

**REPORT AND ACCOUNTS**

**GMG INVESTCO LIMITED**

**2002**



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## **LIST OF DIRECTORS AND ADVISERS**

### **Directors**

P.E. Boardman

S. A. Buckley

### **Secretary**

P.E. Boardman

### **Registered Auditors**

PricewaterhouseCoopers

Chartered Accountants

101 Barbirolli Square

Lower Mosley Street

Manchester M2 3PW

### **Registered Office**

164 Deansgate

Manchester M3 3GG

**REPORT OF THE DIRECTORS**  
**for the period ended 31st March 2002**

The Directors present their report and the audited financial statements of the company for the year ended 31st March 2002.

**1. Principal activity and review of business**

The company is an investment holding company.

The results for the year are set out in the Profit and Loss Account on page 4. The Board does not envisage any major changes in the company's activity in the foreseeable future. The directors do not recommend payment of a dividend on the ordinary share capital. Dividends for the year on the company's redeemable preference shares have been appropriated through the company's profit and loss account. However, as the company does not have sufficient distributable reserves in order to pay such dividends, these dividends have been credited back within profit and loss account reserves.

**2. Directors interests in shares of the company**

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 period. As permitted by statutory instrument the Register does not include any shareholdings by directors who are also directors of the holding company.

**3. Directors**

The directors of the company at 31st March 2002 are shown on page 1.

Mr S.A. Buckley was appointed as a director on 13th December 2001. Mr. I.S. Ashcroft and Mr N.Castro, who were directors on 1st April 2001, resigned as directors on 13th December 2001.

**4. Directors' responsibilities**

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

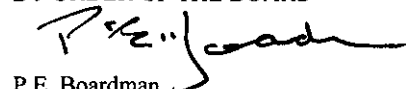
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31st March 2002. The Directors also confirm that applicable accounting 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.

**5. Auditors**

PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



P.E. Boardman  
Secretary

164 Deansgate  
Manchester M3 3GG  
3rd July 2002

## **INDEPENDENT AUDITORS' REPORT**

### **To the Members of**

### **GMG Investco Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

#### **Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

#### **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 31st March 2002 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**  
**3rd July 2002**

**PROFIT & LOSS ACCOUNT**  
**for the period ended 31st March 2002**

	Note	2002 £000	2001 £000
<b>All continuing operations</b>			
Amounts written off subsidiary companies		(6,750)	0
Exchange loss on retranslation of intercompany loans		(1,334)	0
<b>Operating loss</b>	2	(8,084)	0
Exceptional items:			
Loss on liquidation of subsidiary company	5	(20,013)	0
<b>Loss on ordinary activities before interest and taxation</b>		(28,097)	0
Income from fixed asset investments		1,771	0
Interest receivable and similar charges	6	1,912	1,099
Interest payable and similar charges	7	(3,014)	(79)
<b>(Loss)/profit on ordinary activities before taxation</b>		(27,428)	1,020
Tax credit/(charge) on profit on ordinary activities	8	718	(306)
<b>(Loss)/profit for the financial period</b>		(26,710)	714
Dividends and appropriation	9	(965)	(693)
<b>Retained (loss)/profit</b>	14	(27,675)	21

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

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

The notes on pages 6 and 8 form a part of these accounts.

## BALANCE SHEET as at 31st March 2002

	Notes	2002 £000	2001 £000
<b>Investments</b>			
Subsidiary company	10	1,250	20,013
		<u>1,250</u>	<u>20,013</u>
<b>Current Assets</b>			
Amount owed by holding company		0	4,055
Amount owed by fellow subsidiaries	11	36,926	16,337
Tax recoverable		412	0
Prepayments		<u>250</u>	<u>0</u>
		<u>37,588</u>	<u>20,392</u>
<b>Current liabilities</b>			
Amount owed to holding company		22,661	0
Amount owed to fellow subsidiaries		123	78
Taxation payable		<u>0</u>	<u>306</u>
		<u>22,784</u>	<u>384</u>
Net current assets		14,804	20,008
Total net assets		<u>16,054</u>	<u>40,021</u>
<b>Capital and reserves</b>			
Called up share capital	12	41,409	40,000
Profit and loss account	13	(25,355)	21
Equity shareholders		(22,654)	5,021
Non equity shareholders		38,708	35,000
Total shareholders' funds	14	<u>16,054</u>	<u>40,021</u>

DIRECTORS:

*SA Buckley*  
*P. E. J. [signature]*

The financial statements on pages 4 to 8 were approved by the Board of Directors on 3rd July 2002.

**Notes relating to the accounts - 31st March 2002****1. Principal accounting policies**

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The accounts have been prepared on the historical cost basis.

The company is exempt from the requirement to produce consolidated financial statements, on the basis that it is a wholly owned subsidiary of Guardian Media Group plc.

**Changes in accounting policy**

The company has adopted FRS 19 "Deferred Tax" in these financial statements. The adoption of this standard represents a change in accounting policy but has not resulted in any changes to comparative figures.

FRS 18 "Accounting policies" has been adopted in the current year but this did not require any change in accounting policy.

**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.

**Investments**

Shares in subsidiary companies are shown at cost less any amounts written off for impairment.

**Foreign currencies**

Foreign currency assets and liabilities (including long term liabilities) and share capital are stated in sterling at rates applicable at the balance sheet date. Gains or losses arising in the ordinary course of business on trading items are included in operating profit. Differences arising from the translation of share capital are treated as an appropriation of profits. The company uses cross-currency swap contracts to manage its exposure to certain foreign currency exchange risks. Such financial instruments are treated as hedges against the underlying assets or liabilities with matching accounting treatments.

Gains on unsettled speculative forward contracts are regarded as contingent and therefore deferred, whereas provision is made for losses on such contracts.

**Taxation**

The company provides for corporate taxation on the results for the period at the normal rate applicable to that period and recognises group relief when made available.

The company has adopted FRS 19 on Deferred Taxation in these financial statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

No timing differences are recognised in respect of:

- fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset,
- gains on the sale of assets where those gains have been rolled over into replacement assets

The deferred tax assets and liabilities are not discounted.



Notes relating to the accounts - 31st March 2002

(continued)

**2. Operating profit**

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

**3. Directors' emoluments**

None of the directors received remuneration for their services as directors of the company.

**4. Employee information**

The average number of persons (including executive directors) employed during the year is nil.

**5. Exceptional item**

On 5th March 2002 the subsidiary company Workthing Holdings Limited was liquidated after transferring its investment in Workthing Limited to Guardian Media Group plc.

**6. Interest receivable**

	2002	2001
	£000	£000
Interest receivable from parent company	73	941
Interest receivable from fellow subsidiaries	1,589	158
Interest receivable under forward exchange contract	250	0
	<u>1,912</u>	<u>1,099</u>

**7. Interest payable and similar charges**

	2002	2001
	£000	£000
Payment under forward exchange contract	2,969	0
Interest payable to fellow subsidiaries	45	79
	<u>3,014</u>	<u>79</u>

**8. Tax on profit on ordinary activities**

**a) analysis of (credit)/charge in period**

**Current**

UK corporation tax on profits for the period

**Total current tax**

2002	2001
£000	£000
(718)	306
<u>(718)</u>	<u>306</u>

**b) factors affecting tax (credit)/charge for the period**

	2002	2001
	£000	£000
(Loss)/profit on ordinary activities before tax	(27,428)	1,020
(Loss)/profit on ordinary activities multiplied by standard rate of CT of 30%	(8,228)	306
Effects of:		
Expenditure not deductible for tax purposes	7,510	0
<b>Current tax (credit)/charge for period</b>	<u>(718)</u>	<u>306</u>

**c) factors that may affect future tax charges**

There are no significant factors as at 31st March 2002 which may affect future tax charges.

**9. Dividends and appropriations**

	2002	2001
	£000	£000
Non-equity preference appropriations - €0.105 per £1 share	2,299	693
Exchange gain on preference shares	(1,334)	0
	<u>965</u>	<u>693</u>

The company has appropriated through the profit and loss account preference share dividends for the year on the company's 5 year cumulative redeemable preference shares of £2,298,682. However, as the Company does not have sufficient distributable reserves in order to pay such dividends, these dividends have been credited back within profit and loss account reserves (note 13).

## Notes relating to the accounts - 31st March 2002

(continued)

**10. Investments**

Subsidiary company

	Shares
Cost and NBV	£000
At 2nd April 2001	20,013
Additions	8,000
Amounts written off during year - impairment	(6,750)
Disposals (see note 5)	(20,013)
At 31st March 2002	<u>1,250</u>

The subsidiary company is wholly owned, incorporated in Great Britain and registered in England and Wales.

The subsidiary company listed below is an investment holding company.

Subsidiary Companies	Description of shares held by the company	Equity Holding
Guardian Learnholding Limited	£1 ordinary shares	100%

**11. Amount owed by fellow subsidiaries**

Amounts owed by fellow subsidiaries includes a loan of £24,180,000 (2001 £5,180,000) to GMG Radio Holdings Limited and Surrey and Berkshire Newspapers Limited £11,000,000 (2001 £11,000,000) which are repayable on demand and bear interest at 1 percent above the London interbank borrowing rate.

**12. Share capital**

	2002	2001
Authorised, issued and fully paid up during the period	£000	£000
5,000,000 Ordinary shares of £1 each	5,000	5,000
35,000,000 Redeemable preference shares of £1 each	36,409	35,000
	<u>41,409</u>	<u>40,000</u>

The redeemable preference shares are five year cumulative redeemable preference shares, which do not carry any voting rights. They were issued on 17th October 2000 at £1 per share and the total redemption amount payable is €59,430,000. GMG Investco Limited has the option to redeem the shares at any time on or after 24th March 2002, and must redeem them not later than 24th March 2005. Shareholders are entitled to receive dividends at €0.105 per share payable on 24th March each year. On winding up, the preference shareholders with the ordinary shareholders are entitled to receive €59,430,000 and any dividends accrued but unpaid in respect of their shares.

The preference share capital is translated at the period end rate giving a value of £36,409,000 in the balance sheet.

**13. Profit and loss account**

The movement on retained profits is analysed below:	£000
At 2nd April 2001	21
Retained loss for the year	(27,675)
Preference share appropriations	2,299
At 31st March 2002	<u>(25,355)</u>

**14. Reconciliation of movements in shareholders' funds**

	£000
Opening shareholders' funds	40,021
Retained loss for the year	(27,675)
Reversal of preference share appropriation	2,299
Translation of preference share capital	1,409
Closing shareholders' funds	<u>16,054</u>

**15. Capital commitments authorised**

Contracts for capital expenditure amounted to £nil (2001 £nil).

**16. 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 group are not required to be disclosed under FRS 8 as these transactions are fully eliminated on consolidation.

**17. Holding company**

The company's immediate and 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 M3 3GG. All the ordinary shares of Guardian Media Group plc are owned by the Scott Trust.