

94531

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

Financial Highlights of 1998/1999

Group sales (including joint ventures) of **£412 million** (up 5%)

Group operating profit before exceptional items of **£46 million** (up 8%)

Group profit before taxation of **£68 million** (up 25% before and up 29% after exceptional item)

Group net cash of **£137 million** (up 14%)

Group net assets of **£235 million** (up 27%)

Chairman's Statement

This has been another good year for the Group. On total turnover of £412 million (up 5.3%), pre-tax profits increased from £53.0 million to £68.2 million. Operating profits rose from £42.9 million to £46.4 million (8.1%). Cash inflow from continuing operations and exceptional items exceeded £50 million for the second successive year. Despite an ambitious programme of capital investment in the year, we remain in a strong financial position, with net cash of £137 million. At 28th March 1999 the Group had net assets of £235 million, an increase of 50% in a little over three years.

This growth has been achieved through continuing investment in all our publications and products; we have not sacrificed quality in pursuit of profitability. Elsewhere in the report, we refer to the wide range of awards won by our newspapers, both national and regional, and the individual successes of some of our journalists. A year ago we were pessimistic about the economic prospects, although in retrospect the trading environment has proved to be favourable, and our Directors and management have been adroit in identifying growth opportunities as well as in managing the cost base.

The pace of change in our business environment continues to accelerate. Improvements in printing technology have enabled us to make progress in producing our publications more flexibly and to tighter deadlines.

Other developments particularly in information technology, offer potential benefits, as well as posing threats. Our total investment in the year is £33 million, mainly in new computing systems and improvements to our production capability, the latter particularly at our magazine printing plant at Warrington, where the growing demand for colour can now more easily be met.

The threat of the internet is principally to our classified advertising. We have responded strongly and our major sites, Guardian Unlimited in National Newspapers, Adhunter in Regional Newspapers and the Auto Trader web site, have all been acclaimed in their respective fields. The fact that the Auto Trader site already has visits resulting in over 8 million page impressions monthly is a startling statistic and shows how use of the internet may develop in the new millennium.

There have been some changes to our Board in the last eighteen months. Bob Phillis has now completed his first full year with the Group and we have benefited from his widely based media experience. Nick Castro joined last May and we look to his financial expertise to guide us through our programme of expansion. Andrew Karney has also completed his first full year on the Board in a non-executive capacity and his specialist knowledge of new media technology has been invaluable.

We also welcome two new non-executive appointments, Liz Forgan and Giles Coode-Adams. Liz Forgan has had a long association with the Group, previously having served as a journalist and Women's Editor with the Guardian, and as a member of the Scott Trust. She has filled senior roles at the BBC and Channel Four. Giles Coode-Adams has recently retired from Lehman Brothers where he specialised in corporate finance in the media sector.

John Clay has retired from the Board, after 32 years of valuable service. Our secure financial position owes much to his input to the Group's management over such a long period. We wish him a long and happy retirement.

Our progress in the past year has been achieved as a result of the energy and commitment of our directors, managers and work force. We enter the new financial year with a degree of confidence. The business environment is stable, but the competition continues to be tough and the challenges significant. We believe we are well placed to meet these challenges.

Robert Gavron

Board of Directors

Robert Gavron CBE*+

Chairman

Aged 68. Joined the company in January 1997. He is also chairman of The Folio Society, a trustee of the National Gallery and the IPPR and a governor of the LSE. In June 1998, he retired from the Board of St Ives Plc, the company he founded in 1964 and of which he was chairman from 1964 to 1993.

Ian Ashcroft

Chief Executive, Regional Newspaper Division

Aged 53. Joined Manchester Evening News Limited in 1972. Moved to Guardian Newspapers Limited where he became deputy managing director. He was appointed to the Board in 1996. He is also a director of IFRA and Trafford Park Printers Limited.

Jeremy Bullmore CBE*+

Non-Executive

Aged 69. Joined the company and Board in 1988. He is a non-executive director of WPP Group plc and was formerly chairman of J. Walter Thompson Company (London) Limited.

Nicholas Castro

Group Finance Director

Aged 48. Joined the company and Board in 1998. He was previously Group Finance Director of Yorkshire Tyne Tees Television Holdings plc and a partner with KPMG in London.

Giles Coode-Adams OBE DL*

Non-Executive

Aged 60. Joined the Board on 29th April 1999. He was formerly a Managing Director and then senior advisor to Lehman Brothers and from 1991 to 1997 was Chief Executive of the Royal Botanic Garden, Kew, Foundation. He is a non-executive director of The Simon Group plc and Rathbone Brothers plc.

Elizabeth Forgan OBE+

Non-Executive

Aged 54. Joined the Board in 1998. Founder Senior Commissioning Editor Channel 4 TV. She was formerly the Managing Director of BBC Network Radio, a Guardian journalist and a member of The Scott Trust.

* Audit Committee

+ Remuneration Committee

Registered Auditors

PricewaterhouseCoopers
Chartered Accountants
Abacus Court
6 Minshull Street
Manchester M1 3ED

Company Number 94531

Registered Office

164 Deansgate
Manchester M60 2RR

John Harris

Chief Executive, Auto Trader Division

Aged 51. Joined the company in 1984 and was appointed to the Board in 1989.

Andrew Karney*+

Non-Executive

Aged 57. Joined the Board in 1997. He is chairman of Language Line Limited and a director of various unquoted companies. He was previously on the boards of Integrated Micro Products plc and Logica plc and was a founder director of Cable London plc.

Caroline Marland

Managing Director, National Newspaper Division

Aged 53. Joined the company in 1976 and was appointed to the Board in 1995. She is also a non-executive director of Arcadia Group plc, a director of the Advertising Standards Board of Finance and sits on the Newspaper Panel of Competition Commission.

Robert Phillis

Chief Executive – Guardian Media Group plc

Aged 53. Joined the company in December 1997 from the BBC where he was Deputy Director-General. He was previously Chief Executive of ITN, Group Managing Director of Carlton Communications plc and Managing Director of Central Independent Television plc.

Arthur Townsend

Company Secretary

Aged 58. Joined the company in 1968 and was appointed Secretary in 1979.

Solicitors

Lovell White Durrant
65 Holborn Viaduct
London EC1A 2DY

Bankers

National Westminster Bank Plc
Manchester City Office
Spring Gardens
Manchester M60 2DB

Group Structure

National Newspaper Division

The Guardian
The Observer
The Guardian Weekly
Guardian Europe
Money Observer

Guardian News Service
Guardian Press Centre
New Media Department

guardianunlimited.co.uk

Regional Newspaper Division

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

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

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

Surrey Advertiser
Surrey Times Series
Woking Review Series
Woking News & Mail Series
Esher News & Mail Series
Aldershot News Series
Aldershot Mail Series
Surrey & Hants Courier Series
Surrey - Hants Star (98.7%)
Free Admart (25%)
Review Property Weekly
Property Courier
Local*Ads

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

Auto Trader Division

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

Anglia Auto Trader (50%)
Western Auto Trader (50%)
South West Auto Trader (50%)
Irish Auto Trader (40%)
Top Marques (50%)
Bike Trader (50%)
Truck Trader (50%)
Classic American
Farmers Trader (50%)
Boats and Planes (45%)
Buy a Boat (45%)
Free Ads (50%)
Supermarts
Auto Freeway titles
(100% and 50%)
Belgium Auto Trader
Sydney Buy & Sell
Holland Auto Trader (90%)
AutoMarché (France) (90%)
Autobørsen (Norway) (80%)
West Australia Auto
Trader
Sydney Auto Trader
Auto Trader Germany

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

autotrader.co.uk

Other Interests

GMG Endemol Entertainment (50%)	a television programme production and distribution company
Fourth Estate (42%)	a leading independent book publisher
GMTV (15%)	the ITV national breakfast television station
Golden Rose Communications (11%)	owns Jazz FM 102.2 in London and Jazz FM 100.4 in the North West
M&G Media (72%)	a multi-media organisation and publisher of a leading South African newspaper, Mail & Guardian
Trafford Park Printers (50%)	prints The Guardian, Manchester Evening News, The Daily Telegraph and The Sunday Telegraph
Radio Investments (28%)	a company with interests in a variety of local radio stations

Chief Executive's Review of Operations

As reported by the Chairman, Guardian Media Group plc had a record year for profitability in 1998/99.

National Newspaper Division

The recent success of Guardian Newspapers has been further consolidated in the last twelve months, with another year of impressive circulation of the Guardian and continued record-breaking advertisement revenues. The Division continues to grow and now comprises:

- The Guardian – a daily quality newspaper published in the UK, with a European edition published in Roubaix, Frankfurt and Madrid.
- The Observer – a Sunday quality newspaper published in the UK.
- The Guardian Weekly – a weekly digest of news from the Guardian, Le Monde and the Washington Post, with a world-wide ABC of 110,000 published in the UK, Canada and Australia.
- The Mail and Guardian Media Group in South Africa (72% owned by GNL) consists of the Mail and Guardian (a weekly quality newspaper which forms the South African edition of the Guardian Weekly), The Teacher magazine, an electronic publishing company and two television production companies.
- Money Observer – a monthly personal finance and investment magazine with an ABC of 35,000.
- Guardian News Services – a syndication business which sells Guardian and Observer News Services and selected content to publishers and online databases world-wide.
- New Media – the electronic publishing arm of the division, responsible for development and maintenance of all of its websites.
- Enterprise – the centre for development of commercial interactivity with our readers, including database marketing and reader offers.

At the heart of the business the two newspapers, the Guardian and the Observer, continue to occupy a distinctive and important position

within the national press market-place. The underlying quality of journalism is an asset which will grow in importance in the future. The editorial quality of the Guardian continues to be recognised by the high number of awards it has received in recent years for the newspaper as a whole; for the editor, Alan Rusbridger; and for individual journalists.

For the past three years the Guardian has been voted Newspaper of the Year in recognition of its high profile investigations into firstly Neil Hamilton, and secondly, Jonathan Aitken. The same investigations resulted in two consecutive years of success in the Team Reporting category. In addition, Alex Brummer, the Guardian's financial editor, won the Financial Journalist of the Year and Burhan Wazir of the Observer was named Young Journalist of the Year.

The Observer featured strongly in the 1998 awards and we have built steadily on that foundation during the year. Roger Alton was appointed as the new editor of the Observer in the summer of 1998, and in January of this year, new sections were added, covering travel, personal finance and film and television. Circulation has risen steadily since these improvements were made.

Given the importance of advertising revenue to both titles, it was pleasing that both the display and classified sales teams have been voted number one in their markets in an independent survey of agencies and clients. The Guardian's commercial director, Carolyn McCall, has recently been promoted to deputy managing director of the Division, where, amongst other responsibilities, she will be working on the generation of new revenue streams for the business.

The Division has now begun a major renewal of IT which started with the introduction of a new editorial system and which will be followed by the establishment of an electronic library, a new advertising system and a new Knowledge Management System to link together all staff.

Additionally, the Division continues to develop internationally, building on the improvement of the International edition, and online, through the launch of a new tranche of

"Unlimited" websites. Both the editorial content and the sites' innovative approach have attracted widespread acclaim and we are increasing our investment in new media as the pace of development of the internet continues to quicken.

Regional Newspaper Division

The creation of a single Regional Newspaper Division within GMG took place in November 1998. The former Manchester and Surrey Divisions were merged under a unified Regional Newspaper management structure and we are already seeing benefits from a co-ordinated approach to the business issues.

The Regional Newspaper Division had an excellent year, following on from the resurgence experienced in 1997/98. Concerns about the possibility of a recession caused a dip in advertising revenue in the autumn, but by the year-end revenues had significantly recovered, and there has been a buoyant start to the new financial year.

In 1975, the Manchester Evening News was the only regional newspaper in the Group. Since that date there has been massive expansion, fuelled initially by the launch of free newspapers, which threatened the local paid-for titles, but which now co-exist, in many cases complementing each other in the local market-place. There has also been significant population shift from the cities, which while posing problems for regional evening papers, like the MEN, have provided opportunities for other out-of-town titles to grow.

In the north, the Group followed the population out of the cities of Manchester and Salford into Rochdale, Stockport, Accrington, Eccles, Rawtensall, Oldham and other towns. In the south, it invested in Aldershot, Guildford, Reading and the surrounding district.

The northern weekly newspapers have been some of the most successful in the country. The Accrington Observer, Heywood Advertiser, Middleton Guardian, Macclesfield Express, Rochdale Observer and Rossendale Free Press have all increased circulation, despite the cover price being increased. The Wilmslow Express continues to make progress

Chief Executive's Review of Operations continued

despite also being distributed free throughout the area.

Stable circulation at the MEN has followed the appointment of a new editor, a strengthened editorial management team and the recruitment of a number of journalists from outside. Stabilising circulation has been a major help to the advertising department which responded by pushing revenue to record levels in the year. In financial terms, the MEN remains the Division's most successful product.

The role played by the regional papers in their communities, wherever they are located, is the same as are the business opportunities and threats within the sector. Successful innovations in one centre will be shared wherever and whenever appropriate. The essence of local papers, however, remains the fact that they eat, sleep and breathe the life of the community of which they form a part. While there are benefits of economies of scale in areas like administration and our representation to the London advertising agencies, our papers in Surrey and Berkshire, like those in Cheshire and Lancashire, will continue to operate from bases within the areas they serve. The change in Surrey that will have the greatest impact during the year is the move to new premises at Stoke Mill in Guildford. The success of the Surrey Advertiser and the associated weeklies has meant that over the years departments had out of necessity had to move to other offices in Guildford. The new premises will enable the paper to come together in one building.

Elsewhere in the Division, the Metro was once again the UK Press Gazette Free Newspaper of the year. City Life is making real commercial progress in Greater Manchester. Jobs North West, in which we combine forces with Trinity's Liverpool papers, is growing both in circulation and profit.

GMG Regional Newspapers are founder members of Adhunter which is a national regional newspaper internet database of Jobs and Motors and is soon to be expanded to Property. Manchesteronline (www.manchesteronline.co.uk) aims to be the premier site for everything Manchester, the window into all our

publications and we hope the gateway to all organisations and information in the Greater Manchester area. To achieve this the level of investment will be significantly increased, both editorially and commercially, during 1999.

Finally the Division has made substantial investment in systems partly as a consequence of the millennium but more as a reflection of the rate of technological advance, the speed with which systems become obsolete and the changing needs of our newspapers and businesses.

Overall the Division has benefitted from continued strong economic conditions, lower newsprint prices and an excellent recruitment advertisement market. The Division has made the most of these conditions to generate a record profit in the year.

Auto Trader Division

The Division had another excellent year in 1998/99 and increased its annual turnover and profit for the sixteenth consecutive year. The Auto Trader brand is recognised throughout the UK and it continues to be the market leader for buying and selling cars.

The Division comprises five regional Auto Trader businesses in the UK, together with joint ownership of a further four regional titles. The Division have a 50% stake in Autotrader National Sales Limited and in New Media Developments through Auto Trader Systems Limited. The Division also publishes titles in France, Belgium, Holland, Germany and Norway in Europe, and in Perth and Sydney in Australia.

Despite increased competition from free "pick-up" motoring titles throughout the UK, Auto Trader titles have seen annual increases in private advertising volumes of 9.4% - confirmation of increased confidence in the product. Trade volumes have also increased and, as a result, all titles are consistently producing record paginations.

The Division's own "pick-up" magazines, Auto Freeway, continue to develop, having been launched through all its Auto Trader centres. The number of titles now total 18, with a free distribution of over

400,000 copies. They tend to serve a more local market than Auto Trader and offer the advantages of an even higher household penetration. All have experienced substantial growth in the year.

The overseas titles continue to develop. Our European titles are all market leaders in their country or region. The publishing portfolios in those countries have been complimented during the year with motorcycle magazines and in Holland, with a classic car magazine. With a strengthened management team, the Australian titles are performing more effectively.

National Magazines, owned jointly with Hurst, has had an outstanding year. Top Marques dominates the luxury car sector, while Bike Trader and Truck Trader are becoming increasingly important in their respective markets. Boats and Planes and Buy a Boat have both performed strongly following the acquisition of a 45% stake in autumn 1997. A recent acquisition, Classic American, has made a promising start in the Division.

In 1998/99 the Division invested heavily in two main areas in order to consolidate its market leadership. Firstly, it invested in the publishing and production process and secondly, its printing capacity was significantly upgraded. It had become apparent that standardisation of production systems, combined with an integrated booking and reporting facility across the Division, would produce significant benefits and reduce both long-term investment and reliance on external suppliers. The production team based in Warrington created and introduced a bespoke information publishing suite to significantly enhance the production process.

The increase in production volumes, as well as rapidly expanding demand for colour, has put a severe strain on our printing capability. To alleviate this situation we have recently acquired and equipped a new factory in Warrington with two new MAN Roland 64 page Heatset Presses - an overall investment of more than £12 million. Both presses will be fully operational this year. A state-of-the-art perfect binding line will be installed in July 1999.

Chief Executive's Review of Operations continued

Auto Trader Interactive has established itself as the pre-eminent used car web site. Page impressions grew from 5.9 million in the month of January 1999 to 8.2 million impressions in April. The number of vehicles on the weekly updated website (www.autotrader.co.uk) is now 150,000, with over 45,000 having accompanying colour photographs. We are investing heavily in our internet business to improve the service to customers, both in the UK and in Europe. The activity is now starting to generate substantial revenue from web and related activities.

GMG Endemol Entertainment

As mentioned in the 1997/98 report, the Group had decided in 1997, that in order to capitalise on the success of its Broadcast Communications Division, it needed to explore the possibility of bringing in a trade investor and partner to develop the business further. In June 1998, we announced a joint venture between Broadcast and one of Europe's largest independent television programme producers, the Dutch company, Endemol Entertainment, to be renamed GMG Endemol Entertainment.

The renamed company has had a very successful first year under joint ownership, achieving a substantial increase in operating profits for the sixth year in a row. Although once again this strong performance was delivered by the core activity of broadcast television production, for the first time, the Division's new activity GEM contributed significant profits. GEM had been set up to exploit the Division's rights and brands. The possibilities for exploitation range from programme and format sales, to books, magazines, merchandising and live events, through to new programme funding sources, such as sponsorship, barter and advertiser funding.

However, the mainstay of profitability has continued to be contributions from the production activities of the two main brands, Bazal and Initial. An excellent year has seen *Changing Rooms* and *Ground Force* attracting huge ratings on BBC1 as well as a number of stalwarts, such as *Ready,*

Steady, Cook, continuing their long record of success. Stripped reality programming pioneered by Bazal, has proved to be a winning format, with *Pet Rescue*, on Channel 4, proving to be an outstandingly successful example, running from Monday to Friday, throughout most of the year. Initial has emerged as a leading producer of music series and events, with *The Pepsi Chart*, for Channel 5, and *The Brit Awards*, for ITV, being two success stories during the year. A new area of activity, Initial Kids, has already had a number of successes.

Other Interests

The Group has major investments in a number of other businesses including Trafford Park Printers (50%), Fourth Estate (42%), GMTV (15%), Radio Investments Limited (28%) and Golden Rose Communications plc (11%).

Trafford Park Printers is a printing joint venture with the Telegraph. It prints *The Guardian*, *The Observer*, *Manchester Evening News*, *The Daily* and *Sunday Telegraph* and a number of third party publications.

Fourth Estate is a leading independent book publisher and has had an excellent year, attracting a number of new authors to its already impressive stable.

GMTV is the ITV national breakfast television station. It is the market leader with an average weekly audience of 15 million. In November, the ITC announced revised terms for the GMTV licence in the event of renewal from 1 January 1999. As the terms represented a significant reduction from the crippling level suffered in 1998, GMTV renewed its licence from that date. The result has been a return to profitability for GMTV, which has been in surplus only once since the original licence was won in 1993.

Radio Investments holds stakes in over 25 local radio stations, principally in southern England. GMG increased its holding in the company from 8% to 28% in December 1998. Radio Investments performed excellently in 1998 and has a good record in identifying undervalued stations.

Golden Rose Communications runs the Jazz FM radio stations in London

and the North West. It has struggled to generate profits recently, but the introduction of a significant new shareholder, while diluting the Group's own stake, gives greater optimism for the future.

Group Outlook

After an excellent year in 1998/99, the Group is performing well in the new financial year. The trading outlook appears much more favourable than it did at the turn of the year; advertising markets continue to be firm, although it will be a challenging target to better the achievement of the last financial year. Newsprint prices remain stable. The capital investment programme continues apace, despite our spending over £33 million in 1998/99, as IT systems throughout the Group are upgraded. Cost control continues to be a focus for attention, as competition intensifies in all our markets.

We continue to actively seek out expansion opportunities in all our businesses in order to ensure that all parts of the Group perform strongly financially into the next century.

This report marks the completion of my first full year as Group Chief Executive. I continue to be impressed by the dedication and commitment of all our staff, and the recognition of the constant need to identify where our existing businesses can be improved. I would like to thank all our staff for their significant contribution to the year's result and look forward to building on the very firm base established over many decades.

All businesses face ever increasing challenges to innovate and to compete, particularly against new challengers, some of whom did not even exist as little as five years ago. With the Group performing well and financially strong, the prospects for the new millennium are excellent if we are able to apply our skills and expertise to the challenges ahead.

Robert Phillis

Financial Review

Introduction

This review covers the 52 weeks to 28th March 1999 and provides an overview of the Group's financial performance and situation.

Turnover

Group turnover (excluding joint ventures and the effect of the disposal of a share of Broadcast Communications plc) for the year increased by £22.1 million (6.6%) to £355.2 million. Advertising revenue grew across the Group by an average of 9.2% to £257.2 million. Newspaper revenue in National Newspaper and Regional Newspaper divisions showed a slight decline, whilst magazine sales revenue at Auto Trader division showed growth. Other revenues grew by over 10.3% year on year.

Profits

The Group achieved operating profits before exceptional items of £46.4 million in the year, £3.5 million (8.1%) higher than in 1997/98. This was due to a number of factors including strong growth in all revenue categories and effective cost control. The Group's newsprint costs increased by £9.2 million in the year. Overall, Group pre-exceptional operating margins increased from 11.7% to 12.7%.

Group profits before tax were £68.2 million in the year, £15.1 million

(28.5%) higher than 1997/98.

This result reflects a significant contribution from joint ventures and associates (our share moves from a profit of £2.4 million to £4.0 million), net interest income of £8.6 million (up £1.5 million) and income from fixed asset investments of £3.9 million (up £3.2 million).

Taxation

The tax charge for 1998/99 is £21.1 million (30.9%). This rate is close to the full UK corporation tax rate of 31%.

Cash Flow

The Group generated £16.6 million of cash in the year, a decrease of £18.3 million on 1997/98. Net cash inflow from continuing operating activities amounted to £48.1 million, down £5.4 million on 1997/98. Cash inflows also included net interest, rent and dividends of £12.5 million (up £7.0 million) and net acquisitions and disposals of £4.5 million. Cash outflows comprised mainly tax (up £8.2 million to £18.2 million), capital expenditure and financial investment (up £23.3 million to £30.3 million). In summary, cash inflow before management of liquid resources and financing decreased by £18.3 million (52.5%) to £16.6 million after taking lease finance repayments and other charges of £0.1 million into account.

Treasury Policy

Funds are deposited with a number of leading UK and international banks. Interest rates on deposits are fixed for the term of the deposits. The Group's international activities and foreign exchange exposure are limited. As at 28th March 1999, the Group had no debt other than £7.8 million of finance leases (of which only £0.2 million is repayable within one year) and £0.3 million of loan notes. Interest rates on the majority of leases are at floating rates.

Balance Sheet

As at 28th March 1999, the Group had net assets of £235.3 million. This represents an increase of £50.3 million on last year. Working capital showed a net increase of £6.6 million.

The Group's overall net cash position improved by £16.6 million to £136.7 million.

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

Nicholas Castro

Report of the Directors

Activities and review of the business

The Group results for the period are set out in the Group Profit and Loss Account on page 12. A review of the Group's performance and future prospects is contained in the Chairman's Statement on page 2 and the Chief Executive's Review of Operations on pages 5 to 7.

The company has paid a preference dividend of 2.8p per share amounting to £2,800. In view of the need to conserve resources for long term capital expenditure, the Directors do not recommend payment of any dividend on the ordinary shares.

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

On 31st October 1998 the company's preference shares ceased to be listed on the London Stock Exchange. Accordingly the company is no longer required to comply with the disclosure requirements applicable to listed companies as set out in the Listing Rules.

Directors' responsibilities

The Directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities. The Directors are required by law to prepare financial statements that give a true and fair view of the state of the Group at the end of each financial year and of the profit or loss of the Group for the year ended on that date. The Directors confirm that the financial statements for the year ended 28th March 1999

comply with this requirement.

In preparing the financial statements, appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed.

Going concern

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

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

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

Tangible fixed assets

The market value of freehold and leasehold property is estimated by the Directors to be approximately £8.2 million greater than its balance sheet value of £16.0 million.

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

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 year was 24 days (1998 22 days).

Donations

Charitable donations amounted to £84,000 (1998 £140,000). 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 24th June 1999 are listed on page 3.

Peter Preston and Neil Canetty-Clarke, who were Directors on 30th March 1998, resigned as Directors on 23rd May 1998 and 30th June 1998 respectively. Nicholas Castro was appointed as a Director on 1st July 1998. Elizabeth Forgan was appointed as a Non-Executive Director on 1st July 1998.

John Clay resigned as a Director on 31st March 1999.

Giles Coode-Adams was appointed as a Non-Executive Director on 29th April 1999.

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

Report of the Directors continued

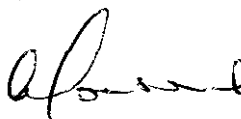
Year 2000

The Group has been working since 1997 to assess the risks and to address the main issues arising from the Year 2000 date change and the programme instituted to achieve compliance is well on the way to completion. This has included discussions with the main and critical suppliers to ensure as far as possible that the Group is not vulnerable to problems arising from difficulties with their systems. The costs associated with the programme are not regarded as material. Assuring absolute compliance is very difficult to achieve because the issue is complex and no business can guarantee that there will be no Year 2000 problems.

Auditors

The auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998, following which they resigned and the directors appointed the new firm, PricewaterhouseCoopers, to fill the vacancy. PricewaterhouseCoopers are willing to continue in office and a resolution to re-appoint them as auditors will be submitted to the Annual General Meeting.

By Order of the Board



Arthur Townsend
Secretary

24th June 1999

Report of the Auditors

To the members of Guardian Media Group plc

We have audited the financial statements on pages 12 to 34.

Respective responsibilities of Directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 28th March 1999 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
PricewaterhouseCoopers

Chartered Accountants and
 Registered Auditors
 Manchester

24th June 1999

Group Profit and Loss Account

For the year ended 28th March 1999

	Note	1999 £000	As restated 1998 £000
Turnover including share of joint ventures		411,572	390,816
Less: share of joint ventures		45,739	23,256
Group turnover	2	365,833	367,560
Operating costs	3	319,427	324,643
Operating profit	5	46,406	42,917
Exceptional items:			
Profit on disposal of fixed assets	6	1,829	0
Profit on disposal of share of subsidiary undertaking	6	3,661	0
Operating profit after exceptional items		51,896	42,917
Share of profit of joint ventures		2,385	2,142
Share of profit of associates		1,567	244
Income from fixed asset investments	7	3,939	770
Interest receivable and similar income	8	9,067	7,469
Interest payable and similar charges	9	(442)	(393)
Amounts written off investments		(241)	(110)
Profit on ordinary activities before taxation		68,171	53,039
Tax on profit on ordinary activities	10	(21,074)	(18,709)
Profit on ordinary activities after taxation		47,097	34,330
Profit attributable to minority interest		(1,277)	(1,562)
Profit for the financial period	11	45,820	32,768
Preference dividend paid		(3)	(3)
Retained profit for the period		45,817	32,765

The notes on pages 18 to 34 form a part of these accounts.

Group Balance Sheet

As at 28th March 1999

	Note	1999 £000	As restated 1998 £000
Fixed assets			
Tangible assets	12	66,255	48,465
Intangible assets	13	2,561	0
Investments			
Investment property	14	230	225
Joint ventures	16		
Share of gross assets		33,362	23,055
Less: share of gross liabilities		18,444	12,125
		14,918	10,930
Associates	17	6,642	1,060
Other investments	18	11,152	12,869
Current assets			
Stocks	19	1,822	2,492
Debtors	20	66,065	61,990
Cash at bank and in hand		144,866	128,391
		212,753	192,873
Current liabilities			
Creditors: amounts falling due within one year	21	69,979	73,237
Net current assets		142,774	119,636
Total assets less current liabilities		244,532	193,185
Creditors: amounts falling due after more than one year	22	8,179	8,193
Provisions for liabilities and charges			
Deferred taxation	23	1,035	0
Net assets		235,318	184,992
Capital and reserves			
Called up share capital	24	1,000	1,000
Revaluation reserve	25	870	1,332
Profit and loss account	26	232,477	181,934
Equity shareholders' funds		234,247	184,166
Non-equity shareholders' funds		100	100
Total shareholders' funds		234,347	184,266
Equity minority interest		971	726
		235,318	184,992

Directors:

Robert Gavron

Nicholas Castro



These accounts were approved by the Board of Directors on 24th June 1999.

The notes on pages 18 to 34 form a part of these accounts.

Company Balance Sheet

As at 28th March 1999

	Note	1999 £000	As restated 1998 £000
Fixed assets			
Tangible assets	12	240	761
Investments			
Investment property	14	230	225
Subsidiary companies	15	32,618	11,710
Joint ventures	16	10,768	7,709
Associates	17	4,408	0
Other investments	18	5,017	6,845
Current assets			
Stocks	19	1,145	1,089
Debtors	20	77,458	71,216
Cash at bank and in hand		141,086	122,014
		219,689	194,319
Current liabilities			
Creditors: amounts falling due within one year	21	211,024	190,659
Net current assets		8,665	3,660
Total assets less current liabilities		61,946	30,910
Creditors: amounts falling due after more than one year	22	564	404
Net assets		61,382	30,506
Capital and reserves			
Called up share capital	24	1,000	1,000
Revaluation reserve	25	535	712
Profit and loss account	26	59,847	28,794
Equity shareholders' funds		61,282	30,406
Non-equity shareholders' funds		100	100
Total shareholders' funds		61,382	30,506

Directors:

Robert Gavron

Nicholas Castro



These accounts were approved by the Board of Directors on 24th June 1999.

The notes on pages 18 to 34 form a part of these accounts.

Group Statement of Total Recognised Gains and Losses

For the year ended 28th March 1999

	1999 £000	1998 £000
Profit for the financial period	45,820	32,768
Unrealised (deficit)/surplus on revaluation of investments	(268)	527
Unrealised surplus on revaluation of investment property	5	0
	45,557	33,295
Exchange differences	53	(178)
Total recognised gains and losses relating to the period	45,610	33,117

Note of Historical Cost Profits and Losses

Profit on ordinary activities before taxation	68,171	53,039
Realisation of revaluation surplus on investment property sold in the period	0	22
Historical cost profit on ordinary activities before taxation	68,171	53,061
Historical cost profit for the period retained after taxation, minority interests and dividends	45,817	32,787

Reconciliation of Movements in Shareholders' Funds

Balance at 30th March 1998	184,266	158,517
Retained profit for the period	45,817	32,765
Other recognised (losses)/gains for the period	(263)	527
Exchange differences	53	(178)
Goodwill written back/(off)	4,474	(7,365)
Balance at 28th March 1999	234,347	184,266

The notes on pages 18 to 34 form a part of these accounts.

Group Cash Flow Statement

For the year ended 28th March 1999

	Note	1999 £000	1998 £000
Net cash inflow from continuing operating activities		48,071	53,465
Dividends from joint ventures and associates		1,048	395
Returns on investments and servicing of finance			
Preference dividends paid		(3)	(3)
Dividends paid to minority shareholders		(1,381)	(1,581)
Rents received on investment property		18	2
Other dividends received		3,959	286
Interest received		9,380	6,869
Interest paid		(116)	0
Finance lease interest paid		(403)	(428)
Net cash inflow from returns on investments and servicing of finance		11,454	5,145
Taxation			
UK corporation tax		(17,659)	(9,926)
Income tax		(366)	(59)
Overseas tax		(144)	0
Net cash outflow for taxation		(18,169)	(9,985)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(32,769)	(9,817)
Sale of tangible fixed assets – exceptional item	6	4,626	0
Sale of tangible fixed assets		1,020	1,032
Sale of investment property		0	485
Purchase of other fixed asset investments		(4,609)	(290)
Sale of other fixed asset investments		1,386	1,584
Net cash outflow for capital expenditure and financial investment		(30,346)	(7,006)
Acquisitions and disposals			
Purchase of shares in subsidiary companies		(1,394)	(6,554)
Sale of shares in subsidiary companies	6	8,394	0
Purchase of business		(950)	0
Purchase of shares in joint ventures and associates		0	(1,021)
Sale of shares in joint ventures and associates		102	0
Cash disposed of/acquired with subsidiary and associates		(1,590)	59
Loans made to associates		(1,055)	(578)
Loans repaid by associates		1,024	1,016
Net cash inflow/(outflow) for acquisitions and disposals		4,531	(7,078)
Cash inflow before management of liquid resources and financing		16,589	34,936
Management of liquid resources			
Cash placed on short term deposit		(29,143)	(56,750)
Purchase of government securities		(1,540)	(4,940)
Sale of government securities		1,533	4,961
Purchase of certificates of deposit		0	(20,002)
Sale of certificates of deposit		9,000	36,985
Net cash outflow from management of liquid resources		(20,150)	(39,746)
Financing			
Payment of principal under finance lease		(126)	(141)
Issue of shares by group companies to minority shareholders (rights issue)		0	114
Repayment of loan notes		0	(12)
Net cash outflow from financing		(126)	(39)
Decrease in cash in the period	27	(3,687)	(4,849)

Reconciliation of Net Cash Flow to Movement in Net Funds

For the year ended 28th March 1999

	1999 £000	1998 £000
Decrease in cash in the period	(3,687)	(4,849)
Cash outflow from increase in liquid resources	20,150	39,746
Cash outflow from decrease in debt and lease financing	126	153
Change in net funds resulting from cash flows	16,589	35,050
Net cash inflow/(outflow) from other changes	12	(331)
Movement in net funds in the period	16,601	34,719
Opening net funds	120,112	85,393
Closing net funds	136,713	120,112

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

Continuing activities

Operating profit before exceptional items	46,406	42,917
Depreciation	10,970	9,880
Amortisation	15	18
Profit on sale of tangible fixed assets	(212)	(273)
Provision for unfunded pensions	(4)	(65)
Increase in stocks	(85)	(164)
Increase in trade debtors	(9,613)	(8,467)
Increase in other debtors	(755)	(21)
(Increase)/decrease in prepayments	(1,496)	19
Increase in trade creditors	6,379	1,927
Increase/(decrease) in other creditors under one year	375	(371)
Increase in other creditors over one year	122	146
(Decrease)/increase in other taxation and social security	(137)	2,204
(Decrease)/increase in accruals and deferred income	(3,809)	5,892
Decrease in amount due to associates	(85)	(177)
Net cash inflow from continuing operating activities	48,071	53,465

The increase or decrease in debtors and creditors shown above do not agree with the movements shown on the Group Balance Sheet principally because of the effect of debtors and creditors of companies acquired or disposed of during the year.

Summary of the effect of acquisitions during the period

	Cash consideration/ (proceeds) £000	Cash acquired/ (disposed) £000	Net cash paid/ (received) £000	Net assets/ (liabilities) acquired/ (disposed) £000	Goodwill capitalised/ (written back) £000
Subsidiary :					
Acquisition of group companies and business (note 28)	2,344	77	2,267	(356)	2,623
Disposal of share of group companies (note 28)	(8,394)	(1,667)	(6,727)	(2,385)	(4,342)
	(6,050)	(1,590)	(4,460)	(2,741)	(1,719)
Joint ventures and associates	(102)	0	(102)	30	(132)
	(6,152)	(1,590)	(4,562)	(2,711)	(1,851)

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

Notes

relating to the 1999 Accounts

1. Accounting policies

Accounting basis

The accounts on pages 12 to 34 have been prepared in accordance with applicable accounting standards in the United Kingdom. Set out below is a summary of the more important Group accounting policies, which have been applied consistently, except for the first application of new financial reporting standards (FRS) numbers 9, 10, 11 and 12 which became applicable in the year. There has been no material effect on the Group results in the year from the implementation of these new financial reporting standards. The accounts have been prepared on the historical cost basis as modified by the revaluation of certain assets.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 28th March 1999. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

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

Joint ventures and associates

The Group's share of profits less losses of joint ventures and associates are included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. FRS9, on associates, joint ventures and other joint arrangements, has been adopted this year and comparative figures restated. These amounts are taken from the audited accounts of the undertakings concerned. Where a joint venture or an associate has a different year end date to the Group, amounts from the latest audited accounts are adjusted to bring into line with the Group's year end date. The amounts involved are not material to the Group.

Depreciation

Depreciation of tangible fixed assets has been calculated to write off original cost by equal instalments over the expected useful life of the asset concerned.

The principal annual rates used for depreciation are:

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

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

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

In the year of acquisition, depreciation is charged only on those assets in use for more than six months.

Deferred taxation

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

Turnover

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

Stocks

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

Notes

relating to the 1999 Accounts *continued*

1. Accounting policies (continued)

Translation of foreign currencies

Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end and the results of overseas subsidiaries are translated at the average rate of exchange for the financial year.

Exchange differences arising from the translation of the opening net investment in subsidiaries and on long term inter-company balances used to finance those investments, together with differences from the translation of the results of those companies at the average rate, are taken to reserves.

Pensions

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

Investment income

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

Finance and operating leases

Assets held under finance leases are capitalised at the fair value of the asset at the inception of the leases, with an equivalent liability categorised under creditors due within and after one year. Assets are depreciated over the shorter of the lease term and their useful economic life. Finance charges are allocated to accounting years over the life of each lease to produce a constant rate of return on the outstanding balance.

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

Revaluation of investments

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

2. Turnover

Sales are made substantially in the U.K.

3. Operating costs

	1999 £000	1998 £000
Raw materials and consumables	49,654	54,137
Other external charges	56,625	55,475
Staff costs (see note 4)	104,788	99,134
Depreciation of tangible fixed assets	10,970	9,880
Other operating charges	97,390	106,017
	319,427	324,643

Notes

relating to the 1999 Accounts continued

4. Staff costs

	1999 £000	1998 £000
(a) Staff costs during the period including executive directors		
Wages and salaries	88,937	83,258
Employer's social security costs	8,652	8,007
Employer's pension costs	4,518	4,627
Severance payments	2,681	3,242
	104,788	99,134

(b) Average number of persons employed including executive directors

	No.	No.
Production	1,745	1,664
Selling and distribution	1,880	1,689
Administration	645	674
	4,270	4,027

(c) Emoluments of directors of Guardian Media Group plc

	1999 £000	1998 £000
Aggregate emoluments	1,866	1,338
Company pension contributions to money purchase schemes	212	131
Compensation for loss of office	162	60

Retirement benefits are accruing to five directors under a money purchase scheme (1998 six directors) and to three directors under a defined benefit scheme (1998 four directors).

Highest paid director

Aggregate emoluments – salary and benefits	274	181
– performance related bonus	282	74
Company pension contributions to money purchase schemes	92	0
Defined benefit pension scheme:		
Accrued pension at end of year	0	80

The remuneration of the chairman amounted to £nil (1998: £nil).

5. Group operating profit

	1999 £000	1998 £000
The following amounts have been charged in arriving at the operating profit:		
Depreciation - Tangible owned fixed assets	8,971	9,184
- Tangible fixed assets held under finance leases	1,999	696
Amortisation - Investment property	0	18
- Goodwill	62	0
Auditors' remuneration (parent company £67,625 (1998 £75,225))	207	246
Operating lease rentals:		
Plant and machinery	11,043	10,596
Buildings	867	1,079

Remuneration of the company's auditors for provision of non-audit services to the company and its subsidiaries was £440,000 (1998 £634,000).

Notes

relating to the 1999 Accounts *continued***6. Exceptional item**

During the year the Group disposed of:

	£000
(a) a share of a subsidiary undertaking, Broadcast Communications plc	
Proceeds	8,394
Share of net assets	(391)
Goodwill previously eliminated against reserves	(4,342)
Profit on sale of share of subsidiary	3,661

- (b) the remaining assets at the Guardian Press Centre for a net consideration of £4,626,000. The profit arising on this disposal was £1,829,000.

7. Income from fixed asset investments

	1999 £000	1998 £000
Dividends from unlisted investments	3,959	296
Rents receivable on investment property	10	77
(Loss)/profit on sale of other fixed asset investments	(30)	397
	3,939	770

8. Interest receivable and similar income

	1999 £000	1998 £000
Interest on cash at bank and short term investments	8,618	7,237
Other interest receivable	449	232
	9,067	7,469

9. Interest payable and similar charges

	1999 £000	1998 £000
Finance leases	406	393
Other loans	36	0
	442	393

Notes

relating to the 1999 Accounts *continued***10. Tax on profit on ordinary activities**

	1999 £000	1998 £000
(a) Current period		
Group:		
Corporation tax at 31%	17,338	18,128
Deferred taxation	994	(95)
Tax credit on United Kingdom dividends received	772	58
Overseas taxation	300	21
	19,404	18,112
Joint ventures:		
Corporation tax at 31%	1,089	615
Deferred taxation	3	148
Overseas taxation	0	51
Associates:		
Corporation tax at 31%	401	0
	20,897	18,926
(b) Prior year		
Group:		
Corporation tax at 31%	93	(143)
Deferred taxation	41	55
Joint ventures:		
Corporation tax at 31%	(2)	(2)
Deferred taxation	45	(127)
	21,074	18,709

11. Profit of the parent company

As permitted by section 228 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The Group results for the period include a profit of £31,056,000 (1998 loss £3,861,000) which is dealt with in the accounts of the parent company.

Notes

relating to the 1999 Accounts continued

12. Tangible fixed assets

	The company			The group			
	Land and buildings £000	Plant £000	Total £000	Land and buildings £000	Plant and vehicles £000	Fixtures and fittings £000	Total £000
Cost							
At 30th March 1998	264	521	785	14,440	72,413	17,035	103,888
Acquisitions	0	0	0	0	128	0	128
Additions	0	0	0	6,645	21,021	5,513	33,179
Less: Disposals	0	521	521	2,206	14,803	3,577	20,586
At 28th March 1999	264	0	264	18,879	78,759	18,971	116,609
Depreciation							
At 30th March 1998	24	0	24	2,750	42,719	9,954	55,423
Acquisitions	0	0	0	0	66	0	66
Charge for period	0	0	0	258	8,742	1,970	10,970
Less: Disposals	0	0	0	144	13,297	2,664	16,105
At 28th March 1999	24	0	24	2,864	38,230	9,260	50,354
Net book value							
At 28th March 1999	240	0	240	16,015	40,529	9,711	66,255
Net book value							
At 29th March 1998	240	521	761	11,690	29,694	7,081	48,465
Assets held under finance leases at 28th March 1999							
Cost	0	0	0	0	7,986	0	7,986
Accumulated depreciation	0	0	0	0	4,307	0	4,307
Net book value	0	0	0	0	3,679	0	3,679

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

	The company £000	The group £000
Freehold	0	9,616
Long leasehold	240	6,365
Short leasehold	0	34
	240	16,015

Notes

relating to the 1999 Accounts continued

13. Intangible assets

	The group Goodwill £000
Cost	
At 30th March 1998	0
Additions	2,623
At 28th March 1999	2,623
Aggregate amortisation	
At 30th March 1998	0
Charge for period	62
At 28th March 1999	62
Net book value	
At 28th March 1999	2,561
Net book value	
At 29th March 1998	0

14. Investment property

	Freehold £000	The group and company Long leasehold £000	Short leasehold £000	Total £000
At 30th March 1998	125	100	0	225
Revaluation in period	15	(10)	0	5
At 28th March 1999	140	90	0	230
Net book value at 28th March 1999	140	90	0	230
Net book value at 29th March 1998	125	100	0	225
Historical cost of revalued property	0	4	0	4

The above properties have been valued by CB Hillier Parker Limited as at 28th March 1999, the basis of valuation being open market value for existing use.

Notes

relating to the 1999 Accounts continued

15. Subsidiary companies

	Unlisted shares £000	Loan stock £000	Total £000
Cost			
At 30th March 1998	42,024	11,781	53,805
Additions	10,250	1,154	11,404
Disposals	(11,887)	(4,116)	(16,003)
Transfer to associates	(1,304)	(3,218)	(4,522)
At 28th March 1999	39,083	5,601	44,684
Amounts written off			
At 30th March 1998	34,020	8,075	42,095
Credit in period	(16,133)	(2,950)	(19,083)
Disposals	(7,913)	(1,000)	(8,913)
Transfer to associates	(2,033)	0	(2,033)
At 28th March 1999	7,941	4,125	12,066
Net book value at 28th March 1999	31,142	1,476	32,618
Net book value at 29th March 1998	8,004	3,706	11,710

Investments in subsidiary companies are written down to underlying net asset value where this is below cost.

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

16. Joint ventures

	Shares £000	Loans £000	Total £000
(a) The group			
Net book value			
At 30th March 1998	7,124	3,806	10,930
Additions	0	2,265	2,265
Disposals	(102)	(987)	(1,089)
Transfer from company	0	2,489	2,489
Transfer to subsidiary	(188)	0	(188)
Share of net profits before tax	3,093	(708)	2,385
Share of tax on net profits	(1,135)	0	(1,135)
Other movements	(739)	0	(739)
At 28th March 1999	8,053	6,865	14,918
(b) The company			
Net book value			
At 30th March 1998	3,903	3,806	7,709
Additions	0	2,265	2,265
Disposals	(102)	(987)	(1,089)
Transfer from company	0	2,489	2,489
Other movements	102	(708)	(606)
At 28th March 1999	3,903	6,865	10,768

Notes

relating to the 1999 Accounts continued

16. Joint ventures (continued)

	1999 £000	1998 £000
(c) The group's aggregate share in its joint ventures is detailed below:		
Share of fixed assets	19,218	17,199
Share of current assets	14,144	5,856
Share of liabilities due within one year	(10,269)	(6,561)
Share of liabilities due after one year	(8,175)	(5,564)
Share of net assets	14,918	10,930

- (d) A joint venture company's balance sheet contains the following significant items attributable to Guardian Media Group plc

	1999 £000	1998 £000
Trafford Park Printers Limited		
Total net assets	12,294	11,706
Total loans by shareholders	5,490	5,890
Attributable to Guardian Media Group plc	8,892	8,798

- (e) Dividends received from joint venture companies £1,047,500 (1998 £375,000).

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

17. Associates

	Shares £000	Loans £000	Total £000
(a) The group			
Net book value			
At 30th March 1998	984	76	1,060
Additions	4,161	40	4,201
Disposals	0	(37)	(37)
Transfer from other investments	252	0	252
Share of net profits before tax	1,567	0	1,567
Share of tax on net profits	(401)	0	(401)
At 28th March 1999	6,563	79	6,642

- (b) The company

Net book value			
At 30th March 1998	0	0	0
Additions	4,408	0	4,408
At 28th March 1999	4,408	0	4,408

- (c) Dividends received from associates £nil (1998 £nil).

Particulars of the principal associates are given in note 35.

Notes

relating to the 1999 Accounts continued

18. Other investments

	Listed shares £000	Unlisted shares £000	Term deposits/ loans £000	Total £000
(a) The group				
Cost or valuation				
At 30th March 1998	1,539	8,080	3,250	12,869
Additions at cost	154	241	0	395
Revaluation in period	(182)	(86)	0	(268)
Amounts written off	0	(363)	0	(363)
Transfer to associates	0	(252)	0	(252)
Disposals	0	(229)	(1,000)	(1,229)
At 28th March 1999	1,511	7,391	2,250	11,152
Analysis				
Cost	0	5,743	2,250	7,993
Valuation	1,511	1,648	0	3,159
	1,511	7,391	2,250	11,152

The historical cost of investments included at valuation amounted to £2,596,000. Market value of investments listed on the London Stock Exchange at the year end (28th March 1999) amounted to £1,511,000 (1998 £1,225,000).

(b) The company				
Cost or valuation				
At 30th March 1998	1,539	3,056	2,250	6,845
Additions at cost	154	0	0	154
Revaluation in period	(182)	0	0	(182)
Transfer to subsidiary company	0	(1,800)	0	(1,800)
At 28th March 1999	1,511	1,256	2,250	5,017
Analysis				
Cost	0	0	2,250	2,250
Valuation	1,511	1,256	0	2,767
	1,511	1,256	2,250	5,017

The historical cost of investments included at valuation amounted to £2,458,000. Market value of investments listed on the London Stock Exchange at the year end (28th March 1999) amounted to £1,511,000 (1998 £1,225,000).

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

19. Stocks

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Raw materials and consumables	1,145	1,822	1,089	2,492

Notes

relating to the 1999 Accounts continued

20. Debtors: amounts falling due within one year

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Trade debtors	43,547	55,661	38,290	52,314
Amounts owed by subsidiaries	26,906	0	27,148	0
Amounts owed by associates	170	605	34	450
Other debtors	688	1,516	275	699
Prepayments and accrued income	4,777	6,495	4,235	7,231
Corporation tax	1,370	1,788	1,234	1,296
	77,458	66,065	71,216	61,990

21. Creditors: amounts falling due within one year

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Obligations under finance leases	0	205	0	157
Trade creditors	16,018	21,077	11,081	15,809
Amounts owed to subsidiaries	171,555	0	150,070	0
Amounts owed to associates	310	626	361	414
Taxation	2,203	17,056	1,476	17,029
Other creditors	472	1,512	421	905
Taxation and social security	3,680	7,157	4,437	8,411
Accruals and deferred income	16,786	22,346	22,813	30,512
	211,024	69,979	190,659	73,237

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

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Obligations under finance leases	0	7,615	0	7,789
Other creditors	564	564	404	404
	564	8,179	404	8,193

The total value of obligations under finance leases repayable by instalments:

- within one year	0	205	0	157
- within two to five years	0	1,334	0	1,089
- over five years	0	6,281	0	6,700
	0	7,820	0	7,946

Notes

relating to the 1999 Accounts continued

23. Deferred taxation

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Provided				
Accelerated tax allowances on fixed assets	0	2,824	0	1,476
Short term timing differences	0	(1,789)	0	(1,476)
	0	1,035	0	0

The movement on deferred taxation provision is analysed as follows:

	The group £000
At 30th March 1998	0
Tax on profit on ordinary activities	1,035
At 28th March 1999	1,035

	1999		1998	
	The company £000	The group £000	The company £000	The group £000
Unprovided				
Accelerated tax allowances on fixed assets	0	0	0	765
Revaluation of fixed asset investments	350	350	351	351
Short term timing differences	(350)	0	(351)	(418)
	0	350	0	698

No recognition has been made of potential future tax relief arising on certain revalued investments amounting to £163,000 (1998 £163,000).

24. Called up share capital

	The company	
	1999 £000	1998 £000
Authorised, issued, called up and fully paid:		
4% cumulative preference shares of £1 each (now 2.8% and related tax credit)	100	100
Ordinary shares of £1 each	900	900
	1,000	1,000

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

25. Revaluation reserve

	The company £000	The group £000
At 30th March 1998	712	1,332
Revaluation of investments	(182)	(268)
Revaluation of investment property	5	5
Transfer from revaluation reserve to profit and loss account	0	(199)
At 28th March 1999	535	870

Notes

relating to the 1999 Accounts continued

26. Profit and loss account

	The company £000	The group £000
The movement on retained profits is analysed below:		
At 30th March 1998	28,794	181,934
Profit for the period	31,053	45,817
Exchange differences	0	53
Goodwill written back	0	4,474
Transfer from revaluation reserve	0	199
At 28th March 1999	59,847	232,477
Cumulative goodwill written off to reserves		64,579

27. Analysis of net funds

	1998 £000	Cash flow £000	Other non-cash changes £000	1999 £000
Net cash:				
Cash at bank and in hand	128,391			144,866
Less: deposits treated as liquid resources	(120,450)			(140,600)
	7,941	(3,687)	12	4,266
Liquid resources:				
Deposits included in cash	120,450	20,150	0	140,600
Debt:				
Finance leases	(7,946)	126	0	(7,820)
Loan notes	(333)	0	0	(333)
	(8,279)	126	0	(8,153)
Net funds	120,112	16,589	12	136,713
Analysed in balance sheet:				
Cash at bank and in hand	128,391			144,866
Finance leases				
within one year	(157)			(205)
after one year	(7,789)			(7,615)
Loan notes	(333)			(333)
	120,112			136,713

Notes

relating to the 1999 Accounts continued

28. Acquisitions and disposals

Acquisitions and disposals during the period, none of which are material to the Group's operations, are as follows:

- (a) On 1st July 1998 the Group acquired the remaining 50% of the share capital of Australian companies, West Australian Auto Trader Pty Limited and Sydney Auto Trader Pty Limited.
- (b) On 23rd December 1998 the Group acquired 20% of the share capital of Radio Investments Limited, increasing the Group's holding to 28%.
- (c) On 9th February 1999 the Group purchased the title of Classic American, a motor magazine distributed throughout the United Kingdom.
- (d) On 22nd June 1998 the Group disposed of 49% of its holding in Broadcast Communications plc (which subsequently changed its name to GMG Endemol Entertainment plc) to Endemol Entertainment for a consideration of £8.4 million. The profit arising on this disposal was £3.7 million net of goodwill written back of £4.3 million. The turnover and trading results of GMG Endemol Entertainment plc are included in continuing operations up to the date of disposal. After that date the Group's interest has been accounted for as a joint venture.

The table below shows the relative significance of the trading results of GMG Endemol Entertainment plc to the Group results:

	As joint venture 1999 £000	As subsidiary 1999 £000	As subsidiary 1998 £000
Turnover	35,264	10,669	34,497
Operating profits	951	579	2,108

- (e) On 9th April 1998 the Group disposed of its holding in Simpleactive Limited.

29. Capital commitments authorised

Contracts for capital expenditure and investments for the Group amounted to approximately £4,465,000 (1998 £1,997,000).

30. Contingent liabilities and financial commitments

- (a) The company has given a guarantee to National Westminster Bank Plc to secure the liabilities of certain of its subsidiary companies. At 28th March 1999 no subsidiary company had a bank overdraft (1998 £nil).
- (b) The company has given joint and several guarantees and indemnities and sole guarantees in respect of certain leasing obligations of Trafford Park Printers Limited and Berkshire Press Limited amounting to £14 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.
- (d) The company has given a guarantee to Barclays Bank PLC in respect of the liabilities of GMTV Limited amounting to a maximum of £1.35 million.

Notes

relating to the 1999 Accounts continued

31. Operating lease and similar commitments

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

	Land and buildings		Other	
	1999 £000	1998 £000	1999 £000	1998 £000
Expiring within one year	30	117	19	199
Expiring between two and five years inclusive	275	175	29	60
Expiring in over five years	416	825	7,931	7,655
	721	1,117	7,979	7,914

32. Related party transactions

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

	£million
Sales	6.4
Purchases	10.8

As at 28th March 1999 there were no material balances outstanding in relation to these transactions.

33. Close company

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988. There has been no change in the status since the end of the financial period.

34. Pensions

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

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

Notes

relating to the 1999 Accounts continued

35. Subsidiaries and other companies

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

(a) Subsidiary companies	Description of shares held	Equity holding
National Newspaper Division		
Guardian Newspapers Limited	£1 ordinary shares	100%
Guardian Magazines Limited [^]	£1 ordinary shares	100%
Guardian Press Centre Limited [^]	£1 ordinary shares	100%
Guardian Publications Limited [^]	£1 ordinary shares	100%
Guardian News Service Limited [^]	£1 ordinary shares	100%
M & G Media (PTY) Limited ^{*=^}	1 cent ordinary shares	71.8%
Regional Newspaper Division		
Manchester Evening News Limited	£1 ordinary shares	100%
Diverse Media Limited [^]	£1 ordinary shares	100%
G. & A.N. Scott Limited [^]	£1 ordinary shares	100%
Lancashire and Cheshire County Newspapers Limited [^]	£10 ordinary shares	100%
The Advertiser Limited [^]	£1 ordinary shares	100%
Surrey and Berkshire Newspapers Limited	£1 ordinary shares	100%
	£1 deferred shares	100%
Berkshire Press Limited [^]	£1 ordinary shares	100%
Star Newspapers (Camberley) Limited ^{*^}	£1 ordinary shares	98.7%
Auto Trader Division		
North West Auto Trader Limited	£1 ordinary shares	100%
Midland Auto Trader Limited	£1 ordinary shares	70%
Scottish Auto Trader Limited [#]	£1 ordinary shares	70%
North East Auto Trader Limited	£1 ordinary shares	100%
South London Auto Trader Limited	£1 ordinary shares	100%
Apple Web Offset Limited	£1 ordinary shares	100%
Scottish Supermart Limited	£1 ordinary shares	51%
North East Supermart Limited	£1 ordinary shares	100%
Planedge Limited	£1 ordinary shares	100%
Auto Trader Publications (GMG) Limited	£1 ordinary shares	100%
Auto Trader Holland Limited	£1 ordinary shares	100%
Auto Trader Australia Limited	£1 ordinary shares	100%
Auto Trader Norway Limited	£1 ordinary shares	100%
Belgian Auto Trader Limited	£1 ordinary shares	100%
Auto Max Limited	£1 ordinary shares	100%
Auto Trader Europe Limited	£1 ordinary shares	100%

Registered in Scotland

= Incorporated in South Africa

[^] Investments not held directly by GMG plc

* These companies are not audited by the parent company's auditor. Turnover of £9,465,000, profit before tax of £418,000 and net assets of £607,000 is included in these accounts in respect of these subsidiaries.

Notes

relating to the 1999 Accounts *continued*35. **Subsidiaries and other companies** (continued)

(b) <i>Joint venture companies</i>	<i>Description of shares/ loan stock in issue</i>	<i>Percentage holding</i>
GMG Endemol Entertainment plc	3,656,990 10p ordinary shares	50%
	£4,468,223 loan stock	72%
Auto Trader Limited	100 ordinary shares of £1	50%
Auto Trader National Sales Limited	200 ordinary shares of £1	50%
	£2,920,000 loan stock	50%
Western Publishing Limited	100 ordinary shares of £1	50%
Anglia Auto Trader Limited	1000 ordinary shares of £1	50%
South West Free Ads Limited	100 ordinary shares of £1	50%
South East Publishing Limited	100 ordinary shares of £1	50%
	£900,000 loan stock	50%
Auto Trader National Magazines Limited	100 ordinary shares of £1	50%
	£200,000 loan stock	50%
Auto Trader Systems Limited	2 ordinary shares of £1	50%
	£3,573,875 loan stock	50%
Freedom House Publishing Company Limited	1000 ordinary shares of £1	45%
Irish Auto Trader Limited	100 ordinary shares of £1	40%
Trafford Park Printers Limited	10,000 ordinary shares of £1	50%
(c) <i>Associates</i>		
Fourth Estate Limited	439,670 ordinary shares of £1	42%
	£38,875 loan stock	100%
Radio Investments Limited	1,476,140 ordinary shares of 10p	28%
(d) <i>Other significant interests</i>		
GMTV Limited	2,000,000 ordinary shares of £1	15.0%
	£15,000,000 loan stock	15.0%
Golden Rose Communications plc	22,287,545 ordinary shares of 1p	11.0%
Press Association Limited	7,965,000 ordinary shares of £1	3.9%
Newspaper Licensing Agency Limited	£510,000 loan stock	16.7%

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

Group Five Year Review

	1999 £000	1998 £000	1997 £000	1996 £000	1995 £000
Group turnover	365,833	367,560	326,201	301,780	288,455
Operating costs	319,427	324,643	302,799	287,346	267,456
Operating profit	46,406	42,917	23,402	14,434	20,999
Exceptional items	5,490	0	(19,767)	0	0
Income from joint ventures, associated companies and fixed asset investments and amounts written off investments	7,650	3,046	1,534	1,749	4,111
Net interest receivable	8,625	7,076	5,231	3,913	1,894
Profit on ordinary activities before taxation	68,171	53,039	10,400	20,096	27,004
Tax on profit on ordinary activities	(21,074)	(18,709)	(4,964)	(7,570)	(10,124)
Profit on ordinary activities after taxation	47,097	34,330	5,436	12,526	16,880
Assets employed					
Fixed assets	68,816	48,465	48,728	69,628	69,441
Investments	32,942	25,084	25,298	21,622	21,420
Cash at bank and in hand	144,866	128,391	93,825	72,550	66,786
Other net assets/(liabilities)	(11,306)	(16,948)	(7,806)	(6,138)	(9,624)
Net assets	235,318	184,992	160,045	157,662	148,023

Corporate Directory

Guardian Media Group

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The Guardian & The Observer

119 Farringdon Road
London EC1R 3ER
Tel : 0171 278 2332

Manchester Evening News

164 Deansgate
Manchester M60 2RR
Tel : 0161 832 7200

The Advertiser

Lancashire & Cheshire County Newspapers

Wood Street
Stockport
Cheshire
SK3 0AB
Tel : 0161 480 4491

Rochdale Observer

Observer Buildings
Drake Street
Rochdale
Lancashire
OL16 1PH
Tel : 01706 354321

Auto Trader

St James Court
Wilderspool Causeway
Warrington
Cheshire WA4 6PS
Tel : 01925 414705

Surrey Advertiser

Stoke Mill
Woking Road
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Surrey GU1 1QA
Tel : 01483 508700

Berkshire Press

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