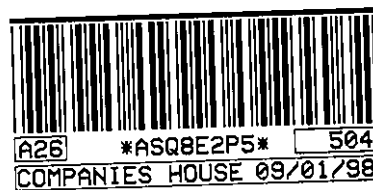


**GUARDIAN NEWSPAPERS LIMITED**

**REPORT AND ACCOUNTS 1997**



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**Directors**

Stella Elizabeth Beaumont  
Georgina Clare Henry  
William Nicholas Hutton  
James Charles Markwick  
Caroline Anne Marland  
Carolyn McCall  
Fiona Morris  
Paul John Naismith  
David Huw Owen  
Stephen Bernard Palmer  
Alan Charles Rusbridger  
Maria Tunstall Johnson Tuck

**Secretary**

Paul John Naismith

**Registered Auditors**

Coopers & Lybrand  
Chartered Accountants  
Abacus Court  
6 Minshull Street  
Manchester M1 3ED

**Solicitors**

Lovell White Durrant  
21 Holborn Viaduct  
London EC1A 2DY

**Bankers**

National Westminster Bank PLC  
City Office  
55 King Street  
Manchester M60 2DB

**Registered Office**

164 Deansgate  
Manchester M60 2RR

## **REPORT OF THE DIRECTORS** **for the year ended 30th March 1997**

### **1. Business review**

The loss for the year is set out in the profit and loss account on page 6. The Board does not envisage any major changes in the company's activities in the foreseeable future. The Directors do not recommend payment of a dividend.

### **2. Activity**

The principal activity of the company is the publication of newspapers.

The trading assets and liabilities of the company are dealt with in the books of and controlled by the holding company.

### **3. 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 company and so that their views can be taken into account when making decisions which are likely to affect their interests.

### **4. 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.

### **5. Tangible fixed assets**

The market value of freehold and leasehold property is estimated by the Directors to be £3,641,000 greater than its balance sheet value of £4,164,000.

### **6. Directors**

The Directors of the company at 30th March 1997 are as listed on page 2.

The following were appointed as Directors during the year, Mr W.N. Hutton on 2nd April 1996, Ms M.T.J Tuck on 3rd June 1996 and Mr S.B. Palmer on 27th September 1996.

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, the company's holding company or a subsidiary of the company's holding company, either at the beginning or end of the year. As permitted by statutory instrument the Register does not include any shareholdings by Directors who are also Directors of the holding company.

No Director had any interest in contracts made by the company.

**REPORT OF THE DIRECTORS (continued)**  
**for the year ended 30th March 1997**

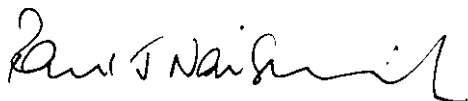
**7. Directors' responsibilities**

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th March 1997. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**BY ORDER OF THE BOARD**

A handwritten signature in dark ink, appearing to read 'P.J. Naismith', written in a cursive style.

**P.J. Naismith**  
**Secretary**  
**16th September 1997**

## **REPORT OF THE AUDITORS**

**to the members of  
Guardian Newspapers Limited**

We have audited the financial statements on pages 6 to 14.

### **Respective responsibilities of Directors and auditors**

As described on page 4 the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

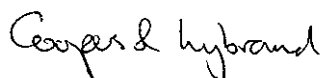
### **Basis of opinion**

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 the company's affairs at 30th March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**  
**Chartered Accountants and Registered Auditors**  
**Manchester**  
**16th September 1997**

## Guardian Newspapers Limited

**PROFIT & LOSS ACCOUNT**  
**for the year ended 30th March 1997**

|  | Note | 1997<br>£000 | 1996<br>£000 |
|--|------|--------------|--------------|
| All continuing operations                        |      |              |              |
| Turnover   | 1    | 145,011      | 135,548      |
| Operating costs:                                 |      |              |              |
| Raw materials and consumables                    |      | 34,467       | 30,741       |
| Other external charges                           |      | 17,150       | 16,424       |
| Staff costs                                      | 2    | 36,409       | 35,792       |
| Depreciation on tangible fixed assets            |      | 3,738        | 3,523        |
| Other operating charges                          |      | 64,461       | 62,315       |
| Operating loss                                   | 3    | (11,214)     | (13,247)     |
| Amounts written off subsidiary company           |      | (199)        | (87)         |
| Share of profit/(losses) in associated companies |      | 38           | (66)         |
| Loss on ordinary activities before taxation      |      | (11,375)     | (13,400)     |
| Tax credit on loss on ordinary activities        | 4    | 4,214        | 3,937        |
| Loss for the financial year                      |      | (7,161)      | (9,463)      |
| Statement of deficit                             |      |              |              |
| Balance at 1st April 1996                        |      | (67,183)     | (57,554)     |
| Loss for the year                                |      | (7,161)      | (9,463)      |
| Goodwill written off                             |      | 0            | (166)        |
| Balance at 30th March 1997                       |      | (74,344)     | (67,183)     |

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

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

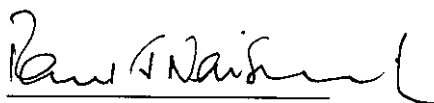
The notes on pages 9 to 14 form a part of these accounts.

## Guardian Newspapers Limited

BALANCE SHEET  
as at 30th March 1997

|   | Note | 1997<br>£000    | 1996<br>£000    |
|---|------|-----------------|-----------------|
| <b>Fixed Assets</b>                             |      |                 |                 |
| Tangible assets                                 | 5    | 15,064          | 17,447          |
| <b>Investments</b>                              |      |                 |                 |
| Subsidiary companies                            | 6a   | 281             | 480             |
| Associated companies                            | 6b   | 955             | 730             |
| Other investments                               | 6c   | 4,939           | 1,964           |
| <b>Current assets</b>                           |      |                 |                 |
| Amount owed by fellow subsidiary - group relief |      | 3,899           | 3,824           |
| <b>Current liabilities</b>                      |      |                 |                 |
| Amounts owed to associated companies            |      | (65)            | (65)            |
| Amount owed to holding company                  |      | <u>(99,317)</u> | <u>(90,816)</u> |
| <b>Net current liabilities</b>                  |      | <u>(95,483)</u> | <u>(87,057)</u> |
| <b>Total current liabilities less assets</b>    |      | <u>(74,244)</u> | <u>(66,436)</u> |
| <b>Provisions for liabilities and charges</b>   |      |                 |                 |
| Deferred taxation                               | 7    | 0               | (647)           |
|   |      | <u>(74,244)</u> | <u>(67,083)</u> |
| <b>Capital and reserves</b>                     |      |                 |                 |
| Called up share capital                         | 8    | 100             | 100             |
| Profit and loss account                         |      | (74,344)        | (67,183)        |
|   | 9    | <u>(74,244)</u> | <u>(67,083)</u> |

Directors:




These accounts were approved by the Board of Directors on 16th September 1997.

The notes on pages 9 to 14 form a part of these accounts.



## Guardian Newspapers Limited

### ACCOUNTING POLICIES

#### Accounting basis

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below. The accounts have been prepared on the historical cost basis.

The trading assets and liabilities of the company are dealt with in the books and controlled by the holding company.

#### 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% | Motor vehicles                   | 20% |
| Computer Equipment | 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 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.

#### Repairs and renewals

All expenditure on repairs and renewals is charged to revenue as incurred.

#### Turnover

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

#### Operating leases

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

#### Investments

Shares in subsidiary and associated companies and in other investments are shown at cost less any amounts written off.

#### Goodwill

Goodwill arising on acquisitions is written off against retained profits.

# Guardian Newspapers Limited

## NOTES

### relating to the Accounts 1997

#### 1. Turnover

Sales are made substantially in the U.K.

#### 2. Staff costs

(a) Staff costs during the year including executive directors

|                                 | 1997<br>£000  | 1996<br>£000  |
|---------------------------------|---------------|---------------|
| Wages and salaries              | 30,240        | 28,612        |
| Employers social security costs | 2,972         | 2,896         |
| Employers pension costs         | 2,219         | 2,222         |
| Severance payments              | 978           | 2,062         |
|                                 | <u>36,409</u> | <u>35,792</u> |

(b) Average number of persons employed including executive directors

|                          | No.        | No.        |
|--------------------------|------------|------------|
| Production               | 511        | 527        |
| Selling and distribution | 345        | 319        |
| Administration           | 85         | 85         |
|                          | <u>941</u> | <u>931</u> |

(c) Emoluments of directors

|  | 1997<br>£000 | 1996<br>£000 |
|--|--------------|--------------|
| as directors   | 0            | 0            |
| as executives (including pension scheme contributions) | 1,274        | 1,503        |
|  | <u>1,274</u> | <u>1,503</u> |

The following table shows the number of directors receiving emoluments (excluding pension scheme contributions) within the bands stated.

| Emoluments        | 1997 | 1996 |
|-------------------|------|------|
| £0 - £5,000       | 1    | 1    |
| £5,001 - £10,000  | 0    | 1    |
| £10,001 - £15,000 | 0    | 1    |
| £15,001 - £20,000 | 1    | 0    |
| £20,001 - £25,000 | 0    | 1    |
| £25,001 - £30,000 | 1    | 2    |
| £30,001 - £35,000 | 1    | 0    |
| £35,001 - £40,000 | 3    | 1    |
| £40,001 - £45,000 | 0    | 2    |
| £45,001 - £50,000 | 1    | 1    |
| £50,001 - £55,000 | 2    | 0    |
| £55,001 - £60,000 | 0    | 2    |
| £60,001 - £65,000 | 0    | 1    |
| £65,001 - £70,000 | 1    | 0    |
| £70,001 - £75,000 | 0    | 1    |
| £75,001 - £80,000 | 0    | 1    |
| £80,001 - £85,000 | 0    | 1    |
| £85,001 - £90,000 | 1    | 0    |

The remuneration of the highest paid director amounted to £219,436 (1996 £175,381).

# Guardian Newspapers Limited

## NOTES

### relating to the Accounts 1997 - continued

|   | 1997         | 1996         |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>3. Operating loss</b>  |              |              |
| The following amounts have been charged in arriving at the operating loss |              |              |
| Depreciation charge for the year on tangible owned fixed assets           | 3,738        | 3,523        |
| Operating lease rentals:  |              |              |
| Plant and machinery   | <u>3,984</u> | <u>4,262</u> |

Auditors remuneration for audit and non audit services has been borne by the holding company.

|  |              |              |
|--|--------------|--------------|
| <b>4. Tax on loss on ordinary activities</b> | 1997         | 1996         |
|  | £000         | £000         |
| Current year credit                          |              |              |
| Group relief (at 33%)                        | 2,535        | 3,808        |
| Deferred taxation                            | <u>447</u>   | <u>150</u>   |
|  | 2,982        | 3,958        |
| Prior year                                   |              |              |
| Group relief (at 33%)                        | 1,033        | 0            |
| Deferred taxation                            | <u>199</u>   | <u>(21)</u>  |
|  | <u>4,214</u> | <u>3,937</u> |

## Guardian Newspapers Limited

## NOTES

relating to the Accounts 1997 - continued

## 5. Tangible fixed assets

|                       | Land<br>and<br>buildings | Plant<br>and<br>vehicles | Fixtures<br>and<br>Fittings | Total  |
|-----------------------|--------------------------|--------------------------|-----------------------------|--------|
|                       | £000                     | £000                     | £000                        | £000   |
| <b>Cost</b>           |                          |                          |                             |        |
| At 1st April 1996     | 5,800                    | 23,774                   | 4,911                       | 34,485 |
| Additions             | 0                        | 841                      | 748                         | 1,589  |
|                       | 5,800                    | 24,615                   | 5,659                       | 36,074 |
| Less : Disposals      | 0                        | 532                      | 167                         | 699    |
| At 30th March 1997    | 5,800                    | 24,083                   | 5,492                       | 35,375 |
| <b>Depreciation</b>   |                          |                          |                             |        |
| At 1st April 1996     | 1,481                    | 12,874                   | 2,683                       | 17,038 |
| Charge for year       | 155                      | 2,913                    | 670                         | 3,738  |
|                       | 1,636                    | 15,787                   | 3,353                       | 20,776 |
| Less : Disposals      | 0                        | 298                      | 167                         | 465    |
| At 30th March 1997    | 1,636                    | 15,489                   | 3,186                       | 20,311 |
| <b>Net book value</b> |                          |                          |                             |        |
| At 30th March 1997    | 4,164                    | 8,594                    | 2,306                       | 15,064 |
| Net book value        |                          |                          |                             |        |
| At 31st March 1996    | 4,319                    | 10,900                   | 2,228                       | 17,447 |

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

|                 |       |
|-----------------|-------|
|                 | £000  |
| Long leasehold  | 4,112 |
| Short leasehold | 52    |
|                 | 4,164 |

**NOTES****relating to the Accounts 1997 - continued**

|                                   |                       |
|-----------------------------------|-----------------------|
| <b>6. Investments</b>             | 1997                  |
| a) Shares in subsidiary companies | £000                  |
| Cost                              |                       |
| At 1st April 1996                 | 1,035                 |
| Additions                         | 0                     |
| At 30th March 1997                | <u>1,035</u>          |
| Amounts written off               |                       |
| At 1st April 1996                 | (555)                 |
| Written off in year               | (199)                 |
| At 30th March 1997                | <u>(754)</u>          |
| Net Book Value at 30th March 1997 | <u>281</u>            |
| Net Book Value at 31st March 1996 | <u>480</u>            |
| b) Associated Companies           | Shares Loans Total    |
| Cost                              | £000 £000 £000        |
| At 1st April 1996                 | 1,295 152 1,447       |
| Additions                         | 300 (113) 187         |
| At 30th March 1997                | <u>1,595 39 1,634</u> |
| Amounts written off               |                       |
| At 1st April 1996                 | (717) 0 (717)         |
| Written off in year               | 38 0 38               |
| At 30th March 1997                | <u>(679) 0 (679)</u>  |
| Net Book Value at 30th March 1997 | <u>916 39 955</u>     |
| Net Book Value at 31st March 1996 | <u>578 152 730</u>    |

The principal activity of the subsidiary and associated companies is the dissemination of news, information and advertising matter by way of print and other media. The subsidiary companies together with the associated companies are incorporated in Great Britain and registered in England and Wales, except where stated.

| <b>Subsidiary Companies</b>                       | <b>Description of shares held by the company</b> | <b>Equity Holding</b> |
|---|--|-----------------------|
| Guardian Press Centre Limited                     | £1 ordinary shares                               | 100%                  |
| Guardian Business Services Limited                | £1 ordinary shares                               | 100%                  |
| Guardian News Service Limited                     | £1 ordinary shares                               | 100%                  |
| Guardian Publications Limited                     | £1 ordinary shares                               | 100%                  |
| Guardian Magazines Limited                        | £1 ordinary shares                               | 100%                  |
| Karadean Limited                                  | £1 ordinary shares                               | 100%                  |
| <b>Incorporated and operating in U S A</b>        |  |                       |
| Manchester Guardian Inc                           | Common stock \$100 par value                     | 100%                  |
| <b>Incorporated and operating in South Africa</b> |  |                       |
| M & G Media (PTY) Limited                         | 1 cent ordinary shares                           | 71.8%                 |
| <b>Associated companies</b>                       |  |                       |
| Fourth Estate Limited                             | £1 ordinary shares                               | 50%                   |

The company is exempt from preparing group accounts because it is itself a wholly owned subsidiary included in the accounts of the holding company.

**Guardian Newspapers Limited****NOTES****relating to the Accounts 1997 - continued**

|                            |              |
|----------------------------|--------------|
| 6c) Other investments      | 1997         |
| Unlisted shares/loan stock | £000         |
| Cost at 1st April 1996     | 1,964        |
| Additions                  | 3,000        |
| Disposals                  | (25)         |
| At 30th March 1997         | <u>4,939</u> |

|                                       |          |
|---------------------------------------|----------|
| Amounts written off                   |          |
| At 1st April 1996 and 30th March 1997 | <u>0</u> |

|                                   |              |
|-----------------------------------|--------------|
| Net Book Value at 30th March 1997 | <u>4,939</u> |
|-----------------------------------|--------------|

|                                   |              |
|-----------------------------------|--------------|
| Net Book Value at 31st March 1996 | <u>1,964</u> |
|-----------------------------------|--------------|

|                             |      |      |
|-----------------------------|------|------|
| <b>7. Deferred taxation</b> | 1997 | 1996 |
|                             | £000 | £000 |

This comprises provision for the full potential liability as follows :

|  |          |            |
|--|----------|------------|
| Accelerated tax allowances on fixed assets | 651      | 1,052      |
| Other timing differences                   | (651)    | (405)      |
|  | <u>0</u> | <u>647</u> |

Movement in the year :

|                                    |          |            |
|------------------------------------|----------|------------|
| At 1st April 1996                  | 647      | 776        |
| Release to profit and loss account | (647)    | (129)      |
| At 30th March 1997                 | <u>0</u> | <u>647</u> |

**8. Called up share capital**

|  |      |      |
|--|------|------|
| Authorised, issued, called up and fully paid | 1997 | 1996 |
|  | £000 | £000 |

|                            |            |            |
|----------------------------|------------|------------|
| Ordinary shares of £1 each | <u>100</u> | <u>100</u> |
|----------------------------|------------|------------|

## Guardian Newspapers Limited

### NOTES

#### relating to the Accounts 1997 - continued

##### 9. Reconciliation of movements in shareholders' funds

|  | 1997<br>£000    | 1996<br>£000    |
|--|-----------------|-----------------|
| Opening shareholders' funds                  | (67,083)        | (57,454)        |
| Loss for the financial year                  | (7,161)         | (9,463)         |
| Goodwill written off in year on acquisitions | 0               | (166)           |
| Closing shareholders' funds                  | <u>(74,244)</u> | <u>(67,083)</u> |
| Cumulative goodwill written off to reserves  | <u>(21,131)</u> | <u>(21,131)</u> |

##### 10. Capital commitments authorised

Contracts for capital expenditure amounted to approximately £800,000 (1996 £783,000).

##### 11. Operating lease and similar commitments

The company has entered into a commitment. The total annual amount payable under this commitment is as follows:

|                             | Other<br>1997<br>£000 | 1996<br>£000 |
|-----------------------------|-----------------------|--------------|
| Expiring in over five years | <u>830</u>            | <u>971</u>   |

There has been no change in the status since the end of the financial year.

##### 12. Related party transactions

In the course of normal operations the company has traded on an arms length basis with an associated undertaking. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements were purchases of £3,984,000.

##### 13. 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 year.

##### 14. Pensions

The majority of the company's employees are members of a defined contribution pension scheme operated by the holding company. The pension charge for the year is shown in note 2(a).

##### 15. Ultimate holding company

The company's ultimate holding company is Guardian Media Group plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the ultimate holding company's consolidated financial statements may be obtained from The Secretary, Guardian Media Group plc, 164 Deansgate, Manchester M60 2RR. All the ordinary shares of Guardian Media Group plc are owned by the Scott Trust.