field with Alan Rusbridger, editor of the Guardian, recently calling the Aids crisis "one of the most pressing issues the world faces." Through the social and community affairs department, the company is supporting a project in Malawi as well as two in Ghana. Guardian health editor Sarah Boseley last year wrote an award-winning investigation into why Aids victims in Africa were not receiving life-saving anti-retroviral drugs. She focused her report on Grace Mathanga, an Aids sufferer from Malawi. As a result, the Saving Grace Foundation was set up and is being supported by GNL. Readers have donated thousands of pounds, which will pay for an initial 52 people from Malawi to receive vital drugs.

A group of girls from Ghana who are taking part in the DIVO partnership with EGA school in Islington addressing issues of gender and sexual health.

In Ghana, GNL is supporting two projects with local communities to explore the issues of HIV, AIDS and sexual health through a programme of group workshops using theatre and interactive video work. Theatre for a Change is seeking to reduce the number of new infections of HIV/AIDS among young people, by encouraging behavioural change. The organisation specialises in the use of Interactive Theatre as a tool for development among marginalised communities. The first phase of the project is in partnership with ActionAid and The British Council. GNL is also involved in a six-month online interactive digital video exchange between a group of Muslim girls in Accra, Ghana and students at Islington-based Elizabeth Garrett Anderson secondary girls school, with which the Guardian has a partnership. The overall aim of the Digital Interactive Video Online project (DIVO) is to use digital video technology to stimulate and support dialogue exploring gender and sexual health issues faced by young women in the UK and Ghana.

Charitable causes and community support
The Manchester Evening News (MEN) has raised £1 million for the Greater Manchester Community Foundation which was matched by the Duke of Westminster. The Community Foundation acts as a pipeline, channelling money from business, statutory organisations and wealthy individuals and placing it where it is needed most at the heart of Manchester's local communities.

For the past few years, MEN has strongly supported the bid to raise £5 million to secure the future running of the Francis House Hospice for terminally ill children in Didsbury, Manchester. The South Manchester Reporter and smooth fm radio have also been supporting this cause through fund-raising and editorial coverage.

Abuk Lual and her daughter Adekriec at the Médecins Sans Frontières Primary Health Unit in Akeum, Bahr El Ghazal, Southern Sudan, Africa.

The Macmillan Appeal run in the Macclesfield and Wilmslow Expresses over the past year has also been extremely successful. The papers have now raised almost two-thirds of the £1.5 million needed to build the new state-of-the-art cancer centre at Macclesfield Hospital. The Reading Evening Post is also working with Macmillan on an appeal to raise £1.2 million for extra nurses and a new cancer unit in Reading.

GNL enjoyed another highly successful Christmas appeal. Readers from the Guardian, Observer and Guardian Weekly as well as Guardian Unlimited users donated £843,000 (including Gift Aid) to Médecins Sans Frontières and a range of UK domestic violence charities. For the first time, the appeal is being kept open throughout the year.

GMG Radio's wide-ranging community support also includes the provision of free airtime. Real Radio Scotland runs the Real Action programme, a series of free to air commercials, which help Scotland-based charities and community groups raise awareness of particular projects or fund raising initiatives.

Within TMG, North West Auto Trader and Acorn Web Offset are supporting the Air Ambulance Service in their local area. South West Auto Trader have been working with their trade customers to support the Little Bridge Children's Hospice, the only children's hospice in the South West, with both parties donating a proportion of the revenue generated during the Christmas period 2003 to this charity.

Asian News has done a great deal to support diversity in Manchester. Reporter Shelina Begum is on the committee of the Oldham diversity festival, one of the important initiatives set up after the riots to promote racial harmony in the town. Shelina worked her way up to chief reporter at the newspaper after starting as an intern on the paper's ongoing work experience scheme, aimed at recruiting more Asians into the media via the Manchester weekly papers. Her work was recognised by the Bangladeshi community when she was given a special award at the local "Oscars" for her journalistic contributions supporting the community.

In Surrey, the Esher News and Mail continues to support the Hersham Youth and Community Trust. The volunteer-run centre offers a wide range of facilities and alternative education for young people, specifically targeting those from disadvantaged backgrounds such as young offenders, those in care and those excluded from schools. The paper was one of the key players in building the state-of-the-art centre two years ago and remains committed to the project by providing coverage, raising their profile and supporting fundraising campaigns. The News and Mail has also helped the Trust to secure a grant of £25,000 towards a new media centre. Editor Elaine Cole is chairman of the registered charity. Editorial Director Marnie Wilson and Chief Sub-Editor David Rose from the Surrey Advertiser also give regular talks to schools and various community groups.

Jo Confino
Corporate Social Responsibility Adviser

Financial review

The dominant event in the financial year under review was the acquisition, in October 2003, of the remaining shares the Group did not own in Trader Media Group Limited. The purchase of this 52% stake was for a total consideration of £588.6 million. A full analysis of the consideration is detailed in note 30.

The reported Group results are distorted by the significant effect of this acquisition. These results include accounting for the 48% interest in Trader Media Group Limited as a joint-venture for the six month period from 31st March 2003 up to the date of acquisition of the remaining shares. Following completion of the transaction, the results for six months through to the year-end account for the interest in Trader Media Group Limited as a wholly-owned subsidiary.

The analysis of turnover and operating profit below detail underlying performance.

Turnover
Group turnover for the year of £517.8 million increased by 45.6% on last year.

The effect of acquisitions, principally Trader Media Group, was as follows:

	2004 £m	2003 £m	Increase %
Turnover excluding acquisitions	379.2	355.6	6.6
Acquisitions in the year	138.6	–	–
Group turnover	517.8	355.6	45.6

Excluding acquisitions, revenues increased by 6.6% to £379.2 million. Advertising revenues and circulation revenues (excluding acquisitions and share of joint ventures and associates) increased by 6.0% to £266.0 million and 3.7% to £84.7 million respectively.

Profits
The Group achieved an operating profit, before amortisation of goodwill, and for the prior year, exceptional items, of £84.5 million (2003 £38.4 million). The effect of the Trader Media Group (TMG) acquisition half-way through the financial year was as follows:

	2004 £m	2003 £m	Increase %
Group operating profit including 48% of TMG all year	38.3	29.8	28.5
52% of TMG post acquisition	23.8	–	–
Total operating profit	62.1	29.8	108.4

It can be seen that whilst reported Group operating profit increased by 108.4% on last year, the underlying increase, excluding the Trader Media Group acquisition was 28.5%.

Group profit before taxation totalled £43.6 million (2003 £36.9 million). This result includes net interest payable of £18.5 million (2003 £7.2 million net interest receivable) and an amortisation of goodwill charge of £22.4 million (2003 £8.6 million).

The Group has extended its analysis of its results by business segment in Note 3 to the Accounts. The Group intends to adopt International Financial Reporting Standards for the year ending March 2006.

Taxation
The Group's taxation charge for the year was £10.9 million (2003 £13.3 million). The tax rate is 25.0% (2003 36.0%) reflecting a number of credit adjustments to the taxation charge in respect of earlier periods. The current year charge on profit before goodwill amortisation is close to the statutory rate of 30%. The deferred tax liability recognised in the balance sheet is £0.1 million (2003 £1.6 million asset). There is a deferred tax asset not recognised of £6.5 million (2003 £6.2 million) which includes pre acquisition tax losses carried forward in a number of subsidiary companies.

Cashflow
The Group consumed £536.4 million of cash in the year (2003 £3.1 million). Net cash inflow from continuing activities amounted to £62.0 million (2003 outflow £4.2 million). Cash outflows include net interest payable and dividends of £3.4 million (2003 inflow £22.5 million), net expenditure on acquisitions less disposals of £331.6 million (2003 £14.5 million), tax £17.8 million (2003 £1.3 million), net capital expenditure of £9.4 million (2003 £5.7 million). Cash inflows for financing of £219.4 million (2003 outflow £0.5 million).

Balance sheet
The Group had net assets of £389.6 million as at 28th March 2004 (2003 £356.7 million). To fund the purchase of the remaining shares in Trader Media Group Limited, the Group arranged borrowing facilities of £514.9 million and invested £120.0 million of Group funds. By year-end Group net debt totalled £377.1 million, a decrease in net funds of £538.5 million on the previous year. Net debt, ring-fenced in Trader Media Group Limited, amounted to £448.0 million. Post-acquisition, Trader Media Group Limited repaid £23.0 million of loans, some £8.0 million ahead of its agreed repayment schedule with the banking syndicate. Further repayments ahead of schedule, have been made since year end. The borrowing facilities, which are secured on the assets of Trader Media Group Limited, are scheduled to be fully repaid by 30th September 2012. We would expect to be in a position to arrange refinancing of this debt well within this time frame. Covenants restrict the transfer of funds between Trader Media Group Limited and the rest of the Group. All financial covenants attached to the Trader Media Group loan facility have been met.

Treasury Policy
The Group maintains a centralised treasury function which operates in accordance with Board approved policies. Its principal objectives are to minimise financial risk, whilst maximising returns on cash deposits and minimising the cost of the new Trader Media Group borrowing facilities.

Deposits of funds are made with banks and financial institutions approved by the Board and within set credit limits. Variable rates of return are earned on these deposits.

An interest rate hedge covering 70% of the Trader Media Group Limited borrowings has been put in place which matures in November 2006. The hedge has both floor and cap and effectively locks in a minimum and maximum interest rate exposure during the early years of the debt pay-down.

Whilst Trader Media Group has a small number of overseas operations, overall the Group continues to have limited foreign currency exposure on the translation of overseas operations results and net assets into sterling and from trading transactions in foreign currencies. Currency exposures are only hedged when there are known material cash flows.

Acquisitions and Disposals
In October 2003 the Group made the most significant and substantial investment in its history by purchasing the remaining 52% stake it did not previously own in Trader Media Group Limited. This investment valued Trader Media Group Limited at an enterprise value of £1.14 billion. The investment was financed by a mix of new borrowing facilities and Group cash reserves.

In May 2003 we acquired the 45% minority shareholding in Guardian Education Interactive Limited, the holding company for our education business, Learn. The acquisition of the 45% stake was completed at a cost of £0.4 million.

In January 2004 we acquired the 40% minority shareholdings in Channel M Limited for a nominal sum.

During March 2004 we paid £2.0 million for a 26.8% shareholding, the largest individual shareholding, in Seven Publishing Limited, publisher of the consumer magazines – delicious. and Gardenlife.

Finally, in May 2004, we disposed of our shareholding in Radio Investments Limited to The Local Radio Company plc for net proceeds of £13.0 million.

Corporate governance

The Board is committed to high standards of corporate governance and believes that it is in the interest of all its stakeholders to detail how the principles of corporate governance are applied within the Group.

In preparing its corporate governance statement, the Board has closely followed the recommendations set out in the Combined Code, issued in July 2003. The Board has also taken into account the Group's unique structure, with 100% of the ordinary share capital of the Group being held by the Scott Trust. Three trustees are directors of the Group and the Chair of the Trust also attends all Board meetings. This results in a closer relationship between management and shareholder than was envisaged in the Combined Code.

The Board

The Guardian Media Group Board currently comprises six executive directors and five independent directors. The Board is headed by an independent Chairman whose role is distinct and separate from that of the Chief Executive. The division of responsibilities between the Chairman and the Chief Executive has been clearly established, set out in writing and agreed by the Board. J G S Coode-Adams is the senior independent director.

The biographical details of all the directors and the Company Secretary set out on page 7 outline the directors' wide range of business experience.

All directors are subject to election by the Scott Trustees at the first Annual General Meeting following their appointment and to re-election thereafter at intervals of no more than three years.

The directors met as a Board 11 times in the last financial year to receive, review and determine upon information relating to all of the Group's activities. Specific matters reserved for Board consideration include monitoring of Group strategy, reviewing trading performance and the approval of significant contracts, capital expenditure, acquisitions and disposals.

Led by the Chairman, the independent directors, excluding any executive directors, meet at six monthly intervals. Separately there is an annual meeting of the independent directors with the 'independent' Scott trustees. Consideration is being given to arranging these meetings also on a six-monthly basis in future.

Decisions delegated to management include all those necessary to achieve effective and efficient day to day operating of the Group businesses. Each Division has approved authority limits for contracts and capital expenditure.

The Board is provided with timely and appropriate information prior to each Board or Committee of the Board covering the items included on the agenda for such meetings. The Chair of the Scott Trust attends all Board meetings and is a member of the Remuneration and Nominations Committees.

Directors receive appropriate briefings on the Group and its activities and follow a tailored induction programme on appointment to the Board. They are encouraged to visit the Group's operations and meet local management.

A performance appraisal process has been introduced. To date the Chairman and all executive directors have undergone a rigorous appraisal. The performance appraisal will be extended to an evaluation of the Board, its Committees and its independent directors.

All directors have access to the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. A procedure exists for directors to take independent professional advice, at the Group's expense, if necessary in the furtherance of their duties.

The Scott Trust

The Scott Trust, which is self-perpetuating, chooses to ensure that only a minority of its members are executives within the Group. At present two trustees, R W Phillis and A Rusbridger, fall into that category, while P Myners is independent chairman of the Group.

One place on the Scott Trust is reserved for a Guardian journalist, at present L Elliott, who is chosen by the other Trustees in consultation with the body of Guardian journalists.

The journalist-trustee serves for seven years. The normal tenure of other trustees, except those in executive positions, is limited to ten years, with the possibility of extension for another five years by unanimous vote of the Trust.

Committees
The Board has a number of Committees consisting of independent directors and with executive directors and senior executives in attendance. Composition of the Committees and frequency of meetings is set out in the table below:

Director	Audit Committee	Remuneration Committee	Nominations Committee
P Myners	Member	Chairman	Chairman
J Bartle		Member	Member
J G S Coode-Adams	Chairman		Member
A L Karney	Member	Member	Member
R Eyre	Member		Member
Frequency of meeting per financial year	At least 3	4	As and when necessary

The number of meetings of the Board and Committees held in the financial year ended 28th March 2004 with details of individual attendance by directors is set out in the table below:

Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominations Committee Meetings
Number of meetings held	**11**	**3**	**5**	**2**
P Myners	11	3	5	2
R W Phillis	11	3*	5*	1*
I S Ashcroft	11			
N Castro	10	3*		
G Luff (appointed 6th October 2003)	3			
C McCall	7			
A C Rusbridger	10			
J Bartle	11		5	2
J G S Coode-Adams	11	3		2
E A L Forgan (resigned 30th November 2003)	8		2	1
A L Karney	11	3	5	2

* in attendance by invitation of the Committee

Details of the purpose of the Committees, are set out below. All the Committees have written terms of reference which are available on request from the Company Secretary and will shortly be available on the Group web-site gmgplc.co.uk.

Audit Committee
The Audit Committee, which consists of four independent directors, is chaired by J G S Coode-Adams. The Chief Executive, Group Finance Director, Company Secretary, and senior representatives of the external auditors normally attend the Committee's meetings. At least once a year the Committee meets with the external auditors without executive members of the Board present.

The Committee recommends the appointment of the external auditors and agrees their scope of work and fees prior to the commencement of the annual audit. The Committee has a written policy on the engagement of the external auditor to supply non-audit services, which clearly sets out areas where the external auditor cannot provide non-audit services, e.g. accounting or internal audit work, as it could impact on their objectivity and independence. The Committee considers issues arising from the external audit and reviews the annual financial statements and written reports from the external auditors; it monitors internal financial control procedures and reviews the operation and output of the internal audit function. The Committee reviews arrangements by which Group employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Committee's proceedings are minuted by the Company Secretary and formally reported to the Board.

During the financial year ended 28th March 2004, the Committee put the audit of the Group out to tender. Following written and oral presentations by four accounting firms, the Committee recommended the retention of the incumbent firm, PricewaterhouseCoopers LLP. This was approved by the Board.

Remuneration Committee

The Remuneration Committee is chaired by P Myners, and consists of three independent directors and E A L Forgan, Chair of the Scott Trust. On matters other than those concerning themselves, the Chief Executive and Group Personnel Adviser normally attend the Committee's meetings.

The Committee is responsible to the Board for determining the remuneration packages of the executive directors and other senior executives earning a salary of a level determined by the Committee and advises on executive remuneration policy issues. The Committee has access to professional advice where necessary. PricewaterhouseCoopers LLP, who are also the Group auditors, have provided remuneration advice to the Committee.

The Committee's proceedings are minuted by the Group Personnel Adviser.

Details of Board remuneration are set out on page 25.

Nominations Committee

Chaired by P Myners, this Committee deals with the selection of and makes recommendations to the Board on the appointment of Board members, where necessary using the benefit, advice and assistance of external search consultants. The Committee ensures that plans are in place for an orderly succession for appointments to the Board and to senior Group management. The Committee consists of five independent directors and E A L Forgan, Chair of the Scott Trust.

Executive directors attend by invitation.

Scott Trust approval is required for the appointment of the Chairman of the Board and editors of The Guardian, The Observer and the Manchester Evening News.

Following the acquisition of the remaining shares in Trader Media Group, the Nominations Committee recommended the appointment of G E Luff as a director of the Board. The circumstances did not require either external advice or open advertising. External search consultants were retained to assist in the appointment of R Eyre.

The Committee's proceedings are minuted by the Group Personnel Adviser.

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 28th March 2004 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 responsible steps for the prevention of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group's website. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 financial statements.

Internal Control

The Board is responsible for the Group's system of internal control. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control during the year.

The key features of the internal control system are:

- a clear organisation structure with defined levels of responsibility delegated to operational management;
- maintenance of risk registers at both operational and Group level, with the exception of the recently acquired Trader Media Group, which identify and evaluate risks and document control procedures and monitoring arrangements. Regular review and update of risk registers is embedded in operational reporting procedures;
- certain key Group functions including taxation, treasury and insurance are handled centrally with regular reports to the Board through the Group Finance Director. The treasury function operates within Board approved defined limits;
- a structured process for approval of capital projects which includes appropriate authorisation levels. Post capital expenditure reviews are undertaken by internal audit with reports provided to the Audit Committee and Board;
- all significant acquisitions or investments are subject to detailed internal appraisal involving both Group and operating personnel, and due diligence procedures, prior to being presented to the Board for approval;
- post-acquisition reviews are undertaken;
- comprehensive business planning procedures which include a rigorous annual budget process, culminating in the budget for the year ahead and plans for subsequent years, being approved by the Board. Six-quarter rolling forecasts are updated quarterly and presented to the Board for review and comment;
- monthly management accounts which report on trading performance by operation against budget and previous year, including relevant key performance indicators and latest year-end forecasts are provided to local and divisional management and the Board;
- reports by the internal audit department to the Audit Committee on a rolling programme of financial assurance work;
- regular review of business operations throughout the Group by operating and executive management.

Throughout the year under review and up to the date of approval of this report, the Board has operated these procedures at all major trading subsidiaries, but excluding joint ventures and associates, and the recently acquired Trader Media Group, which meet the requirements of the Combined Code relating to internal control as set out in 'Internal Control Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England & Wales. These procedures will be introduced at Trader Media Group during the 2004/5 financial year.

Report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 28th March 2004.

Activities and review of the business
The principal activity of the Group is the dissemination of news, information and advertising matter by way of print and other media.

The Group results for the period are set out in the Group profit and loss account on page 28. A review of the Group's performance and future prospects is contained in the Chairman's statement on pages 3 to 5 and the Chief Executive's review of operations on pages 8 to 11. The Company has paid a preference dividend of 4.0p (2003 4.0p) per share amounting to £4,000 (2003 £4,000). The Directors do not recommend payment of any dividend on the ordinary shares.

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.

Employment of disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

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 Group for the year end was 27 days (2003 26 days).

Donations
Charitable donations amounted to £279,500 (2003 £185,400). There were no contributions to political organisations during the period.

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

Directors
The Directors at 28th March 2004 are listed on page 7.

E A L Forgan, who was a Director on 30th March 2003, resigned on 30th November 2003 on being appointed Chair of the Scott Trust. G E Luff was appointed as a Director on 6th October 2003. R Eyre was appointed as a Director on 27th May 2004. All other Directors served throughout the year.

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 and joint ventures.

Directors' emoluments

	Salary/ fees £000	Performance related bonus £000	Benefits in kind £000	**Total 2004 £000**	Total 2003 £000	Employer's contributions to money purchase pension schemes **2004 £000**	2003 £000
P Myners	50	–	–	**50**	50	**–**	–
R W Phillis	360	250	33	**643**	564	**123**	122
I S Ashcroft	214	165	17	**396**	382	**53**	38
N Castro	206	120	11	**337**	340	**61**	59
G E Luff (* from 6th October 2003)	134	63	13	**210**	–	**16**	–
C McCall	235	150	17	**402**	406	**75**	48
A C Rusbridger	256	–	16	**272**	265	**89**	94
Non-executive directors							
J Bartle	25	–	–	**25**	25	**–**	–
J G S Coode-Adams	38	–	–	**38**	25	**–**	–
E A L Forgan (* to 30th November 2003)	17	–	–	**17**	25	**–**	–
J R Harris (*to 26th September 2002)	–	–	–	**–**	–	**–**	–
A L Karney	25	–	–	**25**	25	**–**	–
	1,560	748	107	**2,415**	2,107	**417**	361
Contract variation payments (see below)				**–**	265		
				2,415	2,372		

* Date of appointment, resignation or other changes to directorships.

Salary/fees

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

The Company has paid Trader Media Group Limited £16,000 for the services of J R Harris as an Independent Director of the Company up to the date of his retirement on 26th September 2002. J R Harris's emoluments as an executive director of Trader Media Group Limited are included in their financial statements.

Certain executive directors have outside non-executive directorships. Individuals retain the fees received from such directorships as follows:

C McCall was a non-executive director of the New Look Group plc up to her resignation on 5th April 2004. Ms McCall earned fees in their year ended 29th March 2003 of £27,500 (2002 £25,811).

G E Luff is a non-executive director of Robert Walters Plc and earned £24,000 per annum in the last two years.

R W Phillis was appointed non-executive chairman of All3Media Group Limited on 1st March 2004 and will earn an annual fee of £50,000 per annum.

Contract variation

During the year ended 30th March 2003 contractual terms of employment with R W Phillis and N Castro were varied so that all executive directors who participate in the performance related bonus scheme now have more consistent schemes. R W Phillis and N Castro received contract variation payments of £165,000 and £100,000 respectively. For purposes of comparison these payments have been identified separately in the table above.

Performance related bonus

The bonus arrangements of executive directors have been determined by the Remuneration Committee.

a) The bonus arrangements for the executive directors are based on annual pre-determined divisional and Group financial performance targets and personal objectives.

   Similar bonus arrangements apply to other senior executives in the operating divisions. There is a separate phantom option scheme for the Radio Division for which provision has been made.

b) Following the acquisition of the remaining shares in Trader Media Group Limited, G E Luff was provided with a deferred bonus arrangement based on both the achievement of pre-determined annual financial targets and a personal commitment to remain with the company for a specified period of time post acquisition. The deferred bonus will only be paid if all targets are met.

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

Pensions

Retirement benefits are accruing to the executive directors under money purchase schemes.

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.

Post balance sheet events

Details of post balance sheet events are given in note 29 on page 47.

Benefits in kind

These relate to the provision of motor car, fuel and healthcare benefits.

Independent auditors

Following a tender process, the Directors retained PricewaterhouseCoopers LLP as auditors to the Company.
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

Phil Boardman
Secretary

29th June 2004

Independent auditors' report

To the members of Guardian Media Group plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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. The other information comprises the Report of the directors, the Chairman's statement, the Chief Executive's review of operations, the Scott Trust report, the Corporate social responsibility report, the Financial review and the Corporate governance statement.

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 28th March 2004 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 LLP
Chartered Accountants and Registered Auditors
London

29th June 2004

Group profit and loss account

For the year ended 28th March 2004

	Note	**2004 Before amortisation and exceptional items £m**	**2004 Amortisation and exceptional items £m**	**2004 Total £m**	2003 Before amortisation and exceptional items £m	2003 Amortisation and exceptional items £m	2003 Total £m
Turnover including share of joint ventures and associates							
Continuing operations		**496.2**	**–**	**496.2**	526.0	–	526.0
Acquisitions		**138.6**	**–**	**138.6**	–	–	–
		634.8	**–**	**634.8**	526.0	–	526.0
Less: share of joint ventures		**(108.6)**	**–**	**(108.6)**	(163.9)	–	(163.9)
Less: share of associates		**(8.4)**	**–**	**(8.4)**	(6.5)	–	(6.5)
Group turnover	2, 3	**517.8**	**–**	**517.8**	355.6	–	355.6
Operating costs	4	**(457.7)**	**(19.3)**	**(477.0)**	(354.3)	(3.0)	(357.3)
Group operating profit/(loss)							
Continuing operations		**12.9**	**(6.6)**	**6.3**	0.6	(3.0)	(2.4)
Acquisitions		**47.2**	**(12.7)**	**34.5**	0.7	–	0.7
		60.1	**(19.3)**	**40.8**	1.3	(3.0)	(1.7)
Share of profit of joint ventures	10, 11, 16	**26.2**	**(0.4)**	**25.8**	40.2	(1.1)	39.1
Share of losses of associates	17	**(1.8)**	**(2.7)**	**(4.5)**	(3.1)	(4.5)	(7.6)
Total operating profit: Group and share of joint ventures and associates		**84.5**	**(22.4)**	**62.1**	38.4	(8.6)	29.8
Exceptional items:							
Disposal of subsidiaries, joint ventures and associates	7	**–**	**–**	**–**	–	0.2	0.2
Disposal of fixed asset investments	7	**–**	**–**	**–**	–	(0.3)	(0.3)
Profit on ordinary activities before interest and taxation		**84.5**	**(22.4)**	**62.1**	38.4	(8.7)	29.7
Income from fixed asset investments	8	**0.4**	**–**	**0.4**	1.2	–	1.2
Interest receivable and similar income	9	**19.0**	**–**	**19.0**	32.8	–	32.8
Interest payable and similar charges	10	**(37.9)**	**–**	**(37.9)**	(26.8)	–	(26.8)
Profit on ordinary activities before taxation		**66.0**	**(22.4)**	**43.6**	45.6	(8.7)	36.9
Tax on profit on ordinary activities	11	**(10.9)**	**–**	**(10.9)**	(13.3)	–	(13.3)
Profit on ordinary activities after taxation		**55.1**	**(22.4)**	**32.7**	32.3	(8.7)	23.6
Equity minority interests		**–**	**–**	**–**	(0.1)	–	(0.1)
Profit for the financial year		**55.1**	**(22.4)**	**32.7**	32.2	(8.7)	23.5
Preference dividend paid	27	**–**	**–**	**–**	–	–	–
Retained profit for the year	26	**55.1**	**(22.4)**	**32.7**	32.2	(8.7)	23.5

All joint ventures and associates relate to continuing operations.

The notes on pages 34 to 54 form part of these financial statements.

Group balance sheet

As at 28th March 2004

	Note	**2004 £m**	**2004 £m**	2003 £m	2003 £m
Fixed assets					
Intangible assets	13		**643.5**		66.1
Tangible assets	14		**82.8**		45.1
Investments					
Joint ventures	16				
Share of gross assets		**33.7**		35.5	
Share of gross liabilities		**(25.9)**		(27.9)	
			7.8		7.6
Loans to joint ventures	16		**2.5**		255.6
Associates	17		**11.6**		12.5
Other investments	18		**5.0**		4.9
			26.9		280.6
			753.2		391.8
Current assets					
Stocks	20	**2.3**		0.6	
Debtors	21	**118.2**		87.0	
Cash at bank and in hand		**85.2**		168.1	
		205.7		255.7	
Current liabilities					
Creditors: amounts falling due within one year	22	**(121.0)**		(81.8)	
Net current assets			**84.7**		173.9
Total assets less current liabilities			**837.9**		565.7
Creditors: amounts falling due after more than one year	23		**(448.3)**		(6.3)
Provisions for liabilities and charges					
Joint ventures	16				
Share of gross assets		**–**		62.1	
Share of gross liabilities		**–**		(268.3)	
Goodwill arising on acquisition		**–**		3.5	
			–		(202.7)
Net assets			**389.6**		356.7
Capital and reserves					
Called up share capital	25		**1.0**		1.0
Profit and loss account	26		**388.6**		355.7
			389.6		356.7
Equity shareholders' funds			**389.5**		356.6
Non-equity shareholders' funds			**0.1**		0.1
Total shareholders' funds			**389.6**		356.7

These financial statements were approved by the Board of Directors on 29th June 2004 and signed on its behalf by:

Paul Myners
Chairman

Nick Castro
Finance Director

The notes on pages 34 to 54 form part of these financial statements.

Company balance sheet

As at 28th March 2004

	Note	2004 £m	2004 £m	2003 £m	2003 £m
Fixed assets					
Tangible assets	14		**0.2**		0.4
Investments					
Subsidiary undertakings	15		**227.8**		202.8
Joint ventures	16		**10.5**		10.5
Other investments	18		**1.9**		1.8
			240.2		215.1
			240.4		215.5
Current assets					
Investments	19	**39.7**		40.7	
Stocks	20	**–**		0.1	
Debtors	21	**79.9**		103.7	
Cash at bank and in hand		**58.1**		66.7	
		177.7		211.2	
Current liabilities					
Creditors: amounts falling due within one year	22	**(238.6)**		(285.1)	
Net current assets			**(60.9)**		(73.9)
Net assets			**179.5**		141.6
Capital and reserves					
Called up share capital	25		**1.0**		1.0
Profit and loss account	26		**178.5**		140.6
			179.5		141.6
Equity shareholders' funds			**179.4**		141.5
Non-equity shareholders' funds			**0.1**		0.1
Total shareholders' funds			**179.5**		141.6

These financial statements were approved by the Board of Directors on 29th June 2004 and signed on its behalf by:

Paul Myners
Chairman

Nick Castro
Finance Director

The notes on pages 34 to 54 form part of these financial statements.

Group statement of total recognised gains and losses

For the year ended 28th March 2004

	2004 £m	2003 £m
Profit for the financial period	**32.7**	23.5
Exchange differences	**0.2**	–
Total recognised gains and losses relating to the period	**32.9**	23.5

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical equivalents.

Reconciliation of movements in group shareholders' funds

	Note	2004 £m	2003 £m
Retained profit for the year		**32.7**	23.5
Exchange differences		**0.2**	–
Goodwill written back	7	**–**	0.4
Balance at 31st March 2003		**356.7**	332.8
Balance at 28th March 2004		**389.6**	356.7

The notes on pages 34 to 54 form part of these financial statements.

Group cash flow statement

For the year ended 28th March 2004

	Note	2004 £m	2003 £m
Net cash inflow/(outflow) from continuing operating activities (see page 33)		**62.0**	(4.2)
Dividends from joint ventures and associates		**–**	0.1
Returns on investments and servicing of finance			
Other dividends received		**0.4**	1.1
Interest received		**12.7**	21.7
Interest paid		**(16.2)**	–
Finance lease interest paid		**(0.3)**	(0.3)
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(3.4)**	22.5
Taxation		**(17.8)**	(1.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(11.3)**	(6.2)
Sale of tangible fixed assets		**1.7**	0.5
Sale of other fixed asset investments		**0.2**	–
Net cash outflow from capital expenditure and financial investment		**(9.4)**	(5.7)
Acquisitions and disposals			
Purchase of shares in subsidiary companies	30	**(344.2)**	(38.2)
Net (overdraft)/cash acquired with subsidiaries		**(0.5)**	1.5
Purchase of shares in joint ventures and associates	30	**(3.5)**	(2.2)
Sale of shares in joint ventures and associates	7	**–**	0.1
Loans made to joint ventures		**–**	(5.6)
Loans repaid by joint ventures		**17.1**	29.9
Loans made to associates		**(0.3)**	(0.1)
Loans repaid by investments		**–**	0.2
Loans made to investments	18	**(0.2)**	(0.1)
Net cash outflow for acquisitions and disposals		**(331.6)**	(14.5)
Cash outflow before management of liquid resources and financing		**(300.2)**	(3.1)
Management of liquid resources			
Cash returned from short term deposit		**99.3**	5.8
Net cash inflow from management of liquid resources		**99.3**	5.8
Financing			
Payment of principal under finance lease		**(0.5)**	(0.5)
Movements in financing	28	**235.0**	–
Repayment of loans		**(23.0)**	–
Proceeds of sale and leaseback		**7.9**	–
Net cash inflow/(outflow) from financing		**219.4**	(0.5)
Increase in cash in the year	28	**18.5**	2.2

Reconciliation of net cash flow to movement in net funds

For the year ended 28th March 2004

	Note	2004 £m	2003 £m
Increase in cash in the year		**18.5**	2.2
Cash inflow from decrease in liquid resources		**(99.3)**	(5.8)
Cash (inflow)/outflow from (increase)/decrease in financing		**(219.4)**	0.5
Non cash – financing		**8.6**	–
Non cash – loans forgiven or capitalised	30	**(244.8)**	–
Change in net funds		**(536.4)**	(3.1)
Exchange differences		**(2.1)**	0.2
Movement in net funds in the year		**(538.5)**	(2.9)
Opening net funds		**161.4**	164.3
Closing net (debt)/funds	28	**(377.1)**	161.4

Reconciliation of operating profit to net cash outflow from operating activities

	2004 £m	2003 £m
Continuing activities		
Operating profit/(loss)	**40.8**	(1.7)
Depreciation	**16.6**	13.4
Impairment of investments	**–**	0.3
Amortisation	**19.3**	3.0
Profit on sale of tangible fixed assets	**(0.4)**	(0.2)
Decrease in stocks	**–**	1.0
Decrease/(increase) in debtors	**13.0**	(16.6)
Decrease in creditors	**(27.3)**	(3.4)
Net cash inflow/(outflow) from continuing operating activities	**62.0**	(4.2)

The effect of acquisitions on the Group's net operating cash flows are shown in note 30.

Notes

relating to the 2004 financial statements

1. Accounting policies

Accounting basis
The financial statements on pages 28 to 33 have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. Compliance with FRS 2 'Accounting for subsidiary undertakings' requires a departure from the requirements of the Companies Act 1985 relating to accounting for subsidiaries and an explanation of this departure is given in Note 30 to these Accounts. Set out below is a summary of the more important Group accounting policies, which have been applied consistently. The financial statements have been prepared on the historical cost basis.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 28th March 2004, with the exception of Guardian Media Group Jersey Limited, Workthing Limited, HR Information Limited and the companies within the Radio Division which are made up to 31st March 2004. 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, the subsidiary's assets and liabilities at the date of acquisition are recorded at their fair values reflecting their condition at that date. Goodwill is capitalised as an intangible asset and written off to the profit and loss account over its estimated useful life, a maximum period of 20 years. Radio licences that are acquired as part of a company acquisition are capitalised as goodwill.

As permitted by FRS 10, goodwill written off prior to 1999 has not been reinstated. On disposal this goodwill is written back through the profit and loss account.

Reviews for impairment are performed at the end of the first full financial year following the acquisition and in other years if events or changes in circumstances indicate that the carrying values may not be recoverable.

Joint ventures and associates
A company is treated as an associate when the Group has a participating interest in its equity share capital and exercises a significant influence over operating and financial policy.

A company is treated as a joint venture when the Group holds an interest on a long term basis and jointly controls the company with one or more venture parties.

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 financial statements 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, using management accounts, to bring in to line with the Group's year end date. The amounts involved are not considered to be material to the Group.

Depreciation and carrying value of fixed assets
Tangible fixed assets, other than freehold land, are stated at cost less depreciation. Depreciation of tangible fixed assets has been calculated to write off original cost by equal instalments over the estimated 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 long leasehold buildings are written off over their estimated useful lives or fifty years, whichever is the shorter. Freehold land is not depreciated.

Depreciation is charged on assets from the time they become operational.

The carrying value of fixed assets is reviewed for impairment if events or changes in circumstances suggest that their carrying amount may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant income generating unit.

1. Accounting policies (continued)

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 at the balance sheet date.

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

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

The deferred tax assets and liabilities are not discounted.

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

Circulation and advertising revenue is recognised on publication, broadcast or display. Revenues from barter transactions are recognised when the advertisements are displayed and are recorded at the fair value of goods or services received, in accordance with UITF Abstract 26, ‘Barter Transactions for Advertising’.

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

Translation of foreign currencies
Monetary 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.

The Group is complying with SSAP 24 ‘Accounting for Pension Costs’ and providing the transitional disclosures under FRS 17 ‘Retirement benefits’.

Investment income
Income from bank and short term deposits is included in the financial statements 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 estimated useful economic life. Finance charges are allocated to accounting years over the life of each lease to produce a constant rate of return on the outstanding balance.

Costs in respect of operating leases are charged to operating profit when incurred.

Notes

relating to the 2004 financial statements - continued

1. Accounting policies (continued)

Valuation of investments
The valuation of investments are reviewed annually and any major changes incorporated in the financial statements. Unlisted investments are stated at cost except where the net asset value is below cost in which case a provision is made for any impairment in accordance with FRS 11.

Current asset investments are recorded at the lower of cost and net realisable value. Where a current asset investment's net realisable value is lower than its cost, an amount is provided in the profit and loss account for the diminution in value. Where the reason for making the provision has ceased to apply to any extent, the provision is written back through the profit and loss account to that extent.

Website development costs
Design and content costs of a website are capitalised if there is a reasonable expectation that the future economic benefits generated by the website will be in excess of amounts capitalised. All other costs are written off as incurred.

Debt
Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Finance and issue costs associated with debt are charged to the profit and loss account at a constant rate over the period from the date of issue to the point where there is a genuine commercial possibility that the commercial life of the instrument will expire.

Website planning costs and expenditure to maintain and operate the website once developed, are charged against profits in the year in which they are incurred.

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

3. Segmental information

	Turnover		Operating profit/(loss) before amortisation and exceptional items		Profit/(loss) on ordinary activities before interest and taxation		Operating assets	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Parent company and Group undertakings	**517.8**	355.6	**60.1**	1.3	**40.8**	(1.8)	**107.0**	61.4
Joint ventures	**108.6**	163.9	**26.2**	40.2	**25.8**	39.1	**10.3**	60.5
Associates	**8.4**	6.5	**(1.8)**	(3.1)	**(4.5)**	(7.6)	**11.6**	12.5
	634.8	526.0	**84.5**	38.4	**62.1**	29.7	**128.9**	134.4
National Newspapers	**227.5**	216.7	**(6.2)**	(7.5)	**(6.2)**	(7.5)	**37.6**	36.6
Regional Newspapers	**127.2**	122.0	**30.7**	24.5	**30.7**	21.8	**33.4**	36.9
Radio	**33.4**	22.2	**(2.1)**	(6.3)	**(8.3)**	(11.1)	**11.2**	13.4
Trader Media Group	**203.5**	120.5	**73.8**	42.6	**58.3**	41.4	**46.6**	50.5
Other Group activities	**43.2**	44.6	**(11.7)**	(14.9)	**(12.4)**	(14.9)	**0.1**	(3.0)
	634.8	526.0	**84.5**	38.4	**62.1**	29.7	**128.9**	134.4
Intangible assets - Goodwill							**643.5**	66.1
Investments							**5.0**	4.9
Corporation tax							**(15.4)**	(11.7)
Deferred tax							**(0.1)**	1.6
Net (debt)/cash							**(372.3)**	161.4
Net assets							**389.6**	356.7

Operating assets include tangible fixed assets and working capital. Other Group activities include the results of Workthing Limited and HR Information Limited, the Group's share of its joint ventures Trafford Park Printers Limited and Paper Purchase & Management Limited, and the costs associated with the head office. Goodwill relates principally to Trader Media Group and the Radio Division.

4. Operating costs

	2004 £m	2003 £m
Raw materials and consumables	**60.2**	59.9
Other external charges	**55.2**	46.9
Staff costs (see note 5)	**172.0**	112.5
Depreciation of tangible fixed assets	**16.6**	13.4
Amortisation of goodwill	**19.3**	3.0
Other operating charges	**154.1**	121.8
Profit on sale of tangible fixed assets	**(0.4)**	(0.2)
	477.0	357.3

5. Staff costs

(a) Staff costs during the period including executive directors

	2004 £m	2003 £m
Wages and salaries	**148.5**	97.5
Employers' social security costs	**15.5**	9.8
Employers' pension costs	**8.0**	5.2
	172.0	112.5

(b) Average number of persons employed including executive directors

	No.	No.
Production	**2,108**	1,490
Selling and distribution	**1,883**	1,241
Administration	**1,090**	439
	5,081	3,170

(c) Emoluments of directors of Guardian Media Group plc

	2004 £000	2003 £000
Aggregate emoluments	**2,415**	2,372
Company pension contributions to money purchase schemes	**417**	361

Included in aggregate emoluments above are contract variation payments made to two directors totalling £nil (2003 £265,000)

Retirement benefits are accruing to six directors under a money purchase scheme (2003 five directors) and to two directors under a defined benefit scheme (2003 two directors).

Highest paid director

	2004	2003
Aggregate emoluments - salary and benefits	**393**	374
- contract variation payments	**–**	165
- performance related bonus	**250**	190
	643	729
Company pension contributions to money purchase schemes	**123**	122

The remuneration of the Chairman amounted to £50,000 (2003 £50,000).

6. Group operating profit/(loss)

	2004 £m	2003 £m
The following amounts have been charged in arriving at the operating profit/(loss):		
Depreciation - tangible owned fixed assets	**15.7**	12.5
- tangible fixed assets held under finance leases	**0.9**	0.1
Auditors' remuneration (parent company £64,000 (2003 £78,300))	**0.4**	0.2
Operating lease rentals:		
Plant and vehicles	**10.0**	7.6
Buildings	**1.8**	1.0

Remuneration of the Company's auditors for provision of non-audit services to the Company and its subsidiaries was £0.9 million (2003 £0.4 million).

7. Exceptional items

During the year ended 30th March 2003 the Group disposed of its interest in:

	Proceeds £m	Net liabilities disposed of £m	Goodwill £m	Profit/ (loss) £m
Oneword Radio	0.3	–	–	0.3
Disposal of overseas subsidiaries (including reversals of provisions shown within creditors year ended 31st March 2002 £0.1m)	–	(0.3)	0.4	(0.1)
Disposal of subsidiaries, joint ventures and associates	0.3	(0.3)	0.4	0.2
Disposal of fixed asset investments	–	–	–	(0.3)

The tax effect on the exceptional items above is £nil.

8. Income from fixed asset investments

	2004 £m	2003 £m
Dividends from unlisted investments	**0.4**	1.2

9. Interest receivable and similar income

	2004 £m	2003 £m
Group:		
Interest on cash at bank and short term investments	**4.1**	2.4
Interest receivable from joint ventures	**11.7**	23.9
Other interest receivable	**3.2**	6.5
	19.0	32.8

10. Interest payable and similar charges

	2004 £m	2003 £m
Group:		
Other loans	**24.6**	0.2
Finance leases	**0.4**	0.2
Joint ventures:		
Other loans	**12.9**	26.4
	37.9	26.8

11. Tax on profit on ordinary activities

(a) Analysis of charge in period

	2004 £m	2003 £m
Current tax		
Group:		
UK Corporation tax on profits for the period at 30%	**14.6**	14.0
Adjustments in respect of prior periods	**(6.3)**	(3.7)
Foreign taxes	**2.4**	–
	10.7	10.3
Joint ventures:		
UK Corporation tax on profits for the period at 30%	**2.9**	4.7
Adjustments in respect of prior periods	**–**	0.1
Foreign taxes	**–**	0.9
Associates:		
UK Corporation tax on profits for the period at 30%	**–**	(0.9)
Current tax charge for period	**13.6**	15.1
Deferred taxation		
Group:		
Current year	**(0.3)**	(1.0)
Prior periods	**(2.4)**	(0.6)
Joint ventures:		
Current year	**–**	(0.5)
Prior periods	**–**	0.3
Deferred taxation	**(2.7)**	(1.8)
Tax on profit on ordinary activities	**10.9**	13.3

(b) Factors affecting tax charge for the period

	2004 £m	2003 £m
Profit on ordinary activities before tax	**43.6**	36.9
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	**13.1**	11.1
Effects of:		
Expenses not deductible for tax purposes - goodwill	**6.5**	2.6
- other	**(0.1)**	2.3
Deferred tax asset movement not recognised	**–**	2.3
Foreign taxes	**0.4**	0.4
Adjustment to tax charge in respect of previous periods	**(6.3)**	(3.6)
Current tax charge for period	**13.6**	15.1

11. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges
The Group has a core element of permanent differences relating to non tax deductible items such as capital costs which will generally give rise to a tax charge in excess of 30%.

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present there are no binding agreements to sell these assets. The total amount unprovided is £0.4 million (2003 £0.8 million).

12. 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 financial statements. The Group results for the period include a profit of £37.9 million (2003 loss of £1.9 million) which is dealt with in the financial statements of the parent company.

13. Intangible assets

	The Group £m
Cost	
At 31st March 2003	71.5
Additions	596.7
At 28th March 2004	**668.2**
Accumulated amortisation	
At 31st March 2003	5.4
Charge for period	19.3
At 28th March 2004	**24.7**
Net book value	
At 28th March 2004	**643.5**
Net book value	
At 30th March 2003	66.1

Intangible assets comprise mainly goodwill which is amortised over the directors' estimate of its useful life of up to 20 years.

Particulars of additions are given in note 30.

14. Tangible fixed assets

Group	Land and buildings £m	Plant and vehicles £m	Fixtures and fittings £m	Total £m
Cost				
At 31st March 2003	17.8	56.2	38.3	112.3
Reclassifications	0.2	(0.5)	0.3	–
Acquisitions	15.7	78.2	–	93.9
Additions	0.7	9.6	1.0	11.3
Disposals	(0.7)	(10.5)	(4.4)	(15.6)
At 28th March 2004	**33.7**	**133.0**	**35.2**	**201.9**
Depreciation				
At 31st March 2003	3.8	39.5	23.9	67.2
Reclassifications	0.2	(0.5)	0.3	–
Acquisitions	3.4	46.2	–	49.6
Charge for period	1.0	14.0	1.6	16.6
Disposals	(0.2)	(9.7)	(4.4)	(14.3)
At 28th March 2004	**8.2**	**89.5**	**21.4**	**119.1**
Net book value				
At 28th March 2004	**25.5**	**43.5**	**13.8**	**82.8**
Net book value				
At 30th March 2003	14.0	16.7	14.4	45.1

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

	2004 £m	2003 £m
Cost	**16.3**	8.4
Accumulated depreciation	**(9.3)**	(8.4)
Net book value	**7.0**	–

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

	2004 £m	2003 £m
Freehold	**14.1**	6.5
Long leasehold	**10.4**	6.5
Short leasehold	**1.0**	1.0
	25.5	14.0

Company
Fixed assets net book value of £0.2 million (2003 £0.4 million), comprise long leasehold land and buildings of £nil (2003 £0.2 million) and plant and vehicles £0.2 million (2003 £0.2 million).

15. Subsidiary undertakings

The Company	Unlisted shares £m	Loan stock £m	Total £m
Cost			
At 31st March 2003	221.5	1.8	223.3
Additions	25.0	–	25.0
Disposals	(2.4)	–	(2.4)
At 28th March 2004	**244.1**	**1.8**	**245.9**
Amounts written off			
At 31st March 2003	18.7	1.8	20.5
Disposals	(2.4)	–	(2.4)
At 28th March 2004	16.3	1.8	18.1
Net book value at 28th March 2004	**227.8**	**–**	**227.8**
Net book value at 30th March 2003	202.8	–	202.8

Particulars of the principal subsidiary companies are given in note 37.

16. Joint ventures

	Investments	Provisions			
	Share of net assets £m	Share of net liabilities £m	Goodwill £m	Loans £m	Total £m
(a) The Group					
At 31st March 2003	7.6	(206.2)	3.5	255.6	60.5
Share of retained profit	0.2	9.8	–	–	10.0
Amortisation	–	–	(0.3)	–	(0.3)
Transfer to subsidiary	–	196.4	(3.2)	(253.1)	(59.9)
At 28th March 2004	**7.8**	**–**	**–**	**2.5**	**10.3**

The loan in joint ventures at 28th March 2004 is unsecured, interest free and has no fixed repayment date.

(b) The Group's aggregate share in its joint ventures is detailed below:

	2004 £m	2003 £m
Share of fixed assets	**23.9**	63.9
Share of current assets	**9.8**	33.7
Share of liabilities due within one year	**(25.9)**	(20.4)
Share of liabilities due after one year	**–**	(275.8)
Share of net assets/(liabilities)	**7.8**	(198.6)
Analysed in balance sheet:		
Investments	**7.8**	7.6
Provisions for liabilities and charges	**–**	(206.2)
	7.8	(198.6)

16. Joint ventures (continued)

(c) Dividends received by the Group from joint venture companies were £nil (2003 £nil).

	Shares £m	Loans £m	Total £m
(d) The Company			
Cost			
At 28th March 2004 and 31st March 2003	14.6	2.5	17.1
Amounts written off			
At 28th March 2004 and 31st March 2003	6.6	–	6.6
Net book value at 28th March 2004 and 30th March 2003	8.0	2.5	10.5

Particulars of the principal joint venture companies are given in note 37.

17. Associates

	Interests in associates £m	Goodwill £m	Total £m
(a) The Group			
At 31st March 2003	10.4	2.1	12.5
Acquisitions	0.1	–	0.1
Additions	1.8	2.0	3.8
Share of retained loss	(4.5)	–	(4.5)
Dividends	(0.1)	–	(0.1)
Amortisation	–	(0.2)	(0.2)
At 28th March 2004	**7.7**	**3.9**	**11.6**

Particulars of the additions are given in note 30.

(b) Dividends received by the Group from associates were £0.1 million (2003 £0.1 million)

Particulars of the principal associates are given in note 37.

18. Other investments

(a) The Group

	Listed shares £m	Unlisted shares £m	Term deposits/ loans £m	Total £m
Cost				
At 31st March 2003	0.1	3.2	1.6	4.9
Additions at cost	–	–	0.2	0.2
Disposals	(0.1)	–	–	(0.1)
At 28th March 2004	**–**	**3.2**	**1.8**	**5.0**

(b) The Company

	Listed shares £m	Unlisted shares £m	Term deposits/ loans £m	Total £m
Cost				
At 31st March 2003	0.1	0.2	1.5	1.8
Additions at cost	–	–	0.2	0.2
Disposals	(0.1)	–	–	(0.1)
At 28th March 2004	**–**	**0.2**	**1.7**	**1.9**

Market value of investments listed on the London Stock Exchange as at 28th March 2004 for the Group amounted to £nil (2003 £0.1million) and for the Company £nil (2003 £0.1 million).

19. Current asset investments

The Company's investment in subsidiary undertaking comprises of redeemable preference shares held in GMG Investco Limited (a wholly owned subsidiary undertaking). The preference shares are redeemable on demand at the issuer's option. Under the rights of the preference shares, the proceeds receivable on redemption are €59.4 million. Hence they are accounted for as Euro denominated assets and re-translated at year end exchange rates, with any foreign exchange gains or losses taken to the profit and loss account of the Company.

20. Stocks

	The Group		The Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Raw materials and consumables	**2.3**	0.6	**–**	0.1

21. Debtors

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Trade debtors	**93.3**	63.3	**0.1**	14.8
Amounts owed by subsidiaries	**–**	–	**76.0**	81.0
Amounts owed by joint ventures and associates	**4.1**	3.5	**2.2**	1.9
Other debtors	**2.9**	13.1	**1.4**	3.0
Prepayments and accrued income	**17.9**	7.1	**0.2**	3.0
	118.2	87.0	**79.9**	103.7

Other debtors include deferred tax assets of £nil (2003 £1.6 million) for the Group and £1.4 million (2003 £0.4 million) for the Company.

22. Creditors: amounts falling due within one year

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Obligations under finance leases	**2.7**	0.4	**–**	–
Syndicated bank loans (interest charged at LIBOR plus 2.25%)	**6.5**	–	**–**	–
Loan notes	**4.8**	–	**–**	–
Trade creditors	**20.4**	13.1	**1.0**	3.3
Amounts owed to subsidiaries	**–**	–	**223.1**	255.5
Amounts owed to joint ventures	**–**	6.3	**–**	–
Corporation tax	**15.4**	11.7	**1.2**	0.4
Taxation and social security	**13.6**	8.4	**7.3**	10.7
Other creditors	**5.4**	9.4	**0.3**	1.0
Accruals and deferred income	**52.2**	32.5	**5.7**	14.2
	121.0	81.8	**238.6**	285.1

Other creditors include deferred tax liabilities of £0.1 million (2003 £nil) for the Group and £nil (2003 £nil) for the Company.

The loan notes are subject to interest at 3% until 30th September 2004 and thereafter at LIBOR less 0.75%. The notes are redeemable by the lenders at six month intervals until the final redemption date of 30th September 2010.

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

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Syndicated bank loans gross of issue costs (interest charged at LIBOR plus rates between 2.25% and 3.25%)	**445.5**	–	**–**	–
Obligations under finance leases	**15.0**	6.7	**–**	–
	460.5	6.7	**–**	–
Debt issue and finance costs	**(12.2)**	(0.4)	**–**	–
	448.3	6.3	**–**	–
The total value of obligations under syndicated bank loans and finance leases repayable by instalments				
- between one to two years	**36.2**	0.4	**–**	–
- between two to five years	**142.1**	2.8	**–**	–
- over five years	**282.2**	3.5	**–**	–
	460.5	6.7	**–**	–

The syndicated bank loans were arranged by the Group in conjunction with the acquisition of the remaining interest in Trader Media Group. As part of the financing arrangement, the liability for and securitisation of the loans has been "ring-fenced" within the Trader Media Group, group of companies.

The banking arrangement requires the Group to hedge at least two thirds of the outstanding debt. The Group has effected this by the purchase of an interest rate collar which hedges a liability from a maximum of £300 million in November 2003 to a minimum of £200 million at maturity in November 2006. The floor rate for LIBOR is 4.54% and the cap rate for LIBOR is 6.00%.

The terms of the senior debt instrument specify bi-annual repayment dates between 31st March 2004 and 30th September 2012.

24. Deferred taxation

	The Group		The Company	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Recognised assets/(liabilities)				
Accelerated tax allowances on fixed assets	**(1.3)**	1.0	**–**	–
Short term and other timing differences	**1.2**	0.6	**1.4**	0.4
(see note 21and 22)	**(0.1)**	1.6	**1.4**	0.4

	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Unrecognised/unprovided deferred tax asset/(liability)				
Tax losses carried forward	**6.9**	7.0	**–**	–
Capital gains/revaluations	**(0.4)**	(0.8)	**–**	(0.4)

Deferred tax assets have not been recognised where they relate to losses in companies where their future utilisation against profits cannot be reasonably foreseen.

25. Called up share capital

	The Group and the Company	
	2004	2003
	£m	£m
Authorised, issued, called up and fully paid:		
100,000 4% cumulative preference shares of £1 each	**0.1**	0.1
900,000 ordinary shares of £1 each	**0.9**	0.9
	1.0	1.0

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.

26. Profit and loss account

	The Group £m	The Company £m
The movement on retained profits is analysed below:		
At 31st March 2003	355.7	140.6
Retained profit for the period	32.7	37.9
Exchange differences	0.2	–
At 28th March 2004	**388.6**	**178.5**

Cumulative goodwill written off to group reserves £58.4 million (2003 £58.4 million).

27. Preference dividends paid

Preference dividends paid during the year amounted to £4,000 (2003 £4,000).

28. Analysis of net funds/(debt)

	2003 £m	Cash flow £m	Acquisitions excluding overdraft £m	Non cash changes £m	Exchange differences £m	**2004 £m**
Net cash:						
Cash at bank and in hand	168.1	(80.8)	–	–	(2.1)	**85.2**
Less: deposits treated as liquid resources	(149.3)	99.3	–	–	–	**(50.0)**
	18.8	18.5	–	–	(2.1)	**35.2**
Liquid resources:						
Deposits included in cash	149.3	(99.3)	–	–	–	**50.0**
Debt:						
Finance leases due within one year	(0.4)	0.5	–	(2.8)	–	**(2.7)**
Finance leases due after one year	(6.3)	–	–	(5.1)	–	**(11.4)**
Debt due within one year	–	–	(11.3)	–	–	**(11.3)**
Debt due after one year	–	23.0	(468.5)	8.6	–	**(436.9)**
	(6.7)	23.5	(479.8)	0.7	–	**(462.3)**
Net funds/(debt)	161.4	(57.3)	(479.8)	0.7	(2.1)	**(377.1)**
Analysed in balance sheet:						
Cash at bank and in hand	168.1					**85.2**
Creditors due within one year						
Obligations under finance leases and syndicated bank loans	(0.4)					**(14.0)**
Creditors due after one year						
Obligations under finance leases and syndicated bank loans	(6.3)					**(448.3)**
	161.4					**(377.1)**

The difference between debt acquired with Trader Media Group Limited of £479.8 million and the Group's pre-acquisition 48% share of Trader Media Group debt of £244.8 million has been represented in the cash flow statement as 'movements in financing' of £235.0 million. In prior periods the Group's share of the debt of Trader Media Group Limited was included within provisions for liabilities and charges under the gross equity method of accounting.

29. Post balance sheet events

On 24th May 2004, the Group disposed of its interest in Radio Investments Limited for net proceeds of £13.0 million.

30. Acquisitions and disposals

Acquisitions and disposals during the period, are as follows:

(a) In May 2003, the Group acquired the remaining shares in Guardian Education Interactive Limited, the holding company for our education business, Learn. The acquisition of the 45% stake was completed at a cost of £0.4 million. Net assets acquired comprise £0.4 million cash and £0.4 million net liabilities.

(b) In October 2003, the Group acquired the remaining 52% interest in Trader Media Group Limited for a total consideration of £588.6 million, £343.8 million in cash and £244.8 million in loans forgiven or capitalised. Prior to becoming a subsidiary, Trader Media Group Limited was accounted for as a joint venture. In accordance with FRS2, 'Accounting for Subsidiary Undertakings', and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each separate purchase of shares in Trader Media Group Limited. Goodwill arising represents the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date Trader Media Group Limited became a subsidiary undertaking. The statutory method would not give a true and fair view because it would result in the Group's share of Trader Media Group Limited retained reserves, during the period that it was a joint venture, being recharacterised as goodwill. The effect of this departure is to increase retained profits by £16.0 million, and to increase purchased goodwill by £16.0 million.

The goodwill arising on this acquisition has been assessed by the Directors to have a useful life of 20 years and will be written off over this period.

Fair value table

	Book value £m	Fair value adjustment £m	Fair value acquired £m
Intangible assets	544.3	(544.3)	–
Tangible assets	44.3	–	44.3
Investments	0.1	–	0.1
Stocks	1.7	–	1.7
Debtors	43.9	–	43.9
Bank overdraft	(0.9)	–	(0.9)
Creditors	(526.8)	(1.1)	(527.9)
Taxation	(4.4)	–	(4.4)
Total assets acquired	**102.2**	**(545.4)**	**(443.2)**
Share of net liabilities acquired – 52%			(230.5)
Add: loans forgiven or capitalised in respect of the acquisition balance sheet			244.8
Add: goodwill amortisation whilst a joint venture			(0.9)
Less: previously equity accounted for as joint venture			(16.0)
Impact of share dilution prior to acquisition			(4.8)
Net liabilities acquired			**(7.4)**

(c) In January 2004, the Group acquired the 40% minority shareholdings in Channel M Limited for a nominal sum.

(d) In March 2004, the Group acquired a 26.8% shareholding in Seven Publishing Limited, publisher of the consumer magazines – delicious. and Gardenlife, for a total consideration of £2.0 million.

(e) During the year, the Group acquired additional shares in Fish4 Limited for £1.5 million.

(f) During the year, the Group liquidated several dormant companies. There was no profit or loss arising on these liquidations.

30. Acquisitions (continued)

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

	Net cash paid £m	Loans forgiven £m	Deferred consideration £m	Total consideration £m	Net liabilities acquired £m	Goodwill capitalised £m
Acquisition of subsidiaries	344.2	244.8	0.3	589.3	(7.4)	596.7
Associates	3.5	–	–	3.5	–	3.5
	347.7	**244.8**	**0.3**	**592.8**	**(7.4)**	**600.2**

The net liabilities recorded in the books of the acquired entities were considered to be at their fair values, however, these fair values are provisional and may require adjustment next year.

The acquisitions increased the Group's net operating cash flows by £34.5 million, increased interest payable by £30.8 million, reduced taxation by £0.8 million and utilised £4.3 million for capital expenditure.

The summarised profit and loss account for Trader Media Group Limited from 31st March 2003, the beginning of its financial year, to the date of acquisition was as follows:

	£m
Turnover	141.2
Operating profit	36.1
Profit on ordinary activities before taxation	11.4
Taxation	(8.1)
Profit on ordinary activities after taxation	3.3

In Trader Media Group’s last financial period, to 30th March 2003, the Company made a loss after goodwill amortisation, taxation and minority interest of £13.5 million. Goodwill amortisation for this period amounted to £35.2 million.

31. Capital commitments authorised

Contracts for capital expenditure and investments for the Group amounted to approximately £3.0 million (2003 £3.0 million). There are no capital commitments in respect of the company (2003 £nil).

32. Contingent liabilities and financial commitments

In the normal course of business the Group has given guarantees in respect of commercial transactions.

These include:

(a) The Company has given a guarantee to The Royal Bank of Scotland plc to secure the liabilities of certain of its subsidiary companies. At 28th March 2004, no subsidiary company had a bank overdraft (2003 £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 Surrey and Berkshire Newspapers Limited amounting to £10.0 million (2003 £11.3 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 (2003 £25 million).

33. 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	
	2004	2003	**2004**	2003
	£m	£m	**£m**	£m
Expiring within one year	**0.2**	–	**–**	1.1
Expiring between two and five years inclusive	**1.1**	0.5	**2.1**	0.4
Expiring in over five years	**1.6**	1.1	**9.2**	8.2
	2.9	1.6	**11.3**	9.7

There are no operating lease or similar commitments in respect of the Company (2003 £nil).

34. 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, Paper Purchase & Management and Trader Media Group prior to its acquisition – see Note 30. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2004	2003
	£m	£m
Sales	**0.4**	2.0
Purchases	**77.7**	73.7
Loan repayments	**17.1**	–
Interest on loans	**11.7**	23.9

At year end material balances outstanding in relation to these transactions were:

	£m	£m
Loans (including interest rolled up)	**–**	255.6

During the year the Guardian Media Group plc paid £85,834 (2003 £90,000) to eight (2003 seven) members of the Scott Trust in relation to their duties as Trustees. A further £205,304 (2003 £250,000) was paid to three (2003 three) of the Trustees, none 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 (2003 £nil).

35. Ultimate controlling party

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

36. Pensions

More than 90% 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. Pension scheme assets are held in separate trustee administered funds. The total pension charge for the Group is shown in note 5(a).

The Group has four (2003 three) defined benefit pension schemes all of which have been accounted for in accordance with SSAP 24. The most recent actuarial valuations in respect of these schemes were performed between 31st March 2001 and 5th April 2003. The market value of assets and funding levels of the respective schemes are as follows:

	Market value £m	Funding levels
Rochdale Observer Executive Pension Plan	0.8	82%
Surrey Advertiser Newspaper Holding Limited Pension & Life Assurance Scheme	8.1	75%
The GMG Supplementary Pension Scheme	5.3	151%
Wiltshire (Bristol) Limited Retirement Benefit Scheme	4.0	63%

Financial Reporting Standard No. 17
The following information is provided to comply with the transitional arrangements of FRS 17, 'Retirement benefits'.

The market value of the schemes' assets as at 28th March 2004 was £21.1 million (2003 £13.8 million) (2002 £16.0 million) of which 51.4% (2003 47.4%) (2002 £53.6%) was invested in equities, 45.8% (2003 40.4%) (2002 35.2%) was invested in bonds and 2.8% (2003 12.2%) (2002 11.2%) was allocated to other investments.

The assumed rates of return on assets for the year beginning 28th March 2004 are 7.1% (2003 6.6%) (2002 7.0%) p.a. on equities, 5.0% (2003 4.9%) (2002 5.0%) p.a. on bonds and 4.9% (2003 5.6%) (2002 5.2%) p.a. on other investments.

The present value of the schemes' estimated liabilities at 28th March 2004 was £25.3 million (2003 £15.2 million) (2002 £13.4 million) and the resulting estimated deficit was £2.9 million (2003 £1.0 million) (2002 surplus £1.8 million) net of deferred taxation. Deferred tax assets associated with this would be £1.3 million (2003 £0.4 million) (2002 £0.8 million liability).

The main assumptions used to calculate the present value of liabilities are:

	2004	2003	2002
Inflation rate	**2.8% pa**	2.5% pa	2.7% pa
Rate of increase in salaries	**3.6% pa**	3.2% pa	3.5% pa
Rate of increase for pensions in payment	**3.7% pa**	3.3% pa	2.7% pa
Rate of increase for pensions in deferment	**2.8% pa**	2.5% pa	2.6% pa
Discount rate	**5.5% pa**	5.4% pa	6.0% pa

For illustrative purposes, the effect of recognising the whole of the estimated pension surplus/(deficit) in the Group’s balance sheet would be:

	2004 £m	2003 £m	2002 £m
Net assets			
Net assets excluding pension surplus/(deficit)	**389.6**	356.7	332.8
(Deficit)/surplus in the scheme	**(2.9)**	(1.0)	1.8
Net assets including pension surplus/(deficit)	**386.7**	355.7	334.6
Reserves			
Profit and loss reserve excluding pension surplus/(deficit)	**388.6**	355.7	331.8
(Deficit)/surplus in the scheme	**(2.9)**	(1.0)	1.8
Profit and loss reserve including pension surplus/(deficit)	**385.7**	354.7	333.6

36. Pensions (continued)

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2004 £m	2003 £m
Current service cost	0.5	0.3
Past service cost	–	–
Total operating charge	0.5	0.3

Movement in deficit during the year

	2004 £m	2003 £m
(Deficit)/surplus at the beginning of the year	(1.4)	2.6
Movement:		
Current service cost	(0.5)	(0.3)
Contributions	0.5	0.2
Past service cost	–	–
Other finance (charge)/income	(0.1)	0.2
Actuarial loss/(gain)	(2.7)	(4.1)
Deficit at the end of the year	(4.2)	(1.4)

Analysis of amount charged/(credited) to other finance income

	2004 £m	2003 £m
Expected return on pension scheme assets	0.9	1.0
Interest on pension scheme liabilities	(1.0)	(0.8)
Net return	(0.1)	0.2

Analysis of amount which would be recognised in the statement of recognised gains and losses

	2004 £m	2003 £m
Actual return less expected return on pension scheme assets	1.9	(3.0)
Experience gains and losses arising on scheme liabilities	(0.1)	0.6
Changes in the assumptions underlying the present value of the scheme liabilities	(4.5)	(1.7)
	(2.7)	(4.1)

36. Pensions (continued)

History of experience gains and losses

	2004	2003
Difference between the actual and expected return on scheme assets:		
Amount (£'000)	**1.9**	(3.0)
Percentage of scheme assets	**9.0%**	–21.7%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	**(0.1)**	0.6
Percentage of scheme liabilities	**–0.4%**	3.9%
Total amount which would be recognised in statement of total recognised gains and losses:		
Amount (£'000)	**(2.7)**	(4.1)
Percentage of scheme liabilities	**–10.7%**	–27.0%

37. Subsidiaries and other companies

The principal activity of the subsidiaries, joint ventures 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 undertakings which, in the opinion of the Directors', principally affected the results or financial position of the Group.

(a) **Subsidiary undertakings**	Description of shares held	Equity holding
National Newspaper Division		
Guardian Newspapers Limited^	£1 ordinary shares	100%
Learnthings Limited^	£1 ordinary shares	100%
Learnthings South Africa (Proprietary) Limited^*	1 Rand ordinary shares	100%
Regional Newspapers Division		
Greater Manchester Newspapers Limited^	£1 ordinary shares	100%
Surrey and Berkshire Newspapers Limited^	£1 ordinary shares	100%
	£1 deferred shares	100%
Channel M Television Limited^	£1 ordinary shares	100%
Radio Division		
GMG Radio Holdings Limited	£1 ordinary shares	100%
Real Radio Limited^	£1 ordinary shares	100%
Real Radio (Scotland) Limited^-	£1 ordinary shares	100%
Real Radio (Yorkshire) Limited^	£1 ordinary shares	100%
London Jazz Radio Limited^	£1 ordinary shares	100%
Smooth FM Limited^	£1 ordinary shares	100%
Trader Media Group		
Trader Media Group Limited^	10p ordinary shares	100%
Trader Media (TNT) Group Limited^	1p ordinary shares	100%
Other		
Guardian Media Group Jersey Limited+	1JPY ordinary shares	100%
HR Information Limited^	1p ordinary shares	90.4%
Workthing Limited	10p ordinary shares	95.2%

The subsidiary undertakings are incorporated in Great Britain and registered in England and Wales except where noted.

– registered in Scotland
+ Incorporated in Jersey
* Incorporated in South Africa
^ Investments not held directly by Guardian Media Group plc

37. Subsidiaries and other companies (continued)

(b) Joint venture companies

Joint venture companies	Description of total shares	Percentage holding
Paper Purchase & Management Limited	200 £1 ordinary shares	50%
Trafford Park Printers Limited	10,000 £1 ordinary shares	50%

(c) Associates

Seven Publishing Ltd^	694,922 'A' ordinary shares/550,000 'B' ordinary shares	26.8%
Fish4 Limited^	51,155,813 £1 ordinary shares	25.1%
MXR Holdings Limited^	750,000 £1 ordinary shares	24.3%
Digital News Network Limited^	600,000 £1 ordinary shares	22.0%

^Investments not held directly by Guardian Media Group plc

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	28th March 2004 £m	30th March 2003 £m	31st March 2002 £m	1st April 2001 £m	2nd April 2000 £m
Turnover including share of joint ventures	**634.8**	526.0	456.4	439.9	439.0
Less: share of joint ventures	**(108.6)**	(163.9)	(116.0)	(84.8)	(48.2)
Less: share of associates	**(8.4)**	(6.5)	(4.9)	(6.5)	(0.9)
Group turnover	**517.8**	355.6	335.5	348.6	389.9
Operating costs	**(477.0)**	(357.3)	(354.7)	(339.0)	(347.6)
Operating profit/(loss)	**40.8**	(1.7)	(19.2)	9.6	42.3
Share of profit/(losses) of joint ventures and associates	**21.3**	31.5	20.8	19.8	5.1
Total group operating profit including share of joint ventures and associates	**62.1**	29.8	1.6	29.4	47.4
Exceptional items	**–**	(0.1)	1.3	26.1	16.0
Profit on ordinary activities before interest and taxation	**62.1**	29.7	2.9	55.5	63.4
Income from fixed asset investments	**0.4**	1.2	1.0	1.8	0.3
Net interest (payable)/receivable	**(18.9)**	6.0	5.9	10.0	9.8
Profit on ordinary activities before taxation	**43.6**	36.9	9.8	67.3	73.5
Tax on profit on ordinary activities	**(10.9)**	(13.3)	(3.9)	(25.2)	(22.3)
Profit on ordinary activities after taxation	**32.7**	23.6	5.9	42.1	51.2
Assets employed					
Intangible assets	**643.5**	66.1	25.9	1.5	3.4
Tangible assets	**82.8**	45.1	53.3	49.6	66.6
Investments	**24.4**	25.0	35.3	44.1	34.6
Cash at bank and in hand	**85.2**	168.1	171.5	200.9	183.5
Other net (liabilities)/assets	**(446.3)**	52.4	46.8	31.5	(3.1)
Net assets	**389.6**	356.7	332.8	327.6	285.0

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