

Directors' Report

The Directors present their Report and Accounts for the year ended 28th September, 2003.

Trading Results and Dividends

The profit after taxation of the Group amounted to £62.5 million. After charging minority interests of £2.1 million, the Group profit for the year amounted to £60.4 million.

An interim dividend of 3.15 pence per share was paid on the Ordinary and 'A' Ordinary Non-Voting shares, and the Directors recommend that a final dividend of 6.85 pence per share be paid on 4th February, 2004 making 10.0 pence per share for the year (2002 9.2 pence).

Activities

The principal activities of the Group are set out on pages 4 and 5.

The analyses of turnover and operating profit for the years ended 28th September, 2003 and 29th September, 2002 are included as Notes 1 and 2 to the Profit and Loss Account. A review of the development of the business of the Group during the year, of its position at the end of the year and of likely future developments in its business is given in the Chief Executive's Review of Operations on pages 6 to 21 and in the Financial and Treasury Review on pages 24 to 27.

Directors

Biographical details of the Directors of the Company at 26th November, 2003 are set out on page 28. The Directors remained unchanged throughout the year, with the exception of Mr Balsemão who was appointed to the Board on 27th November, 2002.

The number of shares of the Company and of securities of other Group companies, in which the Directors or their families had an interest at the year end, are stated in the Remuneration Report on page 40.

In accordance with the Articles of Association, Messrs Hakkarainen, Lowy and Dutton retire by rotation at the Annual General Meeting on 4th February, 2004. Messrs Lowy and Dutton, each being eligible, offers himself for re-election. Mr Hakkarainen, a non-executive Director of the Company since 1990, has decided not to stand for re-election. Sir Patrick Sergeant, a non-executive Director of the Company since 1983 has also decided to stand down at the conclusion of the forthcoming Annual General Meeting. The Directors would like to thank both of them for their service to the Group.

Post Balance Sheet Events

On 31st October, 2003, DMG Radio extended its metropolitan presence in Australia, following its successful bid for the new commercial FM radio licence in Adelaide. The cost of the winning bid was Aus\$24 million (£10 million).

Tangible Fixed Assets and Investments

Changes in tangible fixed assets and investments (other than associates and joint ventures) during the year are set out in Notes 20, 23 and 24 to the balance sheets.

Share Capital

Details of allotments in share capital during the year, which arose solely from the exercise of options, are given in Note 32.

Employees

Under the Group's general policy of decentralised management, it is the responsibility of the management in each subsidiary to encourage the involvement and participation of employees in their company. The methods used depend on the wide variety of the companies but the linking to performance targets of a significant portion of remuneration is one widely used means.

The Group gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Policy on Payment of Suppliers

The Group's policy on supplier payments varies across its subsidiaries. These companies have no formal code or standard which deals specifically with the payment of suppliers. However, their policy is to ensure that the terms of payment, as specified by, and agreed with the supplier at the outset, are not exceeded.

The Company had no trade creditors at the year end date.

The Group's average payment period, calculated on the basis of year end trade creditors, is 56 days (2002 52 days), although this is dependent on the year end date and cannot therefore be regarded as meaningful.

Donations

Charitable donations made by the Group in the year amounted to £548,000 (2002 £330,000). No political donations were made by the Group.

Substantial Shareholdings

As set out in Note 32, the Company has two classes of share capital – Ordinary shares and 'A' Ordinary Non-Voting shares. On 26th November, 2003 the following were interested in more than 3% of the issued Ordinary shares:

Rothermere Continuation Limited (and other parties to an agreement which comes within section 204 of the Companies Act 1985)	63.1%
Codan Trust Company Ltd and Rothschild Trust (Bermuda) Ltd (trustees of the Esmond Harnsworth 1998 Settlement)	25.4%

There is no Companies Act requirement to disclose substantial interests in the 'A' Ordinary Non-Voting shares.

Auditors

On 1st August, 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1989. Deloitte & Touche LLP have indicated their willingness to continue in office and, in accordance with section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 4th February, 2004 at 11.00 am in the Garner Room at the Commonwealth Institute, 230 Kensington High Street, London W8. Details of resolutions to be put as special business are set out in the Notice of Meeting included in the enclosed circular to shareholders.

By Order of the Board

N D Jennings, FCA

Secretary

26th November, 2003