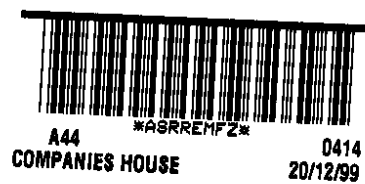


Company Registration Number 908396

## **GUARDIAN NEWSPAPERS LIMITED**

### **REPORT AND ACCOUNTS 1999**



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## **LIST OF DIRECTORS AND ADVISERS**

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### **Directors**

R. Alton  
S.E. Beaumont  
G.C. Henry  
W.N. Hutton  
C.A. Marland  
C. McCall  
F. Morris  
P.J. Naismith  
D.H. Owen  
S.B. Palmer  
R.W. Phillis  
A.C. Rusbridger

### **Secretary**

Paul John Naismith

### **Registered Auditors**

PricewaterhouseCoopers  
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 28th March 1999**

#### **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.

At the close of business on 28th March 1999 the trade and net assets of the Guardian News Service Limited, were transferred to their immediate holding company, Guardian Newspapers Limited. The transfer took place at net book value through an inter company account as detailed at note 15.

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 £4,127,000 greater than its balance sheet value of £4,970,000.

#### **6. Directors**

The Directors of the company at 28th March 1999 are as listed on page 2.

Mr R. Alton was appointed as a Director on 5th August 1998.

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 28th March 1999**

**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 28th March 1999. 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.

**8. Creditor payment policy**

All creditors are paid by the parent company. 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 Payment Code. The creditor days figure for the year was 24 days (1998 22 days).

**9. Year 2000**

The company's approach to this issue is coordinated by the parent company. Full details are noted in the accounts of the parent company, Guardian Media Group plc.

**BY ORDER OF THE BOARD**



**P.J. Naismith**  
**Secretary**  
**11th June 1999**

## 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

The directors are responsible for preparing the Annual Report, including as described on page 4 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 the company's affairs at 28th March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Manchester  
11th June 1999

## Guardian Newspapers Limited

**PROFIT & LOSS ACCOUNT**  
**for the year ended 28th March 1999**

	Note	1999 £000	1998 £000
<b>All Continuing Operations</b>			
Turnover	1	175,991	163,689
Operating costs:			
Raw materials and consumables		34,125	33,341
Other external charges		30,614	26,671
Staff costs	2	42,736	38,861
Depreciation on tangible fixed assets		3,277	3,754
Other operating charges		67,934	60,206
Operating (loss)/profit	3	(2,695)	856
Amounts written (off)/back subsidiary company		(344)	353
Share of profit/(losses) in associated companies		121	(23)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,918)</b>	<b>1,186</b>
Tax credit/(charge) on loss on ordinary activities	4	874	(658)
<b>(Loss)/profit for the financial year</b>		<b>(2,044)</b>	<b>528</b>
<b>Statement of deficit</b>			
Balance at 30th March 1998		(73,816)	(74,344)
(Loss)/profit for the year		(2,044)	528
Goodwill write back		31	0
Balance at 28th March 1999		<b>(75,829)</b>	<b>(73,816)</b>

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 losses on ordinary activities before taxation and the 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 28th March 1999**

	Note	1999 £000	1998 £000
<b>Fixed Assets</b>			
Tangible assets	5	17,743	14,501
<b>Investments</b>			
Subsidiary companies	6a	577	921
Associated companies	6b	1,160	1,023
Other investments	6c	3,939	4,939
<b>Current assets</b>			
Amount owed by fellow subsidiary - group relief		2,854	1,321
<b>Current liabilities</b>			
Amounts owed to associated companies		(142)	(157)
Amount owed to holding company		(101,444)	(96,264)
Taxation payable		<u>(416)</u>	<u>0</u>
<b>Net current liabilities</b>		(99,148)	(95,100)
<b>Net assets</b>		<u>(75,729)</u>	<u>(73,716)</u>
<b>Capital and reserves</b>			
Called up share capital	8	100	100
Profit and loss account		(75,829)	(73,816)
<b>Equity shareholders' funds</b>	9	<u>(75,729)</u>	<u>(73,716)</u>

Directors:

Paul T Naisner

D Lowe

These accounts were approved by the Board of Directors on 11th June 1999.

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.

#### Cash flow statement

The company is a wholly owned subsidiary of Guardian Media Group plc and the cash flows of the company are included in the consolidated group cash flow statement of Guardian Media Group plc. Consequently the company is exempt from publishing a cash flow statement, under Financial Reporting Standard Number 1.

#### 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 -33%	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.

#### Turnover

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

#### 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.

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

#### Goodwill

Goodwill arising on acquisitions in prior years has been written off against retained profits. In respect of future acquisitions the company will capitalise and amortise goodwill in accordance with Financial Reporting Standard 10.

#### Pension costs

The group operates defined contribution pension schemes. Contributions are made in accordance with the scheme rules, and charged to operating profit as incurred.

## Guardian Newspapers Limited

### NOTES

#### relating to the Accounts 1999

##### 1. Turnover

Sales are made substantially in the U.K.

##### 2. Staff costs

###### (a) Staff costs during the year including executive directors

	1999 £000	1998 £000
Wages and salaries	35,486	32,529
Employers social security costs	3,545	3,307
Employers pension costs	2,285	2,361
Severance payments	1,420	664
	<u>42,736</u>	<u>38,861</u>

###### (b) Average number of persons employed including executive directors

	No.	No.
Production	532	522
Selling and distribution	409	361
Administration	89	92
	<u>1,030</u>	<u>975</u>

###### (c) Emoluments of directors

	1999 £000	1998 £000
Aggregate emoluments	1,575	1,346
Company pension contributions to money purchase schemes	101	91
Compensation for loss of office	0	23

Retirement benefits are accruing to ten directors under a money purchase scheme (1998 nine directors) and to one director under a defined benefit scheme (1998 one director).

###### Highest paid director

Aggregate emoluments	207	181
Company pension contributions to money purchase schemes	9	0
Defined benefit pension scheme		
Accrued pension at end of year	0	80

# Guardian Newspapers Limited

## NOTES

### relating to the Accounts 1999 - continued

	1999	1998
	£000	£000
<b>3. Operating (loss)/profit</b>		
<i>The following amounts have been charged in arriving at the operating (loss)/profit</i>		
Depreciation charge for the year on tangible owned fixed assets	3,277	3,754
Profit on disposal of fixed assets	35	141
Operating lease rentals:		
Plant and machinery	<u>5,029</u>	<u>4,190</u>

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

<b>4. Tax on (loss)/profit on ordinary activities</b>	1999	1998
	£000	£000
United Kingdom corporation tax at 31% (1998 31%):		
Current	742	(658)
Deferred	<u>0</u>	<u>0</u>
	742	(658)
Over provision in respect of prior years:		
Current	132	0
Deferred	<u>0</u>	<u>0</u>
	<u>874</u>	<u>(658)</u>

# Guardian Newspapers Limited

## NOTES

### relating to the Accounts 1999 - continued

#### 5. Tangible fixed assets

	Land and buildings	Plant and vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 30th March 1998	6,897	23,884	5,900	36,681
Additions	0	3,043	3,380	6,423
Transferred in from group company	0	91	688	779
	<u>6,897</u>	<u>27,018</u>	<u>9,968</u>	<u>43,883</u>
Less : Disposals	102	9,870	1,762	11,734
At 28th March 1999	<u>6,795</u>	<u>17,148</u>	<u>8,206</u>	<u>32,149</u>
<b>Depreciation</b>				
At 30th March 1998	1,782	16,909	3,489	22,180
Charge for year	145	2,267	865	3,277
Transferred in from group company	0	83	357	440
	<u>1,927</u>	<u>19,259</u>	<u>4,711</u>	<u>25,897</u>
Less : Disposals	102	9,736	1,653	11,491
At 28th March 1999	<u>1,825</u>	<u>9,523</u>	<u>3,058</u>	<u>14,406</u>
<b>Net book value</b>				
At 28th March 1999	<u>4,970</u>	<u>7,625</u>	<u>5,148</u>	<u>17,743</u>
<b>Net book value</b>				
At 29th March 1998	<u>5,115</u>	<u>6,975</u>	<u>2,411</u>	<u>14,501</u>

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

	£000
Freehold	1,097
Long leasehold	3,848
Short leasehold	25
	<u>4,970</u>

# Guardian Newspapers Limited

## NOTES

### relating to the Accounts 1999 - continued

	1999
	£000
<b>6. Investments</b>	
a) Shares in subsidiary companies	
Cost	
At 28th March 1999 and 30th March 1998	<u>1,336</u>
Amounts written off	
At 30th March 1998	(415)
Written back in year	(344)
At 28th March 1999	<u>(759)</u>
Net Book Value at 28th March 1999	<u>577</u>
Net Book Value at 29th March 1998	<u>921</u>
b) Associated Companies	
Cost	
At 28th March 1999 and 30th March 1998	
	Shares Loans Total
	£000 £000 £000
	<u>1,596 39 1,635</u>
Amounts written off	
At 30th March 1998	(611) 0 (611)
Written back in year	78 0 78
At 28th March 1999	<u>(533) 0 (533)</u>
Net Book Value at 28th March 1999	<u>1,063 39 1,102</u>
Retained profits	58
At 29th March 1998	<u>1,160</u>
Net Book Value at 29th March 1998	<u>985 39 1,024</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 principal subsidiary companies together with the associated companies are incorporated in Great Britain and registered in England and Wales, except where stated.

	Description of shares held by the company	Equity Holding
<b>Subsidiary Companies</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	42%

\* These companies were dormant during the year under review.

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 1999 - continued

6c) Other investments	1999
Unlisted shares/loan stock	£000
At 30th March 1998	4,939
Disposals	(1,000)
At 28th March 1999	<u>3,939</u>

Amounts written off	
At 28th March 1999 and 30th March 1998	<u>0</u>

Net Book Value at 28th March 1999	<u>3,939</u>
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Net Book Value at 29th March 1998	<u>4,939</u>
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<b>7. Deferred taxation</b>	1999	1998
	£000	£000

This comprises provision for the full potential liability as follows:

Accelerated tax allowances on fixed assets	693	362
Other timing differences	(693)	(362)
	<u>0</u>	<u>0</u>

Movement in the year :

At 30th March 1998	0	0
Release to profit and loss account	0	0
At 28th March 1999	<u>0</u>	<u>0</u>

## 8. Called up share capital

Authorised, issued, called up and fully paid	1999	1998
	£000	£000

Ordinary shares of £1 each	<u>100</u>	<u>100</u>
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## 9. Reconciliation of movements in shareholders' funds

	1999	1998
	£000	£000

Opening shareholders' funds	(73,716)	(74,244)
(Loss)/profit for the financial year	(2,044)	528
Goodwill write back	31	0
Closing shareholders' funds	<u>(75,729)</u>	<u>(73,716)</u>

Cumulative goodwill written off to reserves	<u>(21,100)</u>	<u>(21,131)</u>
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**Guardian Newspapers Limited****NOTES****relating to the Accounts 1999 - continued****10. Capital commitments authorised**

Contracts for capital expenditure amounted to approximately £706,000 (1998 £956,000).

**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	
	1999	1998
	£000	£000
Expiring in over five years	1,334	1,067

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

**12. Related party transactions**

The directors regard Guardian Media Group plc as the controlling party by virtue of its 100% interest in the equity share capital of the company. Transactions with fellow subsidiary members of the Guardian Media Group plc are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation.

In the course of normal operations the 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 £5,029,000 (1998 £4,190,000).

**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). Details of the Group's pension scheme are shown in the consolidated financial statements of Guardian Media Group plc.

**15. Transfer of trade and net assets**

At the close of business on 28th March 1999 the trade and net assets of Guardian News Service Limited, were transferred to Guardian Newspapers Limited, a wholly owned subsidiary of Guardian Media Group plc at net book value.

The table below details the value of the assets and liabilities transferred together with the consideration paid.

	£
Taxation payable	(416)
	<u>(416)</u>
Satisfied by inter company debtor	<u>(416)</u>

**16. Ultimate holding company**

The company's immediate holding company is Inhoco 846 Limited, a company registered in England and Wales. 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.