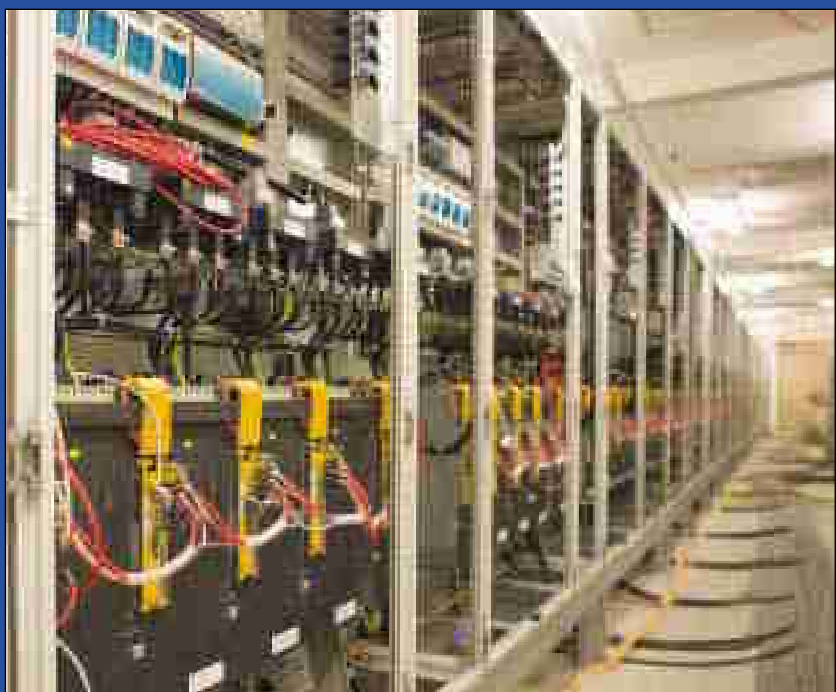
Guardian Media Group plc Annual Report and Accounts 2005

2005

Challenge and opportunity

GUARDIAN MEDIA GROUP

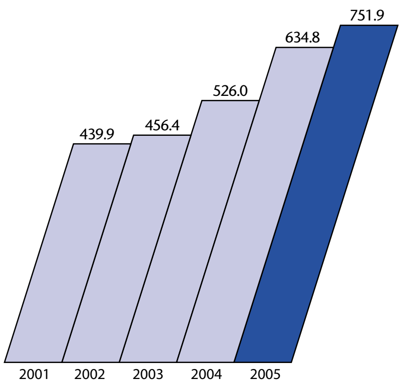
The new press installation at the
Guardian Print Centre in London



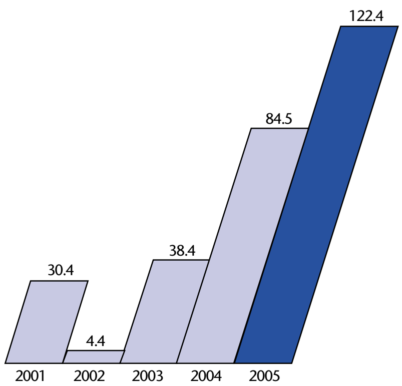
Guardian Media Group plc is a UK media business with interests in national newspapers, community newspapers, magazines, radio and internet businesses. The company is wholly-owned by the Scott Trust.

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

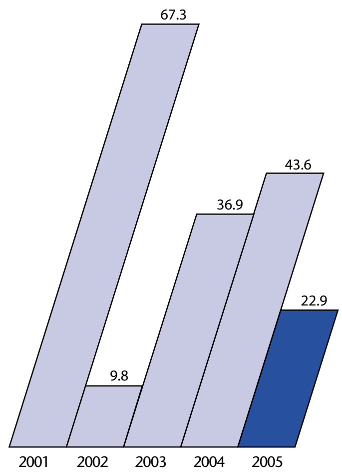
Financial highlights 2005



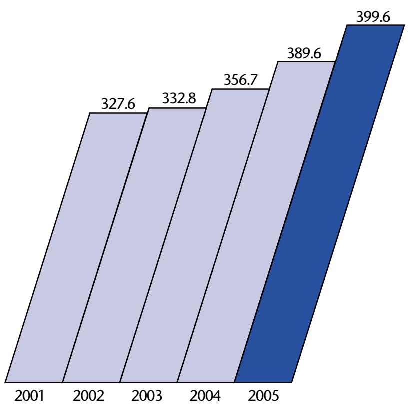
Turnover including share of joint ventures and associates. £m



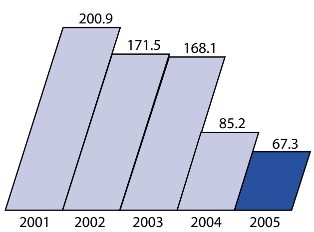
Total group operating profit before amortisation and exceptional items (including share of joint ventures and associates). £m



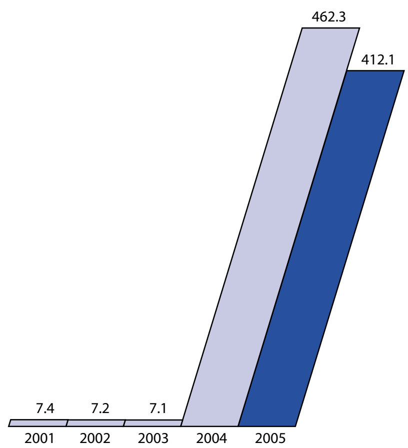
Profit before taxation. £m



Group net assets. £m



Cash. £m



Debt (net of costs). £m

Chairman's statement

Paul Myners
Chairman

The Chinese have a saying: If you can't avoid change, welcome it. And in an era of seemingly perpetual change, Guardian Media Group not only continues to embrace innovative ideas, but also to invest in bringing on the future. We are on the brink of revolutionary format changes to our national newspapers, with an £80 million project involving three new presses and related capital equipment. A further £24 million has been committed to new all-colour presses for our northern local newspapers, while benefits from a further capital project of nearly £9 million are already flowing through Trader Media Group. There are of course significant exceptional operating costs associated with these developments. These have impacted on our results for the year but we believe in managing with a longer view.

Group turnover including share of joint venture and associates increased by 18 per cent to £751.9 million but pre-tax profit fell to £22.9 million from £43.6 million last year. The Group's total operating profit for the year including share of joint ventures and associates, excluding the amortisation of intangibles and exceptional items, was £122.4 million compared with £84.5 million last year.

Net interest payable, including refinancing charges and other investment income, was £33.4 million compared with £18.5 million in the previous year. This increase was largely due to the full year effect of the ownership of Trader Media Group. The amount borrowed has already fallen from £479.8 million when we acquired Trader Media Group in October 2003 to £398.5 million at this year end, and as we have recently successfully renegotiated our borrowing facilities resulting from the acquisition, at a significantly lower level of interest rate, interest expense will fall substantially in the coming year.

The full year ownership of Trader Media Group also contributed to the rise in amortisation of goodwill from £22.4 million in the previous year to £34.9 million in the current year. We have incurred significant exceptional costs in the year as a result of the decision to invest in new printing facilities for our National and Regional Newspaper divisions. Other exceptional items include profits from disposal of our interests in Workthing Limited, where significant operating losses had been reported in previous years, and Radio Investments Limited, and the write off of the unamortised costs of the previous Trader Media Group debt refinancing.

The Guardian Media Group can be strong, because of our established commitment to the Scott Trust values and their long-term perspective, putting a premium on editorial values rather than on short-term profit considerations and annual preoccupation with the bottom line. The bottom line in this organisation is about trust, integrity and confidence – principles which these days are too often regarded as optional extras. Although our divisions operate with a high degree of individual freedom, it is those clear principles that we draw from our rich heritage which bind them together. We live, I believe, in a period of unparalleled distrust – whether of politicians or of people in authority generally, both in business and public life. That is why we believe strongly in what the Group stands for: to support in perpetuity our noble purpose of pursuing liberal journalism. All other activities are in pursuit of that core objective and exist as a store of value to enable us to pursue it.

In a very competitive marketplace, our national newspapers continued to perform vigorously. The Guardian secured a 17 per cent share, a slight fall on last year, with an average circulation of 376,329. The Observer achieved an increase in market share to nearly 17 per cent with an average circulation of 448,648. Behind the continued success of our main titles, stands the unusual degree of commitment of our staff. Their high professionalism, often requiring individual courage, gives life on a daily basis to the principles under which the whole Group operates. The Chief Executive reports more fully on the performance of all of our divisions, but it is significant to note that Trader Media Group delivered its best ever year-on-year growth in its first full year as a wholly-owned part of the Group. I am also pleased to report that GMG Radio returned its first operational profit after deducting the full cost of its digital activities.

Evidence of the value of our policy of early investment in new opportunities to extend the impact of our brands continues to flow through our online businesses, from record revenue and traffic for Guardian Unlimited to break-even on schedule by learn.co.uk. Auto Trader's total of 40 million searches and over 200 million page impressions a month put it in the premier league of UK sites, while fish4 and manchesteronline are both performing strongly. Alan Rusbridger's assessment of how the internet has strengthened the Guardian's voice is an eloquent testimonial to how the medium assists the message: "It is clear that the Guardian is becoming the English language global liberal voice. It has earned an incredibly high degree of trust. That means that today's journalists have a much bigger influence than any previous generation of Guardian writers".

In November 2004 we announced the appointment of Jerry Fowden as Chief Executive of Trader Media Group and a member of the Group Board on the retirement of Graham Luff in March 2005. Jerry Fowden joined from InBev, formerly Interbrew SA, where he was President of the European zone of the company's operations, as well as an executive board member. Graham Luff joined Trader Media Group in 1995. The company has thrived under his direction and its commanding position as the UK's leading automotive advertising publisher owes much to his personal drive and leadership. We are particularly grateful for all that he achieved in the smooth and effective integration of the GMG and Hurst Publications businesses since they were merged in May 2000. Graham has been responsible for the doubling of operating profits at Trader Media Group during the past five years.

In April of this year, Mark Dodson was confirmed as successor to Ian Ashcroft, who retires as Chief Executive of the Regional Newspapers division later in the year. Mark Dodson, who is 44, is currently Chief Executive of GMG's Cheshire & Lancashire group of weekly newspapers. Ian Ashcroft joined the Manchester Evening News in 1972 and is a former Deputy Managing Director of Guardian Newspapers Limited. He has been a member of the Group Board since 1996, and he has been instrumental in developing our portfolio of free titles as well as establishing a substantial online presence.

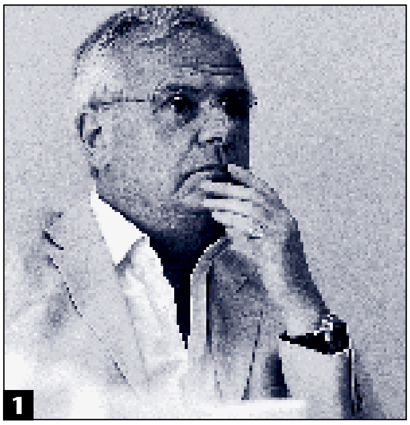
Elsewhere in this annual report we provide an overview of our continuing and deep involvement in the community. The remarkable international response to the Asian tsunami disaster was mirrored in a series of initiatives taken by staff and companies across the Group.

During the year, Guardian Newspapers Limited published the second of the independent social, ethical and environmental audits that measure the impacts of its corporate social responsibility programmes. As I indicated last year, self-examination is a pre-requisite of our particular approach to what we do and the conclusion that the Company provides "a beacon" for British media organisations will encourage everyone within the Group to maintain and extend their efforts on behalf of those who need and value our support.

I welcome the launch of the Hugo Young Memorial Lectures at Chatham House and the establishment of the traineeships bearing his name. Hugo Young's unflagging dedication to the idea at the heart of our unique ownership as well as to the continuing importance of high-class journalism provides a vivid signpost for us all to follow.

Paul Myners
paul.myners@gmgplc.co.uk

Guardian Media Group plc Board of directors



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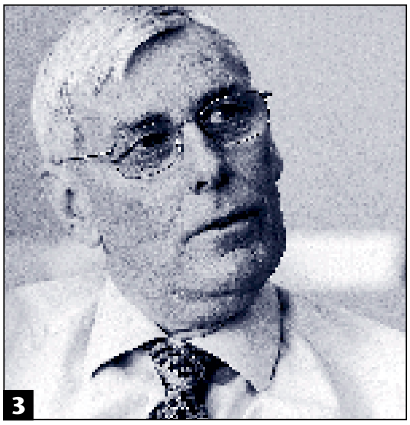

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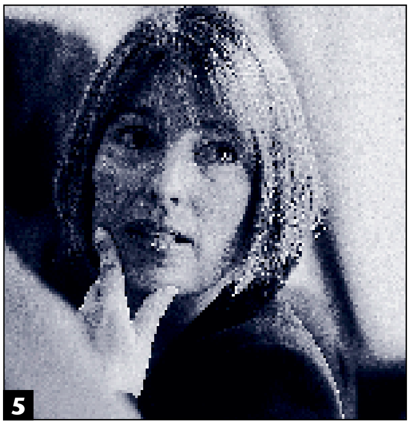

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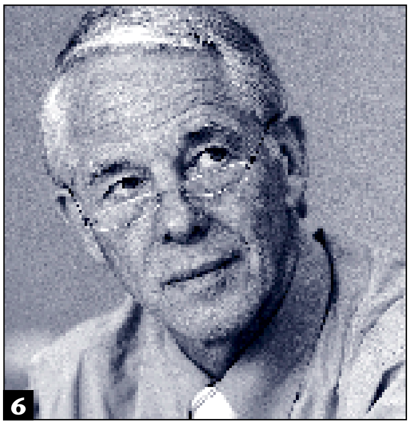

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1 Paul Myners*+^
Chairman
Aged 57. Joined the Group in 2000. He is Chairman of the Remuneration and Nominations Committees. He is also Chairman of Aspen Insurance Holdings Limited and acting Chairman of Marks & Spencer plc, an independent director on the board of The Bank of New York Inc. and a member of Court of the Bank of England. He is Chairman of the Trustees of Tate.

4 Alan Rusbridger
Editor,
The Guardian
Aged 51. 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.

2 Sir Robert Phillis
Chief Executive,
Guardian Media Group plc
Aged 59. Joined the Group in 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 and a Non-Executive Director of ITV plc.

5 Carolyn McCall
Chief Executive,
National Newspaper Division
Aged 43. Appointed to the Board in 2000. Appointed to Guardian Newspapers Board in 1995. She was previously a Non-Executive Director of New Look Group plc. She is a Non-Executive Director of Tesco PLC.

3 Nicholas Castro
Group Finance Director
Aged 54. 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.

6 Ian Ashcroft
Chief Executive,
Regional Newspaper Division
Aged 59. 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 then he has been Chairman of fish4, Trafford Park Printers and FinnTech. He is a Senator of IFRA.


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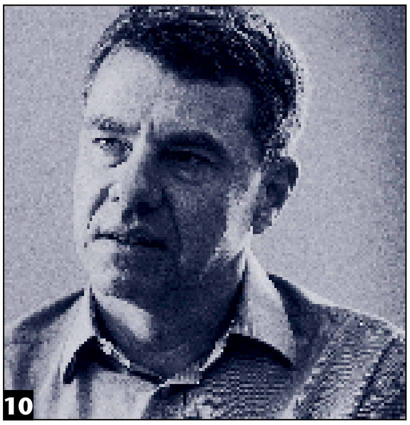
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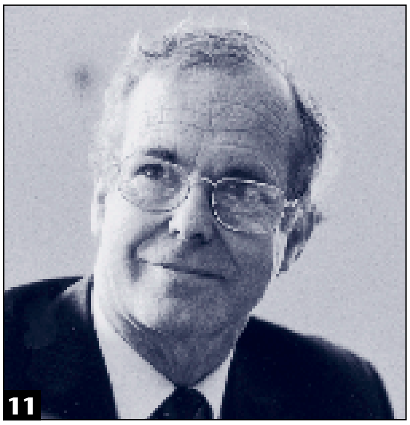
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7 Jerry Fowden
Chief Executive,
Trader Media Division
Aged 48. Joined the Group in January 2005 and was appointed to the Board in April 2005. He was previously Chief Operating Officer and President Europe for InBevSA, Chief Executive Officer of Bass Brewers and Managing Director Holidays Division, and Board member of The Rank Group PLC. He started his career at the Mars Group. He is a Non-Executive Director of Chesapeake Corporation (US Listed Multinational Packaging Company).

10 Richard Eyre*^
Independent
Aged 51. 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.

8 Giles Coode-Adams OBE DL*^
Senior Independent Director
Aged 66. 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.

11 Andrew Karney*+^
Independent
Aged 63. 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.

9 John Bartle CBE+^
Independent
Aged 60. 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.

12 Philip Boardman
Company Secretary
Aged 48. Joined the Group and appointed Company Secretary in 2001. Previously he was Group Financial Controller of Hickson International PLC and Fenner PLC.

* Audit Committee
\+ Remuneration Committee
^ Nominations Committee

Liz Forgan OBE
Chair, The Scott Trust

Changing the shape of a newspaper is not just a matter of appearances. It is a reflection of changes in the lives and habits of readers. It costs a considerable amount of money. Most importantly, it changes the character, the personality, of the paper whether anyone intends it to or not. If anyone doubted that it would now be clear from the experience of our competitors who went from broadsheet to tabloid this year. Their boldness has won them substantial circulation gains. And it has changed them.

The decision to change the format of both the Guardian and The Observer to a new "Berliner" size reflected the Scott Trust ownership of the papers. Market pressures clearly compelled serious thought about format change. To have gone tabloid, like our competitors, would have been quick, comparatively cheap because the same presses could have been used, and comparatively easy because it is a well-tried format in Britain and we all know how it works. But the editor made a passionate case that tabloid was the wrong size for the Guardian. Tabloid front pages are all-or-nothing affairs. Great for a day with a single big story. Constricting when a range of voices is needed to explain the world properly. There are times when both the Guardian and The Observer think it right to shout at their readers. But the world they seek to report is a complex one full of loud and soft, long and short and good journalism needs flexibility to do its job properly. Only by re-pressing completely in a new size which was compact but big enough to allow more than one tone of voice on the front page and throughout the paper could those journalistic ambitions be realised.

The Scott Trustees, charged under our unique remit to carry on the business of the papers "as heretofore" took the view that such a radical plan, driven by considerations of journalistic quality and the expectations of readers, fell squarely within the tradition of C P Scott. This is why the editors of both papers chose the long, expensive and untried path to the Berliner format and why the Scott Trust supported them wholeheartedly.

The public debate about standards in journalism has this year ranged even more widely than arguments over format. We have seen challenges to the role journalists claim to play in a democratic society and fierce controversy about the proper role of the press in the political, civil and business life of Britain. Trust publications have played an energetic part in those arguments both within and beyond their own pages. Since the days of C P Scott himself, these have been fundamental issues for us and journalists across the Group have embraced the challenge of rethinking the established language of journalistic ethics in the age of the blogger and the information-rich consumer and citizen. Some responses – such as the work of the Readers' Editor – have grown from the deepest roots of traditional journalism. Others, such as the digital editions and the GU chatlines are born of the digital age. All are directed at building and deepening the relationship of trust between Scott Trust publications and their readers, listeners and users.

This year has seen the launch of the annual Hugo Young Memorial Lecture at Chatham House and the establishment of up to six Hugo Young summer internships. Support for these and other established traineeships and charitable enterprises will now come under the umbrella of the newly-established Scott Trust Foundation, a charitable trust which will supplement the local giving schemes already operating in every division of the Guardian Media Group.

I should like to express my warm thanks to Anne Lapping, whose ten year term as a Trustee ended in December, and to welcome Will Hutton and Andrew Graham who were appointed to the Trust in May 2004 and March 2005 respectively.

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

The Scott Trustees

Liz Forgan OBE
Chair of the Scott Trust
Aged 60. 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 49. 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.

Andrew Graham
Aged 63. Joined the Trust in March 2005. He is the Master of Balliol College, Oxford, a Trustee of the Esmée Fairbairn Foundation and Chairman of the Advisory Board of the Oxford Internet Institute. He was Economic Adviser to the Prime Minister, 1967-69 and 1974-76; and, from 1988-94, to the Leader of the Labour Party, John Smith. From 1998 to 2005, he was a Non-Executive Director of Channel 4 Television.

Will Hutton
Aged 55. 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.

Paul Myners
Aged 57. Joined the Trust and Group in 2000. He is Chairman of Aspen Insurance Holdings Limited and acting Chairman of Marks & Spencer plc, an independent director on the board of The Bank of New York Inc. and a member of Court of the Bank of England. He is Chairman of the Trustees of Tate.

Sir Robert Phillis
Aged 59. Joined the Trust and Group in 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 and a Non-Executive Director of ITV plc.

Geraldine Proudler
Aged 48. 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.

Alan Rusbridger
Aged 51. 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 57. 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 63. 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.

Secretary
Philip Boardman
Aged 48. Appointed Secretary of the Trust in 2004. He joined the Group and was appointed Company Secretary in 2001. Previously he was Group Financial Controller of Hickson International PLC and Fenner PLC.

Guardian Media Group plc operational structure

GUARDIAN MEDIA GROUP

National Newspaper Division

- Publishers of the Guardian, The Observer, the Guardian Weekly, Guardian Europe, Money Observer and Public.
- 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.
- Channel M
  A restricted service licence television station for Manchester.
- fish4 (25.1%)
  A company that provides electronic classified advertising services.

Trader Media Division

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

Radio Division

- Operates regional radio stations, under the Real Radio brand in South Wales, South and West Yorkshire and Central Scotland, and under the smooth fm brand in London and 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.

Other Interests

- Seven Publishing (35.5%)
  Publisher of consumer magazines – delicious. and Gardenlife, Sainsbury's magazine and puzzle magazines.
- 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.

Chief Executive's review of operations

Sir Robert Phillis
Chief Executive

Only an organisation with the self-confidence that stems from the unflagging support of our unique ownership structure could take on a raft of disparate challenges at a time of unparalleled change.

To enable us to meet the defining moment of format change for both the Guardian and Observer and also to provide for new investment in GMG's regional newspapers, we have made over £110 million commitment to provide new presses, as well as developing firm plans for new premises for both Guardian Newspapers Limited (GNL) and the Manchester Evening News (MEN). In addition, we are continuing to support GMG Radio's pursuit of new licences.

As the Chairman has reported, operating profit before amortisation and exceptional items was £122.4 million, an increase of £37.9 million or 45 per cent above last year. The integration of Trader Media Group (TMG) into GMG contributed operating profits of £116.6 million and the continuing financial progress of our Regional Newspaper operations, which achieved 6 per cent growth in operating profits to a new high of £32.6 million, has enabled us to invest on a massive scale. We are now stronger and more financially secure than at any time in the Group's history and this underpins and reinforces our ability to take bold steps such as those that are now underway. While the scale of our investment programme means that profits after amortisation and exceptional items are significantly lower this year, Trader Media's outstanding financial performance has allowed us to reduce borrowings well ahead of expectations.

The pace and depth of change in the national newspaper sector has accelerated, with groups using format change and intensive marketing campaigns to address the challenge of attracting and retaining readership in a media landscape not only increasingly fragmented, but affected by an unpredictable advertising market. Losses for National Newspapers were £18.6 million before amortisation and exceptional items (2004 £6.2 million) on a turnover 3 per cent up at £233.8 million, but the division is working towards clear targets to enable it to achieve profitability in the longer term.

Overall, 2005 presents a massive challenge to our national newspapers as they move towards the publication of the new Berliner mid-size European format. This landmark decision is placing enormous demands on staff, but the decision, backed by an £80 million investment in three new presses and related equipment, will allow us to leap ahead of the rest of the market and publish the first of a new generation of full-colour newspapers. This new format, never before seen in the UK national newspaper market, will allow us to retain editorial integrity within a more convenient format, while offering real distinctiveness and fresh creative opportunities to advertisers.

During the year under review we embarked on a major construction, engineering and design project to allow us to publish our newspapers in the new format. Two of the new presses are being installed in a new Guardian Print Centre, currently being built at the International Business Park in Stratford, East London. The third, for the northern printing of the Guardian and The Observer, is being installed at Trafford Park Printers, Manchester, jointly owned by GMG and the Telegraph Group. During the year, we also confirmed plans to move GNL to a new London headquarters in King's Cross. The move is expected to take place in 2009 and will, for the first time, bring 1,400 London staff into one building instead of being located in seven different sites.

In Manchester, construction of the new MEN building has begun, with occupation scheduled for 2006. At the same time, contracts have been signed for a £45 million joint venture with Trinity Mirror for full-colour presses in Oldham with online inserting to print the Group's northern regional newspapers. We expect to be in full production by the summer of 2006.

Trader Media's Print division has benefited from a capital investment project of nearly £9 million in a new print line at Apple Web Offset Limited, which will further support Auto Trader and improve efficiency.

As this and other changes in the Group take shape, however, the principles of the Scott Trust remain unaltered, safeguarding editorial freedom, upholding business ethics, maintaining quality and excellence. All of our divisions operate within this context while developing their own strategies, ambitions and aspirations.

Newspaper publishing . . .

We operate, throughout, in demanding markets. The Guardian competed strongly in a tough weekday sector, achieving an average circulation of 376,329 and a market share of 17 per cent. It continued to achieve the highest full price sale of any weekday title, at 80 per cent. The Observer has maintained its position in the Sunday market and attracted readership through the highly popular and critically acclaimed monthly Sport, Food and Music magazines. With an average circulation of 448,648, it achieved a market share of nearly 17 per cent and an 84 per cent full price sale. The Observer has continued to enhance its reputation for hard-hitting journalism and delivering a broad church of opinion and comment.

While the regional press stripped bulk sales out of its circulation figures, GMG's strategy was to increase the weekly readership, particularly of the free newspapers, providing advertisers increased market coverage despite the sales decline of our flagship evening titles. The Manchester Evening News underwent revolutionary change after 137 years with the launch of a morning edition in November 2004, followed five months later by a free "lite" edition for home-going commuters. The Reading Evening Post changed on Fridays from an evening to a morning edition and on Wednesdays from a paid-for to one distributed free to every household in the town, as well as through newsagents.

Although the newspaper advertising market has remained volatile, GNL continued to take a lead through partnerships with clients and advertising agencies. During the year, GNL relaunched the Guardian Jobs site and renamed the classified department as Guardian Recruitment Solutions (GRS) to better reflect the wide range of recruitment opportunities offered to advertisers in a market in which we enjoy a 61 per cent share. Last autumn, Guardian Plus was launched, bringing together all of the division's non-traditional advertising activity including sponsored supplements; collaborations with other media owners; and bespoke micro-sites.

GMG's Regional Newspaper division returned a 9 per cent growth in advertising revenue, reflecting the successful strategy of delivering increased market coverage. Jobs advertising, the backbone of the business, had seven strong months but evidenced slower growth towards the end of the year. Though the housing market itself cooled, property advertising boomed and advertising generally from London agencies showed good growth.

TMG's new highs . . .

Trader Media Group marked its first full financial year as a fully owned division of GMG by returning its best ever year-on-year growth, outstripping the previous year's record-breaking numbers by 15 per cent. TMG's success has enabled it to refinance its debt ahead of schedule, which itself will bring £6 million annual interest savings and ensure that it is ahead of plan with its ambitious financial contributions to the Group. Auto Trader remains the main engine for the business with 6 million readers or users across the magazines and website, and despite a 5 per cent reduction in circulation of the magazine, is by far the best selling motoring title, delivering around 1.8 million motorists every week to our advertisers in addition to the 4.2 million unique monthly users on our website. Together, the Auto Trader magazine and website offers the largest captive audience of car buyers and delivers the best response and results in the market. This helped fuel continued growth in trade sales overall and a remarkable 10 per cent growth in private sellers. TMG's other widely recognised classified magazines, with associated websites, all performed very strongly, most notably with strong growth in Truck Trader, Marine Trader, and Farmers Trader. Ad Trader returned strong profits, with trade revenue increasing and cost saving initiatives supporting the bottom line, despite a fall in circulation. TMG's overseas businesses continue to grow strongly, with the Dutch new media/online business now generating very strong profits and South Africa and Italy showing impressive growth.

Radio growth . . .

GMG Radio has once again seen remarkable growth in its revenue, moving into operating profit for the first time with a positive contribution of £1.5 million after a previous year loss of £2.1 million. Operating profit before accounting for digital operations stood at £3.5 million. For the second year running, GMG Radio outperformed the market, with its Real Radio stations all making significant contributions to profitability, with turnover growing by 15 per cent year-on-year. Turnover in Scotland increased by 23 per cent, and in NW England smooth fm saw a surge in listeners with a 63 per cent rise in audiences. In London, jazz fm – re-branded this June to smooth fm – registered growth of 9 per cent. The majority of the division's stations have again seen significant audience growth, with Real Radio in Wales and Scotland continuing to occupy the two leading positions on the UK regional stations share graph. The youngest station, Real in Yorkshire is already occupying eighth position. GMG Radio has rearranged its digital interests and as a result, there is now a Smooth or Real Radio service in most major UK markets.

. . . and online records too

As the Chairman has pointed out, GMG's early development of its online strategy continues to pay dividends. This has been another exceptional year, for instance, for Guardian Unlimited (GU) with record-breaking performances in both revenue and traffic. GU has the largest audience of any UK newspaper by a considerable margin, with some 10 million unique users each month visiting the network of sites, with well over 100 million page impressions. Year-on-year display and sponsorship revenue rose by 36 per cent, the third year in succession to see a revenue increase of more than 30 per cent. This achievement reflects the generally buoyant state of the online advertising market, and the benefits that flow from market leadership. At the heart of GU's success has been a continued commitment to online editorial excellence, both in terms of the high quality day-to-day news coverage, its unique features and the innovative way it embraces online phenomena such as blogging. The Guardian was named best daily newspaper on the net for the fifth successive year at the Annual Newspaper Awards and was awarded an International Webby in May for best newspaper on the internet, in competition with the New York Times, Washington Post and Los Angeles Times amongst others.

Our digital education resource, learn.co.uk, has achieved its target of delivering a break-even business within its fifth year. It now has nearly 7,000 schools accessing learning content through subscription services in all parts of the UK. Learnpremium, the main subscription service, now represents one of the largest digitised curriculum services in the world, delivering nearly 140,000 pages of content to schools not only in the UK, but also in selected markets overseas.

Regionally, users of our internet sites exceeded 5 million a month. fish4, the classified advertising site in which the Group has a 25.1 per cent stake, has become the UK's most used job site and with manchesteronline second only to fish4 for jobs in the Greater Manchester region.

Auto Trader's website is another success story, delivering over 40 million searches and more than 200 million page impressions a month, making it one of the UK's most visited sites. Trade revenue growth was particularly strong, based on a combination of both volume and yield. At the end of the year, some 8,300 dealers were doing business online, compared with 6,900 in the previous financial year, recording growth of more than 20 per cent and a 113 per cent increase in operating profits. The Auto Trader brand has also been extended from its traditional used cars core to the new car marketplace with the launch across all channels of the UK's most comprehensive online new cars comparator. By the year end this allowed car buyers to search for the best deals nationwide and compare models and prices of more than 12,000 new cars, and this will rise to 50,000 vehicles during the next 12 months.

Disposals

In October 2005, the Group sold its interest in Workthing Limited to the hotgroup plc for a net consideration of £5.3 million, realising a profit on sale in the year of £5.1 million. While Workthing had made considerable progress in the online job market since it was formed in 2001, it was no longer core to GMG's operations given the creation of Guardian Recruitment Solutions and the success of fish4jobs and had incurred significant operating losses which had been reported in previous years. Similarly, given the concentration of GMG Radio on a portfolio of larger regional, as opposed to local, stations, we sold our 39.5 per cent stake in Radio Investments Limited for £13.0 million, realising a profit in the year of £5.2 million.

Chief Executive's review of operations

continued

Group outlook

Looking forward, GMG has established a strong financial position as a base for further growth, development and strengthening of its portfolio in support of its core purpose – the financial and editorial independence of the Guardian newspaper.

The major challenges in the current financial year relate to building the circulation and market share of our national newspapers in their new European format, increasing the share of revenue in an uncertain advertising market, and the continued development of our online business linked to our printed publications.

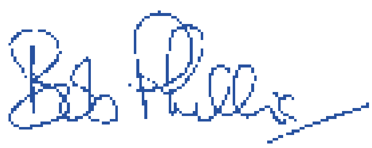
The UK advertising market, after its first full year of growth last year since 2000, is continuing on its course of recovery into the second quarter of the calendar year, albeit that the rate of growth has slowed since the autumn of 2004. The restraint on growth is linked to a slow down in economic growth, a corresponding reduction in corporate profitability, and a knock-on effect on marketing and recruitment expenditure. More recently we have seen increasing evidence of a slowdown in consumer demand, particularly in the retail sector. Nevertheless growth is expected to continue through 2005/06 at similar levels to last year (i.e. at 4 to 5 per cent).

The display advertising market continues to be tough for newspapers, particularly the qualities, as trading conditions have tightened. Bias towards traditional media is slowly being eroded through the proliferation of channels and the growth of consumer-centric planning. However, the internet has benefited from these trends, overtaking radio in terms of share of advertising revenue towards the end of last year, and outpacing the market with growth levels close to 45 per cent. Overall, total display expenditure is expected to grow at a similar rate this year (c. 4 per cent) with national press increasing at approximately half that rate.

In recruitment, whilst regionals are finding the trading increasingly tight, particularly in the south, for the nationals private sector recovery continues to drive overall market growth, although the rise of the internet and other methods of candidate attraction have increased the level of competition, leading to a more price sensitive market. Looking forward, the private sector is expected to fuel continued top line growth, with expenditure on UK recruitment advertising predicted to grow by 6 per cent in 2005/06.

Whilst there has been a significant slowdown in national radio revenues, GMG Radio is expected to deliver double digit revenue growth in 2005/06 as a result of its focus on regional, local and other revenue streams.

We are a diverse media group where pieces of the portfolio may well change over time. But what will not change is our commitment to the Guardian and The Observer. It is clear that GMG is poised at the start of a period of significant renewal with a major investment programme to secure the future. This takes place at a time of rising competition and a series of strategic challenges set against a backcloth of intense fragmentation of markets and delivery systems. The continuing support of the Scott Trust and the remarkable contributions of all of our staff in a period of intense change provide a bedrock of confidence on which we welcome the future.



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

Corporate social responsibility

At the turn of the year, the Asian tsunami produced a remarkable global response, which encompassed Governments, business and community organisations, and individuals of every age and circumstance. Guardian Media Group (GMG) donated £250,000 on behalf of all GMG companies and their staff. The money was channelled through the international charity, Concern, whose partner organisations include Guardian Newspapers Limited (GNL), and boosted GNL's annual Christmas appeal to a record £2 million. More than half the money went directly to victims of the disaster through a programme of rebuilding homes and livelihoods in the southern provinces of Sri Lanka. The Concern project is scheduled to operate for two years and has already achieved the completion of more than 1,250 transitional homes, with another 750 under construction.

All parts of GMG were involved in a range of fund-raising initiatives: the Stockport Express and Times joined forces with Storage World to collect new and good-as-new items for Oxfam, while the South Manchester Reporter's appeal contributed to the local community's response of more than £500,000. The Manchester Evening News, which joined Greater Manchester's disaster appeal committee, opened its own appeal with a £10,000 pledge. More than £400,000 was raised, including a donation of £125,000 from a local businessman. All of GMG Radio's stations took part in the UK Radio Aid Day when British commercial radio raised over £3.2 million for the disaster fund.

Areas in need in other parts of the world have benefited from a range of projects. GNL's Christmas appeal provided £338,000 for Concern's long-term work addressing food shortages in Africa and Asia, with a further £229,000 funding UK charities' operations. The Guardian has an international dimension to its education programme, with readers' donations paying for the development of two schools in Malawi, as well as covering the costs of secondary education for the poorest children in the Nambuma district. Readers have also donated thousands of pounds to support HIV-related projects in Malawi, while in Ghana, GNL is helping the Theatre for Change charity, which is seeking to reduce infection among young people by using interactive theatre to encourage behavioural change. The first phase of the project is in partnership with ActionAid and the British Council.

Children from Nambuma primary school in Malawi, many of whom are orphans. The development of this school is funded by Guardian readers' donations to the Gumbi Education Fund which also provides bursaries for the poorest childrens' secondary education.

TNT Magazine held its 21st birthday party to raise funds for Starfish, an HIV/Aids South African charity. Each year, the magazine publishes several issues dedicated to volunteer and eco-friendly travel, which aims to promote awareness among readers of ways to contribute to communities in which they live and travel. Issues covered included international volunteer projects; Christmas volunteering in a London homeless shelter and eco-friendly Christmas gifts. North West Auto Trader acted as one of the UK call centres for Sports Relief 2004. A team of almost 100 staff with additional volunteers from other parts of Trader Media accepted 3,160 donations totalling over £80,258 for disadvantaged children around the world. South African Auto Trader continues to support the Lambano Baby Sanctuary in Johannesburg, which cares for HIV babies and children.

At home, Guardian Newspapers launched a partnership with LIVE! – a magazine written solely by young people for their peers in South London. Observer and Guardian journalists worked with the young writers on articles ranging from image and beauty to gang rape.

The Newsroom, the visitor and education centre opposite the Guardian and Observer London offices, has continued to build its reputation, registering more than 20,000 educational visitors since its opening in June 2002, including school, further and higher education groups, teachers, adult learners and families. Every day, using state of the art IT and specially designed software, a school group creates a news front page. This facility is now booked a year in advance. GNL's award-winning schools volunteering project provides mentoring and reading support for three schools in London and two in Manchester. During the year, the company also formed a coaching relationship with Pentonville Prison, with executives supporting prison senior managers at the prison with leadership and management development.

Staff in the community…

GMG Regional Newspapers operate a wide-ranging programme of community support initiatives, involving large numbers of staff, helping to raise money as well as organising and taking part in major local events. For example, six Reading Evening Post staff joined in a charity run to raise £500 for a local hospice and a team from the Aldershot News and Mail raised the same amount. In Greater Manchester, Asian News staff continue to support a range of local Asian organisations, including a project run by the Sonali Bangladeshi network in Oldham called Future Leaders. A team of Manchester Evening News (MEN) staff completed a 976 mile bicycle ride from Lands End to John O'Groats to raise £20,000 for the Kirsty Appeal to secure the future of the Francis House Hospice for terminally ill children in Didsbury. At Christmas, MEN staff will distribute 1,000 hampers donated by the Cheshire Building Society to old and needy people. Earlier this year, the Manchester Evening News launched the Pride of Manchester awards in which eight local people are to be honoured, with readers voting for the winner in January 2006. The involvement of these staff members represents only a cross-section of the remarkable individual contributions that are made throughout GMG companies.

The Real Radio (Yorkshire) "bring a £ to work" team (from left to right) Rob Langley, Claire Suter, Lorna Bancroft, Sue Field (of Interserve) and Terry Underhill.

Corporately, there is also a wide-ranging story of sustained commitment to the community. GMG Radio's five regional stations raised a record amount of more than £150,000 during their annual Bring A £ To Work Day. More than 1,500 companies registered to take part in the day in which staff were simply asked to donate £1 to the chosen cause of each station. Thanks to *JAZZFM* listeners, the Lennox Children's Cancer Fund was able to buy a holiday home to offer respite care to children and their families affected by cancer. Real Radio raised thousands of pounds for the Noah's Ark Appeal to buy vital medical equipment for Wales' first children's hospital, while in Scotland, help went to NCH Scotland and the Variety Club. Yorkshire Real Radio listeners gave money to help children's hospitals in Sheffield and Leeds, while smooth fm supported Claire House Children's Hospice on the Wirral.

The Reading Evening Post appeal helped raise £1 million for Macmillan to employ three nurses and refurbish the Cancer Centre at the Royal Berkshire Hospital, while the Wokingham Times raised £80,000 for Wokingham Hospital. In Surrey, the Aldershot News and Mail is involved in a £750,000 campaign to build a new resuscitation unit at Frimley Park Hospital.

The Oldham Advertiser's hospital appeal produced 13 TV/video units, around 1,500 video films, two playstations, five DVD players and over £4,000 to buy a blood-testing machine for a local hospital's cancer ward. The joint Macclesfield Express and Wilmslow Express Macmillan Appeal has raised almost £1.1 million needed to build a £1.5 million Cancer Centre at Macclesfield Hospital.

Trader Media Group (TMG) is rolling out a wide-ranging employee volunteer programme as part of its expanding community involvement policy. TMG's main fundraising – with a target of £60,000 – has been directed at Whizz-Kidz, the national charity that aims to give independence to disabled children and teenagers. All TMG regional centres – Auto Trader, Ad Trader, New Media, Trader Media national titles, Marine Trader and Farmers Trader – staged events in support of the campaign, with employees playing a major role. Overall, with matching funding from TMG, it is expected that more than £100,000 will be raised by April 2006.

…campaigning for the community

An important aspect of community involvement is demonstrated by the successful campaigns on local issues mounted by GMG Regional Newspapers. The Manchester Evening News helped achieve a change in the law on the reporting of re-offenders of anti-social behaviour orders and after the region was named the UK's "tobacco death capital" launched a major campaign with the NHS and Greater Manchester Tobacco Free Project to help smokers give up the habit. Together with other GMG titles it also put its full weight behind the push for an extension of the Metrolink tram system.

'A beacon for British media'

As the Chairman has explained in his report, great importance is attached to independent evaluations of our social responsibility policies and during the year, Guardian Newspapers Limited published its second social, ethical and environmental audit.

A report on the global media industry by Sustainability, a leading consultancy on corporate responsibility, ranked GNL's first report as the best in the UK. The second report also won plaudits. Independent social auditor Richard Evans judged that "Guardian Newspapers Limited is not only providing a beacon for British media companies, but setting standards of disclosure for the whole media sector". Nearly 6,000 copies of the latest report have been sent to staff and readers as well as universities and other newspaper groups around the world, receiving positive feedback. All of GNL's community activities, as well as its social audit can be viewed online at www.guardian.co.uk/values.

The Guardian Foundation continues to support the training of journalists in this country and internationally. In addition, the Scott Trust Foundation has also been established as a charitable trust which will supplement initiatives elsewhere across Guardian Media Group.

Awards across GMG

GUARDIAN NEWSPAPERS LIMITED

THE GUARDIAN

The Guardian was named Newspaper of the Year 2005 at the *World Opinion Forum's Business Journalism of the Year Awards;* at the *British Environment and Media Awards* and at the *Picture Editors' Awards*. It also won a Silver Award at the *IPA Effectiveness Awards 2004* for its 'Fresh' marketing campaign and the Press Award in the *One World Media Awards* for an article in Weekend Magazine, Spectre Orange by Cathy Scott-Clark and Adrian Levy. The Guardian and DDB London won the first-ever Silver Pencil in the Integrated Communications Category at the *D&AD Awards*.

Guardian Jobs won the Best Online Property from a Media Owner award at the *Revolution Awards;* Best Online Advertising category at the *2005 Onrec (Online Recruitment) Awards* and Best Online Recruitment Section by a Consumer Publication in the *National Online Recruitment Awards 2004*.

Jobs & Money was voted Personal Finance Newspaper of the Year for the second year running at the *Association of British Insurers' Annual Financial Media Awards* and Guardian Jobs and Money Columnist, Margaret Hughes won the Help the Aged, *Living Legend Award* for writing about financial issues and their impact on older people and was judged the Best Personal Finance Section in the *Headline Money Awards*.

Ian Griffiths won Business Journalist of the Year at the *British Press Awards*, for his special investigation into MG Rover.

Tom Jenkins was named Sports Photographer of the Year at the *British Sports Journalism Awards*.

Duncan Mackay was named Sports Journalist of the Year for his exposure of the Balco drugs scandal; Tom Jenkins was named Sports Photographer of the Year for the second year running and Donald McRae was named Sports Feature Writer of the Year at the *Sports Journalism Awards 2005*.

Guardian Films won an Award for Innovation at the *Royal Television Society Programming Awards* for their series of documentaries about life in Iraq.

Sarah Boseley won the European region category of the *Lorenzo Natali Prize* for her Saving Grace investigation, which highlighted the obstacles to drug treatment for people with HIV in Africa.

Dan Chung won Photographer of the Year at the *What the Papers Say Awards*; Tom Jenkins also won Photograph of the Year at the same event for his photograph of Kelly Holmes crossing the line at the 800m Olympic final in Athens.

Circulation won the Gold award for Circulation Initiative of the Year at the *International Press Awards* in recognition of the digital editions and circulation promotions in Athens, New York and at Euro 2004.

John Vidal won the Environment Journalist of the Year award.

The Guardian's social affairs editor, John Carvel, was named Medical Journalist of the Year by the *British Medical Association*.

The Guardian and Toyota Prius won the Strategic Pitch of the Year at the *MediaWeek Awards 2004*, for promoting Toyota's new hybrid engine, Prius.

Uni-Marketing with Guardian Weekly won a Gold at the *Direct Response Smart Awards 2004.*

Suzanne Goldenberg, the Guardian's Washington correspondent, and James Meek, Guardian reporter, won first prize for print journalism at the annual *Pris Bayeux-Calvados* for war correspondents.

Guardian Weekend won Best Use of Photography at the *Magazine Design Awards 2004*.

Andrew Meldrum won the Kurt Schork prize, awarded by Columbia University, for his reporting of Robert Mugabe's government.

Oliver Kugler, contributor, won the *Association of Illustrators* Gold Award for editorial illustration for his illustration of Jonathan Frantzen in Review.

Ian Sample won the *Acoustical Society of America's* Science-writing Award for The Sound of Sunshine in Life Magazine.

Dr Ben Goldacre's article Never Mind the Facts in Life Magazine was voted Best Science Feature in a national or regional newspaper by the *Association of British Science Writers*.

Mark Porter and Richard Turley won a silver in the *British Design and Art Direction Awards*. This was the first time a newspaper had won such an award since the Guardian's last success in 1998. The award was for the Saving Grace supplement.

Felicity Lawrence was awarded the Derek Cooper Campaigning and Investigative Journalist Prize by the *Guild of Food Writers*.

Dan Chung and Roger Bamber won Photographer of the Year and Business and Industry Photographer of the Year at the *Picture Editors' Awards 2004*.

Chris McGreal won the *Martha Gellhorn Award.*

Paul Murphy won the *Harold Wincott Award for Financial Journalism.*

James Astill was awarded the *Gaby Rado Memorial Award* for his coverage of Rwanda's involvement in the Democratic Republic of Congo.

The Guardian was named Environmental Newspaper Company of the Year at the *Newspaper Awards 2004*.

Patrick Collinson was named Journalist of the Year and Rupert Jones, Mortgage Writer of the Year at the same event.

THE OBSERVER

Money Observer won Consumer Magazine of the Year for the third time in three years at the *Personal Finance Media Awards*.

Tim Moore won Travel Writer of the Year at the *British Press Awards*.

Observer Music Monthly won a gold award at the *British Television Advertising Awards* for its Abba to Zappa campaign, which also won the Best Use of Underground/Metro/Rail advertising category at the *Campaign Poster Advertising Awards 2004*.

Observer Sport Monthly also won the Best Ten-Second TV Commercial category and OSM won Best Designed Newspaper Supplement at the *Magazine Design Awards 2004* and Sports Magazine of the Year at the *2004 Sport Industry Awards*.

Mary Riddell was named the *Bar Council's* Legal Journalist of the Year.

Simon Garfield was named Journalist of the Year, by the mental health charity *Mind*, for his OM report 'Unhappy Anniversary' about 40 years of Valium.

Tim Atkin won both the *Glenfiddich* and the *Lanson* Wine Writer of the Year awards.

Nigel Slater won a *Glenfiddich Award* for his best-selling memoir, Toast.

GUARDIAN UNLIMITED

Simon Waldman won the Chairman's Award at the *AOP Online Publishing Awards 2004.*

Guardian Unlimited was awarded Best Daily Online Newspaper of the Year and Best Use of Innovative Technology for the Guardian and The Observer Digital Editions at the *Newspaper Awards 2004.*

GMG REGIONAL NEWSPAPERS

The Manchester Evening News won a *2004 Press Gazette Award* for Community Campaign of the Year for their "Christie in Crisis" coverage.

The Reading Evening Post won Regional Newspaper of the Year at the Newspaper Society and Production Journal's *2004 Newspaper Awards*, it also won the Media section of the *2004 Reading Community Contributions Awards.*

The Wokingham Times was voted Best Paid-For Weekly Newspaper of the Year at the *Newspaper Society Weekly Newspaper Awards 2004.* The Reading Evening Post was also Highly Commended in the Most Outstanding Use of Colour category at the *Newspaper Society and Production Journal's 2004 Newspaper Awards* and the Farnborough Courier was highly commended in the Regional Weekly Newspaper of the Year category at the same awards.

TRADER MEDIA GROUP

Deborah Smith, from Yorkshire Auto Trader won the Telesales Professional of the Year award at the *National Sales Awards 2005*. Louise Stalker, Telesales Manager at Yorkshire Auto Trader, represented the team which won Telesales/ Telemarketing Team of the Year at the same ceremony. Matthew Jones, Damien O'Neill and Mike Speedy from the same team were highly commended in the Sales Newcomer of the Year – Products, Young Sales Professional of the Year – Products and Sales Newcomer of the Year – Products categories respectively. Other finalists at this year's awards were Tony Doal and Deepak Malkani both from North London Auto Trader in the Miller Heiman Sales Professional of the Year category and Dave Marsden from North West Auto Trader was a finalist for the *Vodafone 'Best Use of Technology in Sales' Award.*

Online, nominations were awarded at the *NMA Awards* for the New Media Award in the Best B2B and Best Use of Multiple Channels categories.

GMG RADIO

John Simons was awarded a *Sony Radio Academy Gold Award* for Station Programmer of the Year.

smooth fm 100.4 won Gold in the category of Best Off-Air Station Marketing Campaign at the *Radio Academy Promotions & Marketing Awards 2004*.

Real Radio (Yorkshire) won two *IRN News Awards*, Scoop of the Year and the News Coverage Award as well as a *Sony Radio Academy Bronze* for the News Story Award.

The breakfast team at Real Radio (Wales) won the silver award at the prestigious *New York Festival Awards.*

Financial review

This review covers the 53 weeks to 3rd April 2005 and provides an overview of the Group's financial performance and position.

The Group results for the year contain significant exceptional items and comparison of underlying trading performance with the previous year requires further explanation, due to the impact of the acquisition in October 2003, of the remaining shares the Group did not own in Trader Media Group Limited.

The Group results for the previous year include accounting for the 48% shareholding 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 and the results for the six months through to the 2004 year end as a wholly-owned subsidiary.

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

Turnover
Group turnover for the year of £751.9 million increased by 18.4% on last year.

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

	2005 £m	2004 £m	Increase %
Group turnover (including share of joint venture and associates)	751.9	634.8	18.4
Less:			
Turnover relating to 2004 acquisitions	307.8	138.6	
Share of TMG joint venture 2004 turnover	–	67.8	
	307.8	206.4	
Group turnover (including share of joint venture and associates excluding TMG) excluding 2004 acquisitions	444.1	428.4	3.7

Excluding 2004 acquisitions, Group turnover increased by 3.7% to £444.1 million.

Advertising revenues and circulation revenues (excluding acquisitions and share of joint ventures and associates) increased by 6.2% to £279.5 million and 1.2% to £85.7 million respectively.

Profits
The Group achieved an operating profit, before amortisation of goodwill and exceptional items, of £122.4 million (2004 £84.5 million). The effect of the Trader Media Group acquisition half-way through the previous financial year was as follows:

	2005 £m	2004 £m	Increase %
Group operating profit	122.4	84.5	44.9
Less TMG operating profit	116.6	73.8	58.0
Total operating profit excluding TMG	5.8	10.7	-45.8

It can be seen that whilst reported Group operating profit increased by 44.9% on last year, the underlying decrease, excluding the Trader Media Group acquisition was 45.8%.

Amortisation and exceptional items of £71.5 million included printing project costs of £40.3 million (2004 nil), the write off of the unamortised costs of the previous Trader Media Group refinancing £5.4 million (2004 nil) and amortisation of goodwill £34.9 million (2004 £22.4 million), less profit on disposal of subsidiaries, joint ventures and associates of £9.1 million (2004 nil).

Taxation
The Group's tax charge for the year was £12.9 million (2004 £10.9 million). The goodwill amortisation in the profit and loss account which is not deductible for tax purposes is reflected in the effective tax rate of 56.3% (2004 25.0%). The current year tax charge on profit before goodwill amortisation is slightly lower than the UK statutory rate, at 27.3% (2004 30.0%).

This is explained by the adjustment to the taxable profits for non-taxable income, which includes profits on disposal of Group investments during the year, exceeding other adjustments such as net non-deductible expenses and the foreign taxes in excess of the UK statutory rate. There is a deferred tax asset recognised in the balance sheet of £1.1 million (2004 £0.1 million liability), and a deferred tax asset not recognised of £6.7 million (2004 £6.5 million), which includes pre acquisition tax losses carried forward in a number of subsidiary companies.

Cash flow
The Group operating generated £32.3 million of net funds in the year (2004 consumed £538.5 million). Net cash inflow from continuing operating activities amounted to £143.5 million (2004 £62.0 million). Cash outflows include net interest payable and dividends of £25.1 million (2004 £3.4 million), tax £21.2 million (2004 £17.8 million), net

capital expenditure of £71.9 million (2004 £9.4 million) and financing £59.1 million (2004 inflow £219.4 million). Cash inflows from acquisitions less disposals of £13.0 million (2004 outflow £331.6 million).

In October 2003, the Group acquired the remaining 52% shareholding in Trader Media Group Limited. This investment was financed by a mix of borrowing facilities and Group cash reserves. During 2004/05, the financing outflow principally relates to the repayment of borrowings relating to the Trader Media Group Limited acquisition in October 2003.

Balance sheet

The Group had net assets of £399.6 million as at 3rd April 2005 (2004 £389.6 million). In February 2005, the Group refinanced the borrowing facilities of Trader Media Group Limited and entered into a Restated Credit Agreement with a smaller bank syndicate at more attractive interest rates and less onerous covenants. These borrowing facilities of £450 million, which are secured on the assets of Trader Media Group Limited are scheduled to be fully repaid by 31st March 2010. The repricing has been possible due to the continued strong performance of Trader Media Group both in terms of business growth and cost management, Trader Media Group's rapid debt repayment since its acquisition by the Group in October 2003 and favourable bank lending market conditions.

By year end Group net debt totalled £344.8 million, a decrease of £32.3 million on the previous year. Net debt, ring-fenced in Trader Media Group Limited totalled £390.8 million.

All financial covenants attached to the Trader Media Group loan facility have been met.

A leasing facility totalling £96.0 million was arranged on 27th October 2004 to finance National and Regional Newspaper Division's printing projects. An interest rate hedge was put in place in December 2004 to cover £75.9 million of lease debt, over the entire life of the lease, which was planned to be drawn down in tranches from mid-2005. The Group commenced drawing against the facility on 30th June 2005.

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 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.

On the refinancing of the Trader Media Group Limited borrowings in February 2005, an interest rate hedge covering two-thirds of the outstanding debt was put in place which hedges a reducing level of obligation to a minimum of £154.9 million at maturity in March 2008.

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. In 2004/05 forward contracts have been put in place to hedge currency exposures on capital expenditure for the National Newspaper Division's printing project.

Acquisitions and Disposals

In May 2004, the Group disposed of its shareholding in Radio Investments Limited to The Local Radio Company plc for net proceeds of £13.0 million.

In September 2004, the Group sold Workthing Limited to the hotgroup plc for net proceeds of £5.3 million.

During the year, the Group paid £3.2 million to increase its shareholding in Seven Publishing Limited to 35.5% following its purchase of Cottage Publishing Limited, publisher of puzzle books and New Crane Limited, publisher of Sainsbury's consumer magazine.

During the year, the Group acquired the remaining shares in Marine Trader Media Limited. The acquisition of the 10% stake was completed at a cost of £0.9 million.

During the year, the Group disposed of its interest in TNT Magazine PTY Limited and TNT Magazine Limited for Australian $2 consideration.

Adoption of International Financial Reporting Standards (IFRS)

The Group plans to adopt International Financial Reporting Standards (IFRS) in preparing its 2006 Annual Report. As a private company, there is not a mandatory requirement for the Group to report using IFRS, however, given the scale of Group operations and ongoing public interest in Group activities, the Board determined that IFRS should be adopted with effect from 4th April 2005. This will result in the restatement of previously reported financial results and this will be reflected in the comparative financial information for prior periods as disclosure in the 2006 Annual Report.

A project team was established in 2004 to manage the transition of reporting to IFRS. The team reports to the Group Finance Director and regular updates on progress are provided to the Audit Committee.

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 and is a member of the Remuneration and Nominations Committees. 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 pages 4 and 5, 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.

A monthly financial report is provided to the directors. Board papers, which include regular and ad hoc reports, are circulated to the directors by the Company Secretary in advance of Board meetings so as to ensure Board members are supplied, in a timely manner, with the information they need. There is a written schedule of specific matters reserved for Board consideration which includes 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 formally at least once during the year.

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

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.

A performance appraisal process has been introduced. To date the Chairman and all the executive directors have undergone a rigorous appraisal. During the year the effectiveness of the Board has been reviewed. Steps are now being taken to:

– review the content of the Board agenda and the presentation/content of Board papers;

– implement performance appraisal for the independent directors and review the form and frequency of performance appraisal for the Board, its Committees and the executive directors;

– enhance risk mapping and risk and control frameworks throughout the Group.

Executive Committee

The Board delegates management of the Group businesses to the Executive Committee, which meets monthly.

Chaired by the Chief Executive, the Executive Committee comprises the four divisional chief executives, the Group Finance Director, the Group Personnel Director and the Company Secretary.

The Executive Committee is responsible to the Board for implementation of Group strategy, monitoring of business performance, and the approval of budgets, significant capital expenditure and contracts for recommendation to the Board.

The Scott Trust

The Scott Trust, which is self-perpetuating, chooses to ensure that only a minority of its members are executive directors within the Group. At present two trustees, Sir Robert Phillis and A C 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 non-family 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.

During the year a Secretary to the Trust has been appointed and a review of the Trust's corporate governance is underway.

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
R A Eyre	Member		Member
A L Karney	Member	Member	Member
Frequency of meeting per financial year	3	6	As and when necessary

The number of meetings of the Board and Committees held in the financial year ended 3rd April 2005 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
P Myners	11	3	6	2
Sir Robert Phillis	11	3*	6*	1*
I S Ashcroft	11			
N Castro	11	3*		
G Luff (resigned 31st March 2005)	9			
C J McCall	11			
A C Rusbridger	11			
J Bartle	11		6	2
J G S Coode-Adams	10	3		2
R A Eyre (appointed 27th May 2004)	8	2		1
A L Karney	11	3	6	2
* in attendance				
Number of meetings held	11	3	6	2

Corporate governance

continued

Details of the purpose of the Committees are set out below. All the Committees have written terms of reference, which are subject to annual review and which are available on request from the Company Secretary and can be accessed on the Group website www.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, Controller of Internal Audit and senior representatives of the external auditors normally attend the Committee's meetings. At least once a year the Committee or the Committee chairman 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, for example, accounting or managing internal audit work. This safeguards the independence and objectivity of the auditors. 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 has an agreed annual calendar of activities and has recently increased the number of meetings to four per financial year. This now enables the Committee to meet in turn with the Divisional Chief Executive and Divisional Finance Director of each of the four main divisions.

The Committee's proceedings are minuted and circulated to all Board members by the Company Secretary. The Audit Committee Chairman formally reports on the outcome of Audit Committee meetings to the Board.

During the financial year ended 3rd April 2005 the activities of the Audit Committee included:

- monitoring the integrity of the Group's financial statements and reviewing the significant and financial reporting judgements contained in them;
- review of the external audit strategy and subsequent report by the external auditors;
- review and approval of the internal audit plan for the 18 month period to March 2006;
- receipt and review of periodic reports from the Controller of Internal Audit;
- update on the Group's plans to implement International Financial Reporting Standards;
- review of the Committee's terms of reference;
- review of the effectiveness of the Committee. As a result of the review, the Committee decided to increase the frequency of meetings to four per annum and to develop an annual calendar of activities;
- pre-approval, where required, of non-audit work performed by the external auditors;
- review of the revision of the Memorandum & Articles of Association of the Company;
- meeting with the Divisional Chief Executive and Divisional Finance Director of two divisions to discuss:-
  - divisional risk registers;
  - internal and external audit issues;
  - IT investment plans;
  - timetable adherence;
  - resources;
  - assistance from the Group.
- review of Divisional and Group risks.

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 Director 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 above 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 Director and circulated to all independent directors. The Remuneration Committee chairman provides the Board with a summary report of the Remuneration Committee meeting.

A review of the effectiveness of the Committee is planned for 2005/06.

Details of Board remuneration are set out on page 25.

Nominations Committee
Chaired by P Myners, it 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 all the 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.

External search consultants were retained to assist in the appointment of R A Eyre, J S G Fowden and M Dodson.

The Committee's proceedings are minuted by the Company Secretary and the outcome of the meetings are formally reported to the Board by the Chairman of the Nominations Committee.

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 3rd April 2005 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 and the Company 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, 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 and significant contracts 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 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. Procedures have been introduced at Trader Media Group during the 2004/05 financial year and will be fully implemented during the 2005/06 financial year.

Report of the directors

The Directors present their report and the audited financial statements of the Group for the year ended 3rd April 2005.

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 2 and 3 and the Chief Executive's review of operations on pages 9 to 12. The Company has paid a preference dividend of 4.0p (2004 4.0p) per share amounting to £4,000 (2004 £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 (2004 27 days).

Donations
Charitable donations amounted to £630,950 (2004 £279,500). 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 3rd April 2005 are listed on pages 4 and 5.

G E Luff, who was a Director on 28th March 2004, retired on 31st March 2005. R A Eyre was appointed as a Director on 27th May 2004. J S G Fowden was appointed as a Director on 4th April 2005. 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 2005 £000**	Total 2004 £000	Employer's contributions to money purchase pension schemes **2005 £000**	2004 £000
P Myners	50	–	–	**50**	50	–	–
Sir Robert Phillis	380	261	34	**675**	643	**130**	123
I S Ashcroft	220	170	13	**403**	396	**47**	53
N Castro	214	145	11	**370**	337	**65**	61
G E Luff (* to 31st March 2005)	284	556	29	**869**	210	**28**	16
C J McCall	261	195	–	**456**	402	**80**	75
A C Rusbridger	281	75	17	**373**	272	**172**	89
Non-executive directors							
J Bartle	28	–	–	**28**	25	–	–
J G S Coode-Adams	53	–	–	**53**	38	–	–
R A Eyre (* from 27th May 2004)	24	–	–	**24**	–	–	–
E A L Forgan (* to 30th November 2003)	–	–	–	–	17	–	–
A L Karney	28	–	–	**28**	25	–	–
	1,823	1,402	104	**3,329**	2,415	**522**	417

* 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. All executive directors have contracts with rolling notice periods of up to 12 months.

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

Sir Robert Phillis was appointed non-executive chairman of All3Media Group Limited on 5th March 2004 and earned fees of £25,000 in their year ended 31st August 2004. He was appointed as a non-executive director of ITV plc on 7th February 2005 and will earn an annual fee of £50,000.

G E Luff is a non-executive director of Robert Walters Plc and earned fees in their year ended 31st December 2004 of £28,000 (2003 £24,000).

C J McCall was a non-executive director of the New Look Group plc up to her resignation on 5th April 2004 and earned fees in their year ended 27th March 2004 of £27,500 (2003 £27,500). Ms McCall was appointed as a non-executive director of Tesco PLC on 1st March 2005 and will earn an annual fee of £50,000.

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 in 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 was paid in March 2005. On joining Trader Media Group Limited in January 2005, J S G Fowden was provided with a deferred bonus arrangement based on achievement of pre-determined financial and personal targets.

c) A C Rusbridger has no contractual entitlement to a bonus payment. In 2004/05 the Remuneration Committee decided to award Mr Rusbridger a bonus in recognition of his leading role in the development of the new format Guardian Newspaper, half of which he elected to take as an additional pension contribution.

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

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

I S Ashcroft is also a member 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.

Independent auditors
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

30th June 2005

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 and cash flow notes, the Group statement of total recognised gains and losses, the reconciliation of movements in Group shareholders' funds 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 financial highlights, 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 3rd April 2005 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

30th June 2005

Group profit and loss account

For the year ended 3rd April 2005

	Note	**2005 Before amortisation and exceptional items £m**	**2005 Amortisation and exceptional items £m**	**2005 Total £m**	2004 Before amortisation and exceptional items £m	2004 Amortisation and exceptional items £m	2004 Total £m
Turnover including share of joint ventures and associates							
Continuing operations		**751.9**	**–**	**751.9**	634.8	–	634.8
Less: share of joint ventures		**(35.6)**	**–**	**(35.6)**	(108.6)	–	(108.6)
Less: share of associates		**(8.5)**	**–**	**(8.5)**	(8.4)	–	(8.4)
Group turnover	2,3	**707.8**	**–**	**707.8**	517.8	–	517.8
Operating costs	4	**(583.5)**	**(73.8)**	**(657.3)**	(457.7)	(19.3)	(477.0)
Group operating profit							
Continuing operations	6	**124.3**	**(73.8)**	**50.5**	12.9	(6.6)	6.3
Acquisitions		**–**	**–**	**–**	47.2	(12.7)	34.5
		124.3	**(73.8)**	**50.5**	60.1	(19.3)	40.8
Share of profit of joint ventures	10,11,16	**0.6**	**–**	**0.6**	26.2	(0.4)	25.8
Share of losses of associates	11,17	**(2.5)**	**(1.4)**	**(3.9)**	(1.8)	(2.7)	(4.5)
Total operating profit: Group and share of joint ventures and associates		**122.4**	**(75.2)**	**47.2**	84.5	(22.4)	62.1
Disposal of subsidiaries, joint ventures and associates	7	**–**	**9.1**	**9.1**	–	–	–
Profit on ordinary activities before interest and taxation		**122.4**	**(66.1)**	**56.3**	84.5	(22.4)	62.1
Income from fixed asset investments	8	**0.9**	**–**	**0.9**	0.4	–	0.4
Interest receivable and similar income	9	**6.8**	**–**	**6.8**	19.0	–	19.0
Interest payable and similar charges	10	**(35.7)**	**(5.4)**	**(41.1)**	(37.9)	–	(37.9)
Profit on ordinary activities before taxation		**94.4**	**(71.5)**	**22.9**	66.0	(22.4)	43.6
Tax on profit on ordinary activities	11	**(26.6)**	**13.7**	**(12.9)**	(10.9)	–	(10.9)
Profit for the financial year		**67.8**	**(57.8)**	**10.0**	55.1	(22.4)	32.7
Preference dividend paid	28	**–**	**–**	**–**	–	–	–
Retained profit for the year	27	**67.8**	**(57.8)**	**10.0**	55.1	(22.4)	32.7

The notes on pages 32 to 51 form part of these financial statements.

Balance sheets

As at 3rd April 2005

	Note	**Group 2005 £m**	Group 2004 £m	**Company 2005 £m**	Company 2004 £m
Fixed assets					
Intangible assets	13	**610.2**	643.5	**–**	–
Tangible assets	14	**136.6**	82.8	**0.2**	0.2
Investments					
Subsidiary undertakings	15	**–**	–	**298.4**	227.8
Joint ventures	16	**9.7**	10.3	**9.5**	10.5
Associates	17	**4.0**	11.6	**–**	–
Other investments	18	**5.9**	5.0	**1.8**	1.9
		766.4	753.2	**309.9**	240.4
Current assets					
Investments	19	**–**	–	**–**	39.7
Stocks	20	**2.5**	2.3	**–**	–
Debtors	21	**121.7**	118.2	**57.9**	79.9
Cash at bank and in hand		**67.3**	85.2	**31.8**	58.1
		191.5	205.7	**89.7**	177.7
Current liabilities					
Creditors: amounts falling due within one year	22	**(145.4)**	(121.0)	**(105.3)**	(238.6)
Net current assets/(liabilities)		**46.1**	84.7	**(15.6)**	(60.9)
Total assets less current liabilities		**812.5**	837.9	**294.3**	179.5
Creditors: amounts falling due after more than one year	23	**(375.2)**	(448.3)	**–**	–
Provisions for liabilities and charges	24	**(37.7)**	–	**–**	–
Net assets		**399.6**	389.6	**294.3**	179.5
Capital and reserves					
Called up share capital	26	**1.0**	1.0	**1.0**	1.0
Profit and loss account	27	**398.6**	388.6	**293.3**	178.5
		399.6	389.6	**294.3**	179.5
Equity shareholders' funds		**399.5**	389.5	**294.2**	179.4
Non–equity shareholders' funds		**0.1**	0.1	**0.1**	0.1
Total shareholders' funds		**399.6**	389.6	**294.3**	179.5

These financial statements were approved by the Board of Directors on 30th June 2005 and signed on its behalf by:

Paul Myners
Chairman

Nick Castro
Finance Director

The notes on pages 32 to 51 form part of these financial statements.

Group cash flow statement

For the year ended 3rd April 2005

	Note	2005 £m	2004 £m
Net cash inflow from continuing operating activities (see page 31)		**143.5**	62.0
Dividends from joint ventures and associates		**0.1**	–
Returns on investments and servicing of finance			
Other dividends received		**0.8**	0.4
Interest received		**6.9**	12.7
Interest paid		**(32.1)**	(16.2)
Finance lease interest paid		**(0.7)**	(0.3)
Net cash outflow from returns on investments and servicing of finance		**(25.1)**	(3.4)
Taxation		**(21.2)**	(17.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(74.8)**	(11.3)
Sale of tangible fixed assets		**2.9**	1.7
Sale of other fixed asset investments		**–**	0.2
Net cash outflow from capital expenditure and financial investment		**(71.9)**	(9.4)
Acquisitions and disposals			
Purchase of shares in subsidiary companies	30	**(0.9)**	(344.2)
Sale of shares in subsidiary companies	7/30	**5.3**	–
Net overdraft acquired with subsidiaries		**–**	(0.5)
Loans repaid by joint ventures	16	**1.0**	17.1
Purchase of shares in associates	17/30	**(3.2)**	(3.5)
Sale of shares in associates	7/30	**13.0**	–
Loans made to associates	17	**(1.0)**	(0.3)
Purchase of shares in investments	18	**(0.8)**	–
Loans made to investments	18	**(0.4)**	(0.2)
Net cash inflow/(outflow) for acquisitions and disposals		**13.0**	(331.6)
Cash inflow/(outflow) before management of liquid resources and financing		**38.4**	(300.2)
Management of liquid resources			
Cash returned from short term deposit		**40.0**	99.3
Net cash inflow from management of liquid resources		**40.0**	99.3
Financing			
Payment of principal under finance lease		**(1.9)**	(0.5)
Movements in financing		**–**	235.0
Repayment of loans		**(57.2)**	(23.0)
Proceeds of sale and leaseback		**–**	7.9
Net cash (outflow)/inflow from financing		**(59.1)**	219.4
Increase in cash in the year	29	**19.3**	18.5

Reconciliation of net cash flow to movement in net funds

For the year ended 3rd April 2005

	Note	2005 £m	2004 £m
Increase in cash in the year		**19.3**	18.5
Cash inflow from decrease in liquid resources		**(40.0)**	(99.3)
Cash outflow/(inflow) from decrease/(increase) in financing		**59.1**	(219.4)
Non cash – financing		**(8.9)**	8.6
Non cash – loans forgiven or capitalised		**–**	(244.8)
Change in net funds		**29.5**	(536.4)
Exchange differences		**2.8**	(2.1)
Movement in net funds in the year		**32.3**	(538.5)
Opening net funds		**(377.1)**	161.4
Closing net debt	29	**(344.8)**	(377.1)

Reconciliation of operating profit to net cash inflow from operating activities

For the year ended 3rd April 2005

Continuing activities	2005 £m	2004 £m
Operating profit	**50.5**	40.8
Depreciation	**19.5**	16.6
Impairment of investments	**0.3**	–
Amortisation	**33.5**	19.3
Profit on sale of tangible fixed assets	**(1.7)**	(0.4)
Increase in stocks	**(0.2)**	–
(Increase)/decrease in debtors	**(2.4)**	13.0
Increase/(decrease) in creditors	**7.7**	(27.3)
Increase in provisions for liabilities and charges	**36.3**	–
Net cash inflow from continuing operating activities	**143.5**	62.0

Group statement of total recognised gains and losses

For the year ended 3rd April 2005

	2005 £m	2004 £m
Profit for the financial period	**10.0**	32.7
Exchange differences	**–**	0.2
Total recognised gains and losses relating to the period	**10.0**	32.9

Reconciliation of movements in Group shareholders’ funds

For the year ended 3rd April 2005

	2005 £m	2004 £m
Retained profit for the year	**10.0**	32.7
Exchange differences	**–**	0.2
Balance at 29th March 2004	**389.6**	356.7
Balance at 3rd April 2005	**399.6**	389.6

The notes on pages 32 to 51 form part of these financial statements.

1. Accounting policies

Accounting basis
The financial statements on pages 28 to 31 have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. Set out below is a summary of the more important Group accounting policies, which have been applied consistently. The 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 3rd April 2005, with the exception of Guardian Media Group Jersey Limited and the companies within the Radio Division which are made up to 31st March 2005. 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 calculated as the difference between the consideration paid and the fair value of the net assets acquired. 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 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.

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.

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.

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.

1. Accounting policies (continued)

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;
– 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.

Sale and leaseback transactions
Where sale and leaseback transactions are entered into as a means of raising finance, the asset is regarded as being retained rather than disposed of and re-acquired. No adjustment to the carrying value or to the expected economic life of the asset is therefore made. Proceeds are recognised as a liability and the finance charge is charged against profit in proportion to the reducing capital element outstanding.

Pensions
The majority of the Group's employees are members of defined contribution pension schemes. 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.

1. Accounting policies (continued)

Valuation of investments
The carrying value 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.

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.

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.

Provisions
Provisions in respect of liabilities are made in accordance with the FRS 12 and are discounted where the effect is material.

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

3. Segmental information

	Turnover		Operating profit before amortisation and exceptional items		Profit on ordinary activities before interest and taxation		Operating assets	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Parent company and Group undertakings	**707.8**	517.8	**124.3**	60.1	**59.6**	40.8	**162.3**	111.8
Joint ventures	**35.6**	108.6	**0.6**	26.2	**0.6**	25.8	**9.7**	10.3
Associates	**8.5**	8.4	**(2.5)**	(1.8)	**(3.9)**	(4.5)	**4.0**	11.6
	751.9	634.8	**122.4**	84.5	**56.3**	62.1	**176.0**	133.7
National Newspapers	**233.8**	227.5	**(18.6)**	(6.2)	**(48.3)**	(6.2)	**77.5**	37.6
Regional Newspapers	**138.3**	127.2	**32.6**	30.7	**22.0**	30.7	**33.1**	33.4
Trader Media	**304.9**	203.5	**116.6**	73.8	**85.4**	58.3	**53.4**	51.4
Radio	**35.1**	33.4	**1.5**	(2.1)	**2.9**	(8.3)	**5.8**	11.2
Other Group activities	**39.8**	43.2	**(9.7)**	(11.7)	**(5.7)**	(12.4)	**6.2**	0.1
	751.9	634.8	**122.4**	84.5	**56.3**	62.1	**176.0**	133.7
Intangible assets – Goodwill							**610.2**	643.5
Investments							**5.9**	5.0
Corporation tax							**(11.1)**	(15.4)
Provisions for liabilities and charges							**(37.7)**	–
Deferred tax							**1.1**	(0.1)
Net borrowings							**(344.8)**	(377.1)
Net assets							**399.6**	389.6

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

4. Operating costs

	2005	2004
	£m	£m
Raw materials and consumables	**79.3**	60.2
Other external charges	**54.2**	55.2
Staff costs (see note 5)	**219.4**	172.0
Depreciation of tangible fixed assets	**19.5**	16.6
Amortisation of goodwill	**33.5**	19.3
Other operating charges	**253.1**	154.1
Profit on sale of tangible fixed assets	**(1.7)**	(0.4)
	657.3	477.0

The analysis above includes exceptional operating costs of £40.3 million (on which a tax credit of £12.1 million arises) that principally result from the decisions of both the National and Regional Newspaper divisions to invest in new printing facilities and revise paper formats. The costs include external contract costs, provisions against asset values (predominantly assets held by joint ventures), expenses incurred in the preparation of the new printing facilities and expenses relating to format trials and redesigns and commissioning.

5. Staff costs

	2005	2004
	£m	£m
(a) Staff costs during the period including executive directors		
Wages and salaries	**190.6**	148.5
Employers' social security costs	**18.8**	15.5
Employers' pension costs	**10.0**	8.0
	219.4	172.0

(b) Average number of persons employed including executive directors

	2005	2004
	No.	No.
Production	**2,675**	2,108
Selling and distribution	**2,819**	1,883
Administration	**1,756**	1,090
	7,250	5,081

(c) Emoluments of directors of Guardian Media Group plc	**2005**	2004
	£m	£m
Aggregate emoluments	**3.3**	2.4
Company pension contributions to money purchase schemes	**0.5**	0.4

Retirement benefits are accruing to six directors under a money purchase scheme (2004 six directors) and to one director under a defined benefit scheme (2004 two directors).

(d) Highest paid director

	2005	2004
	£000	£000
Aggregate emoluments - salary and benefits	**313**	393
- performance related bonus	**556**	250
	869	643
Company pension contributions to money purchase schemes	**28**	123
	897	766

Full details are provided on page 25.

(e) The remuneration of the Chairman amounted to £50,000 (2004 £50,000).

6. Group operating profit

	2005 £m	2004 £m
The following amounts have been charged in arriving at the operating profit:		
Depreciation - tangible owned fixed assets	**18.6**	15.7
- tangible fixed assets held under finance leases	**0.9**	0.9
Fees paid to auditors:		
Auditors' services (parent company £35,000 (2004 £35,000))	**0.4**	0.4
Tax advisory services	**0.4**	0.3
Other advisory services	**0.2**	0.4
Other services	**0.1**	0.2
Operating lease rentals:		
Plant and vehicles	**11.3**	10.0
Buildings	**4.5**	1.8
Other	**0.1**	–

7. Disposal of subsidiaries, joint ventures and associates

During the year the Group disposed of its interest in:

	Proceeds £m	Net assets disposed of £m	Goodwill £m	Profit/ (loss) £m
Workthing Limited and HR Information Limited	5.3	0.2	–	5.1
TNT Magazine PTY Limited and TNT Magazine Limited	–	0.6	0.6	(1.2)
Radio Investments Limited	13.0	7.8	–	5.2
Disposal of subsidiaries, joint ventures and associates	**18.3**	**8.6**	**0.6**	**9.1**

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

8. Income from fixed asset investments

	2005 £m	2004 £m
Dividends from unlisted investments	**0.9**	0.4

9. Interest receivable and similar income

	2005 £m	2004 £m
Interest on cash at bank and short term investments	**3.0**	4.1
Interest receivable from joint ventures	**–**	11.7
Other interest receivable	**3.8**	3.2
	6.8	19.0

10. Interest payable and similar charges

	2005 £m	2004 £m
Group		
Other loans	**35.0**	24.6
Finance leases	**0.7**	0.4
	35.7	25.0
Exceptional item – debt issue costs written off	**5.4**	–
Joint ventures		
Other loans	**–**	12.9
	41.1	37.9

The exceptional item, on which a tax credit of £1.6 million arises, relates to the write off of unamortised costs of the previous Trader Media Group debt refinancing.

11. Tax on profit on ordinary activities

(a) Analysis of charge in period

	2005 £m	2004 £m
Current tax		
Group		
UK Corporation tax on profits for the period at 30%	**13.8**	14.6
Adjustments in respect of prior periods	**(2.4)**	(6.3)
Foreign taxes	**2.8**	2.4
	14.2	10.7
Joint ventures		
UK Corporation tax on profits for the period at 30%	**0.1**	2.9
Associates		
UK Corporation tax on profits for the period at 30%	**0.1**	–
Current tax charge for period	**14.4**	13.6
Deferred taxation		
Group		
Current year	**(1.0)**	(0.3)
Prior periods	**(0.5)**	(2.4)
Deferred taxation	**(1.5)**	(2.7)
Tax on profit on ordinary activities	**12.9**	10.9

(b) Factors affecting tax charge for the period

	2005 £m	2004 £m
Profit on ordinary activities before tax	**22.9**	43.6
Profit on ordinary activities multiplied by standard rate of corporation tax of 30%	**6.9**	13.1
Effects of:		
Expenses not deductible for tax purposes - goodwill	**10.5**	6.5
- other net expenses	**1.9**	–
Income not taxable	**(3.1)**	(0.1)
Current year movement on deferred tax	**0.1**	–
Foreign taxes	**0.5**	0.4
Adjustment to tax charge in respect of previous periods	**(2.4)**	(6.3)
Current tax charge for period	**14.4**	13.6

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%. There are also non taxable items such as dividend income included within permanent differences.

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 (2004 £0.4 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 year include a profit of £114.8 million (2004 £37.9 million) which is dealt with in the financial statements of the parent company.

13. Intangible assets

	Group £m
Cost	
At 29th March 2004	668.2
Additions	0.8
Disposals	(1.1)
At 3rd April 2005	**667.9**
Accumulated amortisation	
At 29th March 2004	24.7
Charge for period	33.5
Disposals	(0.5)
At 3rd April 2005	**57.7**
Net book value	
At 3rd April 2005	**610.2**
Net book value	
At 28th March 2004	643.5

Intangible assets mainly comprises goodwill which is amortised over the directors' estimate of its useful life of up to 20 years. The intangible assets relate principally to goodwill acquired on the acquisition of Trader Media Group Limited and the acquisitions within the Radio Division.

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	Assets under construction £m	Total £m
Cost					
At 29th March 2004	33.7	134.6	35.2	–	203.5
Reclassifications	–	14.2	(16.3)	2.1	–
Disposal of subsidiaries	(0.4)	(0.5)	(3.3)	–	(4.2)
Additions	0.2	12.6	2.5	59.5	74.8
Disposals	(0.2)	(8.6)	(0.9)	–	(9.7)
At 3rd April 2005	**33.3**	**152.3**	**17.2**	**61.6**	**264.4**
Depreciation					
At 29th March 2004	8.2	91.1	21.4	–	120.7
Reclassifications	–	9.3	(9.3)	–	–
Disposal of subsidiaries	(0.4)	(0.5)	(3.0)	–	(3.9)
Charge for period	1.3	16.8	1.4	–	19.5
Disposals	(0.2)	(7.5)	(0.8)	–	(8.5)
At 3rd April 2005	**8.9**	**109.2**	**9.7**	**–**	**127.8**
Net book value					
At 3rd April 2005	**24.4**	**43.1**	**7.5**	**61.6**	**136.6**
Net book value					
At 28th March 2004	25.5	43.5	13.8	–	82.8

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

	2005 £m	2004 £m
Cost	**17.1**	17.1
Accumulated depreciation	**(11.0)**	(10.1)
Net book value	**6.1**	7.0

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

	2005 £m	2004 £m
Freehold	**13.7**	14.1
Long leasehold	**8.9**	10.4
Short leasehold	**1.8**	1.0
	24.4	25.5

Company

Fixed assets, plant and vehicles net book value of £0.2 million (2004 £0.2 million).

15. Subsidiary undertakings

	Unlisted shares £m	Loan stock £m	Total £m
Company			
Cost			
At 29th March 2004	244.1	1.8	245.9
Additions	193.3	–	193.3
Disposals	(11.4)	(1.8)	(13.2)
Transfer to subsidiary	(2.0)	–	(2.0)
At 3rd April 2005	**424.0**	**–**	**424.0**
Amounts written off			
At 29th March 2004	16.3	1.8	18.1
Charge for period	127.7	–	127.7
Written back in the period	(5.0)	–	(5.0)
Disposals	(11.4)	(1.8)	(13.2)
Transfer to subsidiary	(2.0)	–	(2.0)
At 3rd April 2005	**125.6**	**–**	**125.6**
Net book value at 3rd April 2005	**298.4**	**–**	**298.4**
Net book value at 28th March 2004	227.8	–	227.8

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

16. Joint ventures

(a) Group

	Share of net assets £m	Loans £m	Total £m
At 29th March 2004	7.8	2.5	10.3
Repayment	–	(1.0)	(1.0)
Share of retained profit	0.4	–	0.4
At 3rd April 2005	**8.2**	**1.5**	**9.7**

(b) The loan in joint ventures at 3rd April 2005 is unsecured and has no fixed repayment date.

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

	2005 £m	2004 £m
Share of fixed assets	**24.1**	23.9
Share of current assets	**8.8**	9.8
Share of liabilities due within one year	**(8.4)**	(8.3)
Share of liabilities due after one year	**(16.3)**	(17.6)
Share of net assets	**8.2**	7.8

16. Joint ventures (continued)

(d) A dividend was received by the Group from a joint venture company amounting to £41,500 (2004 £nil).

(e) Company

	Shares £m	Loans £m	Total £m
Cost			
At 29th March 2004	14.6	2.5	17.1
Repayment	–	(1.0)	(1.0)
At 3rd April 2005	**14.6**	**1.5**	**16.1**
Amounts written off			
At 3rd April 2005	**6.6**	**–**	**6.6**
Net book value at 3rd April 2005	**8.0**	**1.5**	**9.5**
Net book value at 28th March 2004	8.0	2.5	10.5

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

17. Associates

(a) Group

	Interests in associates £m	Goodwill £m	Total £m
At 29th March 2004	7.7	3.9	11.6
Additions	3.8	0.4	4.2
Disposals	(6.0)	(1.6)	(7.6)
Share of retained loss	(2.7)	–	(2.7)
Dividends	(0.1)	–	(0.1)
Amortisation	–	(1.4)	(1.4)
At 3rd April 2005	**2.7**	**1.3**	**4.0**

Particulars of the additions are given in note 30.

(b) A dividend was received by the Group from an associate amounting to £0.1 million (2004 £0.1 million).

Particulars of the principal associates are given in note 37.

18. Other investments

(a) Group

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 29th March 2004	3.2	1.8	5.0
Additions at cost	0.8	0.4	1.2
Impairment charge	–	(0.3)	(0.3)
At 3rd April 2005	**4.0**	**1.9**	**5.9**

(b) Company

	Unlisted shares £m	Term deposits/ loans £m	Total £m
At 29th March 2004	0.2	1.7	1.9
Additions at cost	–	0.2	0.2
Impairment charge	–	(0.3)	(0.3)
At 3rd April 2005	**0.2**	**1.6**	**1.8**

19. Current asset investments

The Company's investment in redeemable preference shares held in GMG Investco Limited (a wholly owned subsidiary undertaking), were converted into ordinary share capital on 24th March 2005.

20. Stocks

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Raw materials and consumables	**2.5**	2.3	**–**	–

21. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Trade debtors	**89.6**	93.3	**–**	0.1
Amounts owed by subsidiaries	**–**	–	**53.0**	76.0
Amounts owed by joint ventures and associates	**3.4**	4.1	**1.5**	2.2
Corporation tax	**–**	–	**0.9**	–
Other debtors	**2.4**	2.9	**2.4**	1.4
Prepayments and accrued income	**26.3**	17.9	**0.1**	0.2
	121.7	118.2	**57.9**	79.9

Other debtors include deferred tax assets of £1.1 million (2004 £nil) for the Group and £2.4 million (2004 £1.4 million) for the Company (see note 25).

22. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Obligations under finance leases	**3.0**	2.7	**–**	–
Syndicated bank loans	**30.0**	6.5	**–**	–
Loan notes	**3.9**	4.8	**–**	–
Trade creditors	**16.7**	20.4	**0.1**	1.0
Amounts owed to subsidiaries	**–**	–	**90.8**	223.1
Corporation tax	**11.1**	15.4	**–**	1.2
Taxation and social security	**19.2**	13.6	**5.2**	7.3
Other creditors	**2.7**	5.4	**0.1**	0.3
Accruals and deferred income	**58.8**	52.2	**9.1**	5.7
	145.4	121.0	**105.3**	238.6

Other creditors include deferred tax liabilities of £nil (2004 £0.1 million) for the Group and £nil (2004 £nil) for the Company.

The syndicated bank loans are denominated in sterling and are currently subject to interest at LIBOR plus 1% (2004 LIBOR plus rates between 2.25% and 3.25%).

The syndicated bank loans are secured by all assets of Trader Media Group Limited, apart from those of Car Trader (Pty) Limited and Marine Trader Media Limited. Trader Media (TNT) Group Limited, whilst operationally part of the Trader Media Division, is not owned by Trader Media Group Limited and its assets are not secured.

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

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

	Group		Company	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Syndicated bank loans gross of issue costs	**368.5**	445.5	**–**	–
Obligations under finance leases	**12.0**	15.0	**–**	–
	380.5	460.5	**–**	–
Debt issue and finance costs	**(5.3)**	(12.2)	**–**	–
	375.2	448.3	**–**	–
The total value of obligations under syndicated bank loans and finance leases repayable by instalments				
- between one to two years	**33.0**	36.2	**–**	–
- between two to five years	**346.1**	142.1	**–**	–
- over five years	**1.4**	282.2	**–**	–
	380.5	460.5	**–**	–

The syndicated bank loans are denominated in sterling and are currently subject to interest at LIBOR plus 1% (2004 LIBOR plus rates between 2.25% and 3.25%).

On 15th February 2005 the Group refinanced its existing bank debt and entered into a Restated Credit Agreement with a smaller bank syndicate at more attractive corporate lending rates.

The Group has elected to hedge two-thirds of the outstanding debt. The Group has effected this by the purchase of an interest rate swap which hedges a reducing spiral of obligation from a maximum of £271.6 million in March 2005 to a minimum of £154.9 million at maturity in March 2008. The swap rate is 5.11% for the life of the hedge.

The syndicated bank loans are stated net of unamortised issue costs. The Group has capitalised total debt issue costs of £2.6 million in respect of the Restated Credit Agreement entered into in February 2005. These costs have been amortised on a straight line basis over the 5 year expected life of the facility.

The movement in debt issue and finance costs during the year include the write off of Trader Media Group debt issue costs of £8.8 million (including the exceptional item of £5.4 million), the repayment of finance costs of £0.7 million and the capitalisation of debt issue costs of £2.6 million in respect of the Restated Credit Agreement entered into on 15th February 2005.

The terms of the senior debt instrument specify an initial repayment date of 3rd April 2006 and subsequent repayment dates of twelve monthly intervals from that date until the final maturity date of 31st March 2010.

A leasing facility totalling £96.0 million was arranged on 27th October 2004 to finance the National and Regional Newspaper divisions' printing projects. An interest rate hedge was put in place in December 2004 to cover £75.9 million of lease debt, over the entire life of the lease, which was planned to be drawn down in tranches from mid-2005. The Group commenced drawing against the facility on 30th June 2005.

24. Provisions for liabilities and charges

	Group
	£m
At 29th March 2004	–
Reclassification from creditors	1.4
Charge to the profit and loss account	36.7
Utilised during the year	(0.4)
At 3rd April 2005	**37.7**

The provisions relate primarily to the exceptional items disclosed in note 4 to the accounts resulting from Group's decision to invest in new printing facilities and are based on the latest available information. Approximately half of the anticipated transfer of the economic benefits is expected within two years, the balance over the longer term.

25. Deferred taxation

	Group		Company	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Recognised assets/(liabilities)				
Accelerated tax allowances on fixed assets	**(2.2)**	(1.3)	**–**	–
Tax losses carried forward	**0.9**	–	**–**	–
Short term and other timing differences	**2.4**	1.2	**2.4**	1.4
(see note 21 and 22)	**1.1**	(0.1)	**2.4**	1.4

	Group		Company	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Unrecognised/unprovided deferred tax asset/(liability)				
Tax losses carried forward	**7.1**	6.9	**–**	–
Capital gains/revaluations	**(0.4)**	(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.

26. Called up share capital

	Group and Company	
	2005	2004
	£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.

27. Profit and loss account

	Group	Company
	£m	£m
The movement on retained profits is analysed below:		
At 29th March 2004	388.6	178.5
Retained profit for the period	10.0	114.8
At 3rd April 2005	**398.6**	**293.3**

Cumulative goodwill written off to Group reserves £58.4 million (2004 £58.4 million).

28. Preference dividends paid

Preference dividends paid during the year amounted to £4,000 (2004 £4,000).

Notes

relating to the 2005 financial statements - continued

29. Analysis of net debt

	2004 £m	Cash flow £m	Non cash changes £m	Exchange differences £m	**2005 £m**
Net cash:					
Cash at bank and in hand	85.2	(20.7)	–	2.8	**67.3**
Less: deposits treated as liquid resources	(50.0)	40.0	–	–	**(10.0)**
	35.2	19.3	–	2.8	**57.3**
Liquid resources:					
Deposits included in cash	50.0	(40.0)	–	–	**10.0**
Debt:					
Finance leases due within one year	(2.7)	1.9	(2.2)	–	**(3.0)**
Finance leases due after one year	(11.4)	–	2.2	–	**(9.2)**
Debt due within one year	(11.3)	0.9	(23.5)	–	**(33.9)**
Debt due after one year	(436.9)	56.3	14.6	–	**(366.0)**
	(462.3)	59.1	(8.9)	–	**(412.1)**
Net debt	(377.1)	38.4	(8.9)	2.8	**(344.8)**
Analysed in balance sheet:					
Cash at bank and in hand	85.2				**67.3**
Creditors due within one year					
Obligations under finance leases and syndicated bank loans	(14.0)				**(36.9)**
Creditors due after one year					
Obligations under finance leases and syndicated bank loans	(448.3)				**(375.2)**
	(377.1)				**(344.8)**

30. Acquisitions and disposals

Acquisitions and disposals during the period, are as follows:

(a) On 24th May 2004, the Group disposed of its 39.5% interest in Radio Investments Limited for £13.0 million net consideration.

(b) On 22nd October 2004, the Group disposed of its interest in Workthing Limited for £5.3 million net consideration.

(c) During the year, the Group increased its shareholding in Seven Publishing Limited publisher of the consumer magazines delicious. and Gardenlife – from 26.8% to 35.5%, for a total consideration of £3.2 million.

(d) During the year, the Group acquired the remaining shares in Marine Trader Media Limited. The acquisition of the 10% stake was completed at a cost of £0.9 million. Goodwill arising on this transaction of £0.8 million has been capitalised.

(e) During the year, the Group disposed of its interest in TNT Magazine PTY Limited and TNT Magazine Limited for Australian $2 consideration.

31. Capital commitments authorised

Contracts for capital expenditure and investments for the Group amounted to approximately £55.0 million (2004 £3.0 million). There are no capital commitments in respect of the Company (2004 £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 3rd April 2005, no subsidiary company had a bank overdraft (2004 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 £8.5 million (2004 £10.0 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 (2004 £25 million).

(d) The Company has given a guarantee to Lloyds Bank PLC in respect of certain leasing obligations of certain subsidiary companies and of Trafford Park Printers Limited. At year-end the leasing facility had not been drawn.

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	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Expiring within one year	**0.1**	0.2	**0.5**	–
Expiring between two and five years inclusive	**1.8**	1.1	**6.2**	2.1
Expiring in over five years	**3.5**	1.6	**3.1**	9.2
	5.4	2.9	**9.8**	11.3

The Group has entered into two conditional contracts for long term leases on office properties in Manchester and London commencing in 2006 and 2009 respectively.

There are no operating leases or similar commitments in respect of the Company (2004 £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 and Paper Purchase & Management. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	2005	2004
	£m	£m
Sales	**0.3**	0.4
Purchases	**85.0**	77.7
Loan repayments	**–**	17.1
Interest on loans	**–**	11.7

As at 3rd April 2005, there were no material balances outstanding in relation to these transactions.

During the year the Guardian Media Group plc paid £79,302 (2004 £85,834) to seven (2004 eight) members of the Scott Trust in relation to their duties as Trustees. A further £143,496 (2004 £205,304) was paid to two (2004 three) of the Trustees, neither 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 (2004 £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).

Statement of Standard Accounting Practice No. 24
The Group has four (2004 four) 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 5th April 2003 and 31st July 2004. The actuaries' recommendations on the level of funding are being followed.

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	1.1	61%
Surrey Advertiser Newspaper Holding Limited Pension and Life Assurance Scheme	8.1	75%
The GMG Supplementary Pension Scheme	5.7	102%
Wiltshire (Bristol) Limited Retirement Benefits 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'.

All of the Group's defined benefit pension schemes are now closed to new members, under the projected unit method the current service cost is expected to increase as members of the schemes approach retirement.

The market value of the schemes' assets as at 3rd April 2005 was £23.8 million (2004 £21.1 million) (2003 £13.8 million) of which 45.4% (2004 51.4%) (2003 47.4%) was invested in equities, 45.8% (2004 45.8%) (2003 40.4%) was invested in bonds and 8.8% (2004 2.8%) (2003 12.2%) was allocated to other investments.

The assumed rates of return on assets for the year beginning 3rd April 2005 are 6.8% (2004 7.1%) (2003 6.6%) p.a. on equities, 5.0% (2004 5.0%) (2003 4.9%) p.a. on bonds and 4.8% (2004 4.9%) (2003 5.6%) p.a. on other investments.

The present value of the schemes' estimated liabilities at 3rd April 2005 was £27.2 million (2004 £25.3 million) (2003 £15.2 million) and the resulting estimated deficit was £2.4 million (2004 £2.9 million) (2003 £1.0 million) net of deferred taxation. Deferred tax assets associated with this would be £1.0 million (2004 £1.3 million) (2003 £0.4 million).

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

	2005	2004	2003
Inflation rate	**2.9% pa**	2.8% pa	2.5% pa
Rate of increase in salaries	**3.9% pa**	3.6% pa	3.2% pa
Rate of increase for pensions in payment	**3.4% pa**	3.7% pa	3.3% pa
Rate of increase for pensions in deferment	**2.9% pa**	2.8% pa	2.5% pa
Discount rate	**5.5% pa**	5.5% pa	5.4% pa

During the year, a special company contribution has been made to the Rochdale Observer Executive Pension Plan. This has resulted in an improvement in the relative funding position of the scheme. This contribution was not reflected in the last formal valuation of the scheme but has been allowed for under FRS 17 at the year-end (as a new valuation is required each year under this standard). Therefore, the more recent FRS 17 valuation reflects an improved funding position.

FRS 17 puts limits on the amount of pension surpluses that can be recognised on the company balance sheet. Surpluses can only be recognised to the extent that the company can expect to secure future economic benefit from them (e.g. by way of a company contribution holiday). Therefore, the maximum amount of surplus that can be recognised is the value, on the FRS 17 basis, of a company contribution holiday until the last member retires.

Given that there are a very limited number of members still accruing benefits within the Rochdale Observer Executive Pension Plan and The GMG Supplementary Pension Scheme, the value of any potential contribution holiday is limited. Therefore, in line with the requirements of FRS 17, the surpluses have been restricted by £0.3 million and £1.7 million respectively, resulting in surpluses of £0.1 million and £0.3 million respectively, which are the values of potential company contribution holidays.

36. Pensions (continued)

For illustrative purposes, the effect of recognising the whole of the estimated pension deficit in the Group's balance sheet would be:

	2005 £m	2004 £m	2003 £m
Net assets			
Net assets excluding pension deficit	**399.6**	389.6	356.7
Deficit in the scheme	**(5.4)**	(4.2)	(1.4)
Related deferred tax asset	**1.6**	1.3	0.4
Net assets including pension deficit	**395.8**	386.7	355.7
Reserves			
Profit and loss reserve excluding pension deficit	**398.6**	388.6	355.7
Deficit in the scheme	**(5.4)**	(4.2)	(1.4)
Related deferred tax asset	**1.6**	1.3	0.4
Profit and loss reserve including pension deficit	**394.8**	385.7	354.7

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

	2005 £m	2004 £m
Current service cost	**0.6**	0.5

Movement in deficit during the year

	2005 £m	2004 £m
Deficit at the beginning of the year	**(4.2)**	(1.4)
Movement:		
Current service cost	**(0.6)**	(0.5)
Contributions	**1.5**	0.5
Past service cost	**–**	–
Other finance charge	**(0.1)**	(0.1)
Actuarial loss	**–**	(2.7)
Deficit at the end of the year	**(3.4)**	(4.2)

The above reconciliation details the movement in the deficit of the schemes prior to the restriction of the £2.0 million surplus as detailed previously.

Analysis of amount credited to other finance income

	2005 £m	2004 £m
Expected return on pension scheme assets	**1.3**	0.9
Interest on pension scheme liabilities	**(1.4)**	(1.0)
Net return	**(0.1)**	(0.1)

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

	2005 £m	2004 £m
Actual return less expected return on pension scheme assets	**0.5**	1.9
Experience gains and losses arising on scheme liabilities	**(1.7)**	(0.1)
Changes in the assumptions underlying the present value of the scheme liabilities	**(0.8)**	(4.5)
	(2.0)	(2.7)

36. Pensions (continued)

History of experience gains and losses

	2005	2004	2003
Difference between the actual and expected return on scheme assets:			
Amount (£m)	**0.5**	1.9	(3.0)
Percentage of scheme assets	**2.1%**	9.0%	-21.7%
Experience gains and losses on scheme liabilities:			
Amount (£m)	**(1.7)**	(0.1)	0.6
Percentage of scheme liabilities	**-6.6%**	-0.4%	3.9%
Total amount which would be recognised in statement of total recognised gains and losses:			
Amount (£m)	**(2.0)**	(2.7)	(4.1)
Percentage of scheme liabilities	**-7.7%**	-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, joint ventures and associates 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 Newspaper 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%
Smooth FM (London) Limited^	£1 ordinary shares	100%
Smooth FM Limited^	£1 ordinary shares	100%
Trader Media Division		
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%

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)

		Description of total shares	Percentage holding
(b)	**Joint venture companies**		
	Paper Purchase & Management Limited	200 £1 ordinary shares	50%
	Trafford Park Printers Limited	10,000 £1 ordinary shares	50%
(c)	**Associates**		
	Seven Publishing Limited^	1,694,922 "A" ordinary shares/550,000 "B" ordinary shares	35.5%
	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	3rd April 2005 £m	28th March 2004 £m	30th March 2003 £m	31st March 2002 £m	1st April 2001 £m
Turnover including share of joint ventures	**751.9**	634.8	526.0	456.4	439.9
Less: share of joint ventures	**(35.6)**	(108.6)	(163.9)	(116.0)	(84.8)
Less: share of associates	**(8.5)**	(8.4)	(6.5)	(4.9)	(6.5)
Group turnover	**707.8**	517.8	355.6	335.5	348.6
Operating costs excluding amortisation and exceptional items	**(583.5)**	(457.7)	(354.3)	(352.4)	(338.7)
Operating profit/(loss) before amortisation and exceptional items	**124.3**	60.1	1.3	(16.9)	9.9
Share of profit/(losses) of joint ventures and associates before amortisation and exceptional items	**(1.9)**	24.4	37.1	21.3	20.5
Total group operating profit including share of joint ventures and associates before amortisation and exceptional items	**122.4**	84.5	38.4	4.4	30.4
Amortisation and exceptional items	**(75.2)**	(22.4)	(8.6)	(2.8)	(1.0)
Disposal of subsidiaries, joint ventures and associates	**9.1**	–	(0.1)	1.3	26.1
Profit on ordinary activities before interest and taxation	**56.3**	62.1	29.7	2.9	55.5
Income from fixed asset investments	**0.9**	0.4	1.2	1.0	1.8
Net interest (payable)/receivable	**(34.3)**	(18.9)	6.0	5.9	10.0
Profit on ordinary activities before taxation	**22.9**	43.6	36.9	9.8	67.3
Tax on profit on ordinary activities	**(12.9)**	(10.9)	(13.3)	(3.9)	(25.2)
Profit on ordinary activities after taxation	**10.0**	32.7	23.6	5.9	42.1
Assets employed					
Intangible assets	**610.2**	643.5	66.1	25.9	1.5
Tangible assets	**136.6**	82.8	45.1	53.3	49.6
Investments	**19.6**	26.9	77.9	85.8	76.5
Cash at bank and in hand	**67.3**	85.2	168.1	171.5	200.9
Other net liabilities	**(434.1)**	(448.8)	(0.5)	(3.7)	(0.9)
Net assets	**399.6**	389.6	356.7	332.8	327.6

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