Company Registration Number 908396

GUARDIAN NEWSPAPERS LIMITED

REPORT AND ACCOUNTS 1998

INDEX

Directors

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

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 29th March 1998

1. Business review
The profit 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 £3,787,000 greater than its balance sheet value of £5,115,000.

6. Directors
The Directors of the company at 29th March 1998 are as listed on page 2.

Mr R.W. Phillis was appointed as a Director on 1st December 1997.

Ms M.T.J Tuck, who was a Director on 30th March 1997, resigned on 22nd October 1997. Mr J.C. Markwick who was a Director on 30th March 1997, resigned on 31st October 1997 on his retirement from the business.

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 29th March 1998

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 29th March 1998. 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 26 days (1997 24 days).

9. Year 2000 and EMU
The company's approach to these issues is being 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

Paul J Naismith

P.J. Naismith
Secretary
19th June 1998

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 29th March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Manchester
19th June 1998

Guardian Newspapers Limited

PROFIT & LOSS ACCOUNT
for the year ended 29th March 1998

	Note	1998 £000	1997 £000
All Continuing Operations			
Turnover	1	163,689	145,011
Operating costs:			
Raw materials and consumables		33,341	34,467
Other external charges		18,099	17,150
Staff costs	2	38,861	36,409
Depreciation on tangible fixed assets		3,754	3,738
Other operating charges		68,778	64,461
Operating profit/(loss)	3	856	(11,214)
Amounts written back/(off) subsidiary company		353	(199)
Share of (losses)/profit in associated companies		(23)	38
Profit/(loss) on ordinary activities before taxation		1,186	(11,375)
Tax (charge)/credit on loss on ordinary activities	4	(658)	4,214
Profit/(loss) for the financial year		528	(7,161)

Statement of deficit		
Balance at 31st March 1997	(74,344)	(67,183)
Profit/(loss) for the year	528	(7,161)
Balance at 29th March 1998	(73,816)	(74,344)

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 retained profit 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 29th March 1998

	Note		1998		1997
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	5		14,501		15,064
Investments					
Subsidiary companies	6a		921		281
Associated companies	6b		1,023		955
Other investments	6c		4,939		4,939
Current assets					
Amount owed by fellow subsidiary - group relief		1,321		3,899	
Current liabilities					
Amounts owed to associated companies		(157)		(65)	
Amount owed to holding company		(96,264)		(99,317)	
Net current liabilities			(95,100)		(95,483)
Net assets			(73,716)		(74,244)
Capital and reserves					
Called up share capital	8		100		100
Profit and loss account			(73,816)		(74,344)
Equity shareholders' funds	9		(73,716)		(74,244)

Directors: Paul J Naish

Caroline Marland.

These accounts were approved by the Board of Directors on 19th June 1998.

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 Statement 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 is written off against retained profits.

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 1998

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

	1998	1997
2. Staff costs	£000	£000
(a) Staff costs during the year including executive directors		
Wages and salaries	32,529	30,240
Employers social security costs	3,307	2,972
Employers pension costs	2,361	2,219
Severance payments	664	978
	38,861	36,409

(b) Average number of persons employed including executive directors	No.	No.
Production	522	511
Selling and distribution	361	345
Administration	92	85
	975	941

(c) Emoluments of directors	1998	1997
	£000	£000
Aggregate emoluments	1,346	1,128
Company pension contributions to money purchase schemes	91	77
Compensation for loss of office	23	0

Retirement benefits are accruing to nine directors under a money purchase scheme (1997 ten directors) and to one director under a defined benefit scheme (1997 one director).

Highest paid director		
Aggregate emoluments	181	166
Defined benefit pension scheme		
Accrued pension at end of year	80	71

Guardian Newspapers Limited

NOTES
relating to the Accounts 1998 - continued

3. Operating profit/(loss)

The following amounts have been charged in arriving at the operating profit/(loss)

	1998 £000	1997 £000
Depreciation charge for the year on tangible owned fixed assets	3,754	3,738
Profit on disposal of fixed assets	141	15
Operating lease rentals:		
Plant and machinery	4,190	3,984

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

4. Tax on profit/(loss) on ordinary activities

	1998 £000	1997 £000
United Kingdom corporation tax at 31% (1996 33%):		
Current	(658)	2,534
Deferred	0	448
	(658)	2,982
Over provision in respect of prior years:		
Current	0	1,033
Deferred	0	199
	(658)	4,214

Guardian Newspapers Limited

NOTES
relating to the Accounts 1998 - continued

5. Tangible fixed assets

	Land and buildings	Plant and vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At 31st March 1997	5,800	24,083	5,492	35,375
Additions	1,097	1,341	847	3,285
	6,897	25,424	6,339	38,660
Less : Disposals	0	1,540	439	1,979
At 29th March 1998	6,897	23,884	5,900	36,681
Depreciation				
At 31st March 1997	1,636	15,489	3,186	20,311
Charge for year	146	2,868	740	3,754
	1,782	18,357	3,926	24,065
Less : Disposals	0	1,448	437	1,885
At 29th March 1998	1,782	16,909	3,489	22,180
Net book value At 29th March 1998	**5,115**	**6,975**	**2,411**	**14,501**
Net book value At 30th March 1997	4,164	8,594	2,306	15,064

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

	£000
Freehold	1,097
Long leasehold	3,971
Short leasehold	47
	5,115

NOTES
relating to the Accounts 1998 - continued

6. Investments	1998 £000
a) Shares in subsidiary companies	
Cost	
At 31st March 1997	1,035
Additions	287
At 29th March 1998	1,322
Amounts written off	
At 31st March 1997	(754)
Written back in year	353
At 29th March 1998	(401)
Net Book Value at 29th March 1998	921
Net Book Value at 30th March 1997	281

b) Associated Companies	Shares	Loans	Total
Cost	£000	£000	£000
At 29th March 1998 and 31st March 1997	1,595	39	1,634
Additions	0	0	0
At 29th March 1998	1,595	39	1,634
Amounts written off			
At 31st March 1997	(679)	0	(679)
Written back in year	68	0	68
At 29th March 1998	(611)	0	(611)
Net Book Value at 29th March 1998	984	39	1,023
Net Book Value at 30th March 1997	916	39	955

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.

Subsidiary Companies	**Description of shares held by the company**	**Equity Holding**
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%
Incorporated and operating in U S A		
Manchester Guardian Inc	Common stock $100 par value	100%
Incorporated and operating in South Africa		
M & G Media (PTY) Limited	1 cent ordinary shares	71.8%
Associated companies		
Fourth Estate Limited	£1 ordinary shares	50%

* 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 1998 - continued

6c) Other investments	1998
Unlisted shares/loan stock	£000
At 31st March 1997 and 29th March 1998	4,939
Amounts written off	
At 31st March 1997 and 29th March 1998	0
Net Book Value at 29th March 1998	4,939
Net Book Value at 30th March 1997	4,939

7. Deferred taxation	1998	1997
	£000	£000
This comprises provision for the full potential liability as follows:		
Accelerated tax allowances on fixed assets	362	651
Other timing differences	(362)	(651)
	0	0
Movement in the year :		
At 31st March 1997	0	647
Release to profit and loss account	0	(647)
At 29th March 1998	0	0

8. Called up share capital

Authorised, issued, called up and fully paid	1998	1997
	£000	£000
Ordinary shares of £1 each	100	100

Guardian Newspapers Limited

NOTES
relating to the Accounts 1998 - continued

9. Reconciliation of movements in shareholders' funds

	1998	1997
	£000	£000
Opening shareholders' funds	(74,244)	(67,083)
Profit/(loss) for the financial year	528	(7,161)
Closing shareholders' funds	(73,716)	(74,244)
Cumulative goodwill written off to reserves	(21,131)	(21,131)

10. Capital commitments authorised
Contracts for capital expenditure amounted to approximately £956,000 (1997 £800,000).

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	
	1998	1997
	£000	£000
Expiring in over five years	1,067	830

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 £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. 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.