Corporate Governance

The Company is committed to high standards of corporate governance. This statement describes how the Board has applied the principles of good governance set out in the Combined Code (the Code) issued by the Hampel Committee on Corporate Governance. The Code is part of the listing rules of the Financial Services Authority. It applied to the Company throughout the year.

In July, the Financial Reporting Council revised the Code (the Revised Code) based on the reports of Mr Derek Higgs and Sir Robert Smith, published in January. The Revised Code is not applicable to the Company in the year under review, but the Company has begun the process of further formalising its procedures to enable the Board to report, as required, under the Revised Code in the year beginning 4th October, 2004.

The paragraphs below and in the Remuneration Report on pages 32 to 42 set out how the Company has applied the principles laid down by the Code. They also explain certain procedural changes that have been made in anticipation of and in response to the Revised Code. The Company has substantially complied with the provisions of the Code, except where stated below or in the Remuneration Report.

The Board

The Board comprises six executive Directors, including the Chairman and the Chief Executive, and nine non-executive Directors. The Board considers that five non-executive Directors may be considered to be independent in the sense used in the Code, namely Messrs Hakkarainen, Lowy and Dunstone, Professor Schwab and Mr Balsemão. This represents a majority of the non-executive directors as recommended by the Code. The Board has not, as required by the Code, identified a senior independent non-executive Director since it believes that to identify such an individual is potentially divisive to a unitary body, as the Board is, and disruptive to the role of the Chairman.

The Company's Articles of Association were amended in 1999 to meet the requirement of the Code that all Directors should submit themselves for re-election at least once every three years.

The Board meets at least on a quarterly basis and at such other times as are necessary. There is a schedule of matters reserved to the Board. Procedures are established to ensure that the Board receives timely and appropriate information both for those meetings and regularly between meetings.

The Board has established a number of committees with mandates to deal with specific aspects of its business. Details of the membership of these committees are given on page 28. A Corporate Governance section is being established on the Company's website within which the remits of each of these committees will be published.

All Directors have access to the advice and services of the Company Secretary and are offered such training as is considered necessary, both on appointment and at any subsequent time. There is an agreed procedure for Directors to take independent professional advice at the Company's expense, if necessary.

Nominations Committee

In May, the Board established a separate Nominations Committee in order to adopt formally some of the suggestions for best practice, set out in the Higgs Report. The Committee has met three times since its establishment. The members of the Committee throughout the year were the Viscount Rothermere, its chairman, Mr Gray, Mr Hakkarainen and Mr Hemingway. On 26th November, 2003, Messrs Gray and Hakkarainen stood down from the Committee and were replaced by Mr Balsemão.

Relations with shareholders

The Company maintains a regular programme of contact with its institutional shareholders. In the past year, this has included meetings in London, Scotland, Continental Europe and the US. Partly to assist private shareholders, the Company operates a web site at www.dmgt.co.uk on which it posts all announcements and general presentations given to analysts and institutions. Shareholders and others interested in the Group are encouraged to use the site and to email questions which they might have.

Ordinary shareholders are welcome to attend the Annual General Meeting, of which 20 working days' notice is given.

Internal controls and management of risk

The Group adopts a prudent risk strategy, weighing opportunities for potential gain against threats to overall business objectives and profitability. Senior management addresses the opportunities and uncertainties relating to the business activities of the Group. The risk management process consists of the identification, evaluation and control of risks, which could threaten the achievement of the Group's strategic, operational and financial objectives, as well as the active management of opportunities.

The Group operates on a divisional basis with each of the divisions described on pages 4 and 5 having considerable autonomy as regards its operation and establishment of control systems. Overseeing the divisional structure is a central management responsible to the Board. Certain functions are undertaken centrally, notably newsprint buying, insurance, treasury, tax and pensions.

The Board of Directors has overall responsibility for the Group's system of internal control. This system is designed to provide reasonable assurance of the safeguarding of assets and shareholders' investment and the reliability of financial information. Any such system can, however, provide only reasonable, and not absolute, assurance of these matters. The Directors confirm that they have reviewed the effectiveness of the Group's system of internal control.

The Board has delegated responsibility for the evaluation of the benefits and risks of investment opportunities and financing proposals to an executive committee, the Finance Committee. Above certain defined levels, however, the Board must approve programmes relating to acquisition and divestment proposals and capital expenditure. In 2000, the Board established a process for the management of significant risks across the Group by means of a Risk Committee which accords with the guidance provided by the Code.

Risk Committee

Whilst the ultimate responsibility for the system of internal control and the review of its effectiveness resides with the Board, the Risk Committee assists the Board by giving assurance on risk management issues and processes. The Risk Committee is chaired by Mr Sinclair, the Chief Executive. Its other members are the Viscount Rothermere, Messrs Williams, Gray and Dutton and the legal director of the Group's largest subsidiary. Mr Gray provides a non-executive perspective to the review of risk management processes within the Group, as well as providing a direct link to the Audit Committee. The Group's Risk Manager acts as Secretary to the Committee. It met five times during the year under review.

The Risk Committee considers reports prepared by central management, by each of the divisions of the Group and by central functions, on a half-yearly basis. These reports identify business risks for the Group as a whole and within the divisions and assess the controls in place to manage those risks. The Committee operates a rotational programme of presentations by the divisions on risk management issues, as well as identifying topics for consideration across the Group.

Members of the Risk Committee also maintain direct links with each of the main divisions through attendance at divisional Board meetings. The Committee reports to the DMGT Board at each of its meetings on the results of these processes to enable the Board to determine the overall effectiveness of the system of internal control.

In the last year, the Risk Committee selected major risks for close scrutiny, such as Brand and Reputation, Business Continuity Planning and Health and Safety, which are common to all subsidiaries and enhanced the divisional risk reporting processes by analysing whether specific control mechanisms were resilient enough. The existing internal controls/risk review format was updated to reflect inherent operational risks as well as risks of a random nature. A Health and Safety Policy statement was produced for the Group.

Audit Committee

The Audit Committee, which has been in existence since 1989, comprises four non-executive directors: Messrs Gray (its chairman), Hemingway, Park and Dunstone. Only Mr Dunstone is considered to be independent in the sense used by the Code, but the Board believes that the Committee nevertheless operates independently.

The Audit Committee held four meetings during the year. In May, it reviewed the Smith Report and assessed where the Company's practice differed from that proposed and what might be done about it. As a consequence, it made a number of procedural changes and devised a policy on whistle blowing. In September, it carried out a review of its terms of reference and of its effectiveness and concluded that it did not need to recommend any changes to its remit or operations to the Board. In October 2003, the Board conducted its own review of the Committee's effectiveness and agreed that the Committee had been effective in the year under review.

The Audit Committee has established procedures to monitor the independence of the external auditors. This has included devising policies on the provision of non-audit services with which the Group's head office and each division complies. The choice of firm is normally determined on the basis of professional expertise and competitiveness. The Group may engage the external auditors to perform audit-related work, accountancy advice and corporate tax services. Non-audit services in other areas are decided on their merits and are put out to tender where the amounts in question are significant. The external auditors are excluded from the following areas: where they are auditing their own work; where a mutuality of interest is created; or where the external auditor would be put in the role of advocate for the Company.

The Audit Committee, on behalf of the Board, has maintained responsibility for the review of financial risk management and of internal financial controls during the year, as these directly relate to the quality of financial reporting. In addition, the Committee reviews a summary of letters to management prepared by the Group's external auditors following their audit procedures, receives reports from divisional finance directors on an ad hoc basis, throughout the year, and approves any changes to Group accounting policies, which are set centrally. Apart from these specific responsibilities, the Committee is mandated to review all announcements of results issued by the Group and to consider the appointment of external auditors and to review their remuneration.

Last year the Board stated that it had commissioned a report from an independent firm of accountants to assess whether it would be appropriate for the Group to adopt a formal internal audit function to co-ordinate the internal audit activities already carried out across the Group, but from a divisional level. The report's recommendations were accepted by the Audit Committee and a decision was taken to seek a business assurance manager to perform the functions set out in the Smith Guidance to the Revised Code, building on the Company's risk management process. An appointment has recently been made.

In the meantime the Board has again taken the view that control processes already in place remain adequate. The Group does not maintain common detailed accounting or operations manuals. Where applicable, divisions maintain their own manuals and undertake regular internal audit work as part of their control process.

One of the Group's subsidiaries, Euromoney Institutional Investor plc, is subject to the requirements of the Code in its own right. As disclosed in its latest annual report, it has in place its own system of internal control and risk management processes.

The joint ventures and associates of the Group are also not included in the Group's system of internal control described above. The most significant associate, GWR Group plc, is also a listed company and its own processes for the identification, evaluation and management of significant risks are disclosed in its own annual report.

Directors' Responsibilities for the Preparation of Accounts

The Directors are required by UK company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss, total recognised gains and losses and cash flows of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the Accounts for the year ended 28th September, 2003. The Directors also confirm that applicable accounting standards have been followed and that it is appropriate that the Accounts have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for the system of internal control, for safeguarding the assets of the Company and of the Group and for taking reasonable steps to prevent and detect fraud and other irregularities.

On behalf of the Board

Rothermere
Chairman
26th November, 2003