

# DIRECTORS' REPORT

The Directors present their Report and Accounts for the year ended 3rd October, 2004.

## Trading Results and Dividends

The profit after taxation of the Group amounted to £67.4 million. After charging minority interests of £5.7 million, the Group profit for the year amounted to £61.7 million.

An interim dividend of 3.45 pence per share was paid on the Ordinary and 'A' Ordinary Non-Voting shares and the Directors recommend that a final dividend of 7.55 pence per share be paid on 11th February, 2005 making 11.0 pence per share for the year (2003 10.0 pence).

## Activities

The principal activities of the Group are set out in the 'Group at a Glance' section at the front of the Annual Report.

The analysis of turnover and operating profit for the years ended 3rd October, 2004 and 28th September, 2003 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 Operating and Financial Review on pages 10 to 24.

## Directors

Biographical details of the Directors of the Company at 1st December, 2004 are set out on page 28. The Directors remained unchanged throughout the year, with the exception of Messrs Gillespie and Verey who were appointed to the Board on 4th February, 2004 and the retirement of Sir Patrick Sergeant and Mr Hakkarainen on the same day. On 1st December, 2004, Professor Schwab, a non-executive Director since 1998, stood down from the Board, having decided not to seek re-election. On 1st December, 2004, Mr Beatty was appointed an executive Director.

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 42.

In accordance with the Articles of Association, the Viscount Rothermere, Messrs Hemingway, Williams, Dacre and Dunstone retire by rotation at the Annual General meeting on 9th February, 2005. In accordance with the Companies Act, Mr Gray, who has reached the age of 70 years, is also required to stand for re-election at the Annual General Meeting. Ordinary shareholders will be asked to confirm the appointment of Mr Beatty.

Each of the Directors being eligible, offers himself for re-election with special notice having been given that Mr Hemingway, who is over 70 years of age, and Mr Gray who is 70 years of age, will be proposed, given their continuing relevant experience and helpful contribution to the Board.

## Post Balance Sheet Events

On 4th October, 2004, the Company signed £300 million of new five-year committed banking facilities. These will replace existing facilities which were due to mature in the near future, thereby extending the maturity of the Group's debt.

## 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 57 days (2003 56 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 £902,000 (2003 £548,000). 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 1st December, 2004 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 Codan Trustees (BVI) Ltd (trustees of the Esmond Harmsworth 1998 Family Settlement)	29.3%

## Auditors

The Company's auditors, 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 9th February, 2005 at 9.00 a.m. at the Kensington Roof Gardens, 99 Kensington High Street, London W8. Details of all resolutions to be put as special business are set out in the enclosed circular to shareholders.

By Order of the Board

## N D Jennings, FCA

Secretary  
1st December, 2004