

Notes to the Profit and Loss Account

1 Segmental Information

By activity

The Group's main businesses are segmented below. Each segment includes its respective associated electronic products. Broadcasting comprises the Group's television and radio interests.

Turnover comprises Group sales excluding value added tax, less discounts and commission where applicable.

The share of the turnover of joint ventures has not been disclosed separately on the face of the Profit and Loss Account since it is immaterial.

	Note	Net Assets		Turnover		Operating Profit	
		2003 £m	2002 (restated)* £m	2003 £m	2002 £m	2003 £m	2002 £m
National newspapers and related activities		299.0	276.1	819.9	827.8	61.9	72.0
Regional newspapers and related activities		437.0	440.1	483.7	472.3	81.8	74.9
Euromoney Institutional Investor		44.5	42.4	158.9	179.7	7.1	20.9
Broadcasting		171.5	157.5	116.0	114.7	15.9	12.6
Exhibitions and related activities		57.1	81.7	130.5	141.0	9.2	10.4
Business to business information and careers		128.8	137.2	224.0	209.0	12.5	–
Unallocated central costs		(38.1)	(42.6)	–	–	(14.4)	(13.5)
Turnover				1,933.0	1,944.5		
Operating profit	2					174.0	177.3
Net operating assets		1,099.8	1,092.4				
Investments in joint ventures and associates		166.7	167.2				
Net non-operating liabilities		(941.7)	(992.5)				
Net assets		324.8	267.1				

Turnover of regional newspapers and related activities excludes intra-Group turnover of £12.8 million (2002 £11.4 million).

Associates and joint ventures together comprise more than 20% of Group net assets and hence have been segmented in accordance with SSAP 25, as follows:

	Net assets		Operating profit/(loss)	
	2003 £m	2002 £m	2003 £m	2002 £m
Joint ventures:				
National newspapers and related activities	3.7	5.1	(2.1)	(2.2)
Broadcasting	19.4	18.2	(1.1)	0.2
Exhibitions and related activities	7.1	–	(1.1)	–
Business to business information and careers	0.8	–	0.7	–
	31.0	23.3	(3.6)	(2.0)
Associates:				
National newspapers and related activities	9.9	6.2	(1.6)	(4.5)
Regional newspapers and related activities	(0.4)	–	(2.5)	(1.8)
Euromoney Institutional Investor	0.4	0.1	0.3	0.4
Broadcasting	81.2	87.4	1.2	(9.0)
Exhibitions and related activities	44.2	49.8	0.5	0.5
Business to business information and careers	0.4	0.4	0.1	(0.2)
	135.7	143.9	(2.0)	(14.6)
	166.7	167.2	(5.6)	(16.6)

The Group's results have not been segmented below total operating profit since such analysis would not be meaningful.

Notes to the Profit and Loss Account

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1 Segmental Information continued

By geographical area

The figures for each geographical area show the net operating assets owned by, and the turnover and profits made by, companies located in that area; export sales and related profits are included in the areas from which those sales are made. Turnover in each geographical market in which customers are located is not disclosed as there is no material difference between the two.

	Net Operating Assets		Turnover		Operating Profit	
	2003	2002	2003	2002	2003	2002
	£m	*as restated £m	£m	£m	£m	£m
UK	694.1	627.1	1,540.6	1,560.9	161.2	179.9
Rest of Europe	36.7	34.7	45.9	40.9	(5.7)	(5.0)
North America	231.0	271.1	240.9	249.4	9.9	(2.1)
Rest of the World	138.0	159.5	105.6	93.3	8.6	4.5
	1,099.8	1,092.4	1,933.0	1,944.5	174.0	177.3

Comparative figures have been reanalysed to achieve a more consistent presentation.

2 Operating profit

	Note	2003 Continuing £m	2003 Acquisitions £m	2003 Total £m	2002 Total £m
Turnover		1,925.8	7.2	1,933.0	1,944.5
Decrease in stocks of finished goods and work in progress		(7.7)	–	(7.7)	(2.3)
Raw materials and consumables		(279.6)	(0.9)	(280.5)	(308.2)
Other external charges		(373.6)	(0.4)	(374.0)	(389.1)
Staff costs	3	(566.0)	(2.8)	(568.8)	(557.7)
Depreciation of tangible fixed assets	20	(71.3)	–	(71.3)	(74.7)
Amortisation of intangible assets	19	(53.2)	(0.9)	(54.1)	(55.5)
Impairment of intangible assets		(9.4)	–	(9.4)	–
Rental of property		(26.3)	–	(26.3)	(23.7)
Rental of plant and equipment		(7.7)	(0.4)	(8.1)	(8.7)
Foreign exchange translation differences		1.3	–	1.3	(0.2)
Other operating charges		(356.5)	(1.2)	(357.7)	(344.3)
Auditors' remuneration for the Group		(1.6)	–	(1.6)	(1.8)
Group auditors' fees for other services		(0.8)	–	(0.8)	(1.0)
		173.4	0.6	174.0	177.3

There were no material discontinued activities in the year.

The Group audit fee includes £27,000 (2002 £34,000) in respect of the Company's audit.

Other fees earned by the Group's auditors arise principally from circulation audits £0.1 million, tax advice £0.6 million and other audit related services of £0.1 million.

Turnover and operating profit for 2003 are analysed further by segment as follows:

	Continuing £m	Acquisitions £m	Total £m
Turnover			
National newspapers and related activities	819.9	–	819.9
Regional newspapers and related activities	483.6	0.1	483.7
Euromoney Institutional Investor	158.6	0.3	158.9
Broadcasting	116.0	–	116.0
Exhibitions and related activities	130.2	0.3	130.5
Business to business information and careers	217.5	6.5	224.0
	1,925.8	7.2	1,933.0

Turnover of business to business information and careers comprises £119.9 million (2002 £107.7 million) from business to business information and £104.1 million (2002 £101.3 million) from careers.

* See Note 34

Notes to the Profit and Loss Account

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2 Operating profit continued

	2003 Continuing	2003 Acquisitions	2003 Before amortisation and impairment of intangible assets and exceptional items	2003 Impairment of intangible assets	2003 Amortisation of intangible assets	2003 Total
	£m	£m	£m	£m	£m	£m
Operating profit						
National newspapers and related activities	69.8	–	69.8	(1.6)	(6.3)	61.9
Regional newspapers and related activities	93.7	–	93.7	–	(11.9)	81.8
Euromoney Institutional Investor	23.8	–	23.8	(7.8)	(8.9)	7.1
Broadcasting	20.4	–	20.4	–	(4.5)	15.9
Exhibitions and related activities	20.4	–	20.4	–	(11.2)	9.2
Business to business information and careers	22.3	1.5	23.8	–	(11.3)	12.5
Unallocated central costs	(14.4)	–	(14.4)	–	–	(14.4)
	236.0	1.5	237.5	(9.4)	(54.1)	174.0
Less: amortisation and impairment of intangible assets	(62.6)	(0.9)	(63.5)			
	173.4	0.6	174.0			

Operating profit before amortisation of intangible assets and exceptional items within the business to business information and careers division comprised £23.3 million from business to business information and £3.5 million at careers, offset by unallocated central costs of £3.0 million. The Directors do not consider these results to be sufficiently material to require the presentation of a separate segment, but have provided this additional information to assist the understanding of the performance of the business to business information and careers division.

The Group regularly performs a review of its portfolio of investments which has led to an impairment charge of £9.4 million. This includes a write down of £6.8 million for goodwill which was previously written off against reserves relating to businesses where the goodwill is now no longer separately identifiable, as a result of a business merger, or where the immediate prospects for the businesses are uncertain.

Operating profit for 2002 is analysed further by segment as follows:

	2002 Before amortisation of intangible assets	2002 Exceptional items	2002 Amortisation of intangible assets	2002 Total
	£m	£m	£m	£m
Operating profit				
National newspapers and related activities	80.3	(2.0)	(6.3)	72.0
Regional newspapers and related activities	90.2	(3.9)	(11.4)	74.9
Euromoney Institutional Investor	29.1	–	(8.2)	20.9
Broadcasting	16.7	–	(4.1)	12.6
Exhibitions and related activities	24.8	–	(14.4)	10.4
Business to business information and careers	14.0	(2.9)	(11.1)	–
Unallocated central costs and other activities	(13.5)	–	–	(13.5)
	241.6	(8.8)	(55.5)	177.3

In the prior year exceptional operating items comprised redundancy and reorganisation costs of £8.8 million.

Operating profit before amortisation and impairment of intangible assets and exceptional items within the business to business information and careers division comprised £16.6 million from business to business information, a loss of £0.6 million at careers and unallocated central costs of £2.0 million.

3 Employees

	2003 Number	2002 Number
Average number of persons employed by the Group by activity:		
National newspapers and related activities	3,461	3,502
Regional newspapers and related activities	8,214	8,230
Euromoney Institutional Investor	1,478	1,585
Broadcasting	1,142	1,147
Exhibitions and related activities	719	817
Business to business information and careers	3,480	3,496
Other activities	71	75
	18,565	18,852

Notes to the Profit and Loss Account

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3 Employees continued

	2003 £m	2002 £m
Total staff costs comprised:		
Wages and salaries	499.8	494.8
Social security costs	45.2	41.4
Pension contributions	23.8	21.5
	568.8	557.7

4 Share of Operating Profits and Losses of Joint Ventures and Associates

	2003 £m	2002 £m
Share of operating profits of joint ventures (before amortisation and impairment)	0.7	0.2
Share of operating profits of associates (before amortisation and impairment)	6.1	4.9
Before amortisation and impairment of goodwill	6.8	5.1
Share of amortisation of goodwill of associates	(2.1)	(3.1)
Share of amortisation of goodwill of joint ventures	(0.8)	–
Amortisation of goodwill of joint ventures and associates	(11.0)	(12.1)
Share of impairment of goodwill in associates	1.5	(6.5)
	(5.6)	(16.6)

5 Profit on Sale of Fixed Assets

	2003 £m	2002 £m
Profit on sale of tangible fixed assets	1.2	3.5

6 Profit on Disposal and Closure of Businesses including Associates

	Note	2003 £m	2002 £m
Loss on closure of businesses		–	(0.2)
Profit on sale of businesses	36	2.1	6.8
Profit on sale of associates		–	0.5
Share of associates' (loss)/profit on sale of businesses		(2.0)	1.5
		0.1	8.6

The profit on sale of businesses comprises profits on the sale of Central Press Features by Northcliffe Newspapers, the sale of China Law Titles by Euromoney and the sale of 4BH by DMG Radio Australia, offset by the loss on disposal of a South American business by dmg world media.

The profit on sale of businesses in the prior year comprised a final tranche of unprovided, contingent proceeds on Euromoney's sale of 100% Design Limited, combined with a profit on sale of Eastern Counties Radio Limited.

The share of associates' loss on sale of businesses relate to the Group's share of losses on the disposal of Euronews by ITN together with the Group's share of losses from GWR on its disposal of Medien 2000 Holdings AG, offset by its profit on sale of Vibe Radio Services Limited.

The share of associates' profit on sale of businesses in the prior year comprised the Group's share of the profits on the disposal of London News Radio Limited and Vibe Radio Services Limited by GWR, offset by the loss on disposal by GWR of its 25% interest in DMG Radio Australia to the Group.

7 Income from Other Fixed Asset Investments

	2003 £m	2002 £m
Reuters Group plc	1.3	1.3
The Press Association Limited	3.7	3.9
	5.0	5.2

Notes to the Profit and Loss Account

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8 Net Interest Payable

	2003 £m	2002 £m
Interest payable on loans and bonds	(65.9)	(67.6)
Share of interest payable by joint ventures and associates	(2.2)	(1.7)
Interest payable on finance leases	(2.7)	(2.2)
	(70.8)	(71.5)
Interest receivable from short-term deposits	6.4	3.4
Investment income from forward exchange contracts	3.0	–
Share of interest receivable by joint ventures and associates	0.2	0.5
	(61.2)	(67.6)

9 Other Finance Charges (Net)

	2003 £m	2002 £m
Premium on repurchase of exchangeable bonds	–	(1.3)
Finance credit on discounting of deferred proceeds	–	1.9
Finance charge on discounting of deferred consideration	(2.6)	(2.4)
	(2.6)	(1.8)

The finance charge on the discounting of deferred consideration and the prior year finance credit on the discounting of deferred proceeds, arise from the requirement under FRS 7 to discount deferred proceeds and deferred consideration back to current values.

The prior year premium on repurchase of exchangeable bonds arose as a result of their being acquired for a price in excess of their par value. No premium or discount arose on the repurchase of the exchangeable bonds in October 2002.

10 Taxation on Profit on Ordinary Activities

	Note	2003 £m	2002 £m
The charge on the profit for the year consists of:			
UK			
Corporation tax at 30% (2002 30%)		(38.2)	(39.7)
Adjustments in respect of prior year	iii	2.0	29.9
Share of associates and joint ventures		(1.2)	(1.1)
		(37.4)	(10.9)
Overseas taxation			
Corporation taxes		(5.1)	(8.9)
Adjustments in respect of prior year	iii	(3.0)	(0.1)
Total current taxation		(45.5)	(19.9)
Deferred tax			
Origination and reversals of timing differences		(4.2)	(6.1)
Increase in discount		3.2	4.5
Adjustments in respect of prior year		1.0	1.3
Adjustments in respect of prior year discount		–	2.4
		(45.5)	(17.8)

Notes to the Profit and Loss Account

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10 Taxation on Profit on Ordinary Activities continued

(i) The tax charge for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 30%). The differences are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before tax	108.0	107.4
Tax on profit on ordinary activities at the standard rate of 30%	(32.4)	(32.2)
Effect of:		
Expenses not deductible for tax purposes:		
Amortisation of intangible assets	(8.2)	(9.3)
Impairment of intangible assets	(2.3)	–
Other expenses not deductible for tax purposes	(5.8)	(5.3)
Additional items deductible for tax purposes	2.8	10.7
Accelerated capital allowances and other timing differences	5.2	3.3
Non taxable income	1.7	1.5
Effect of overseas tax rates	0.8	(2.4)
Effect of associates tax	(1.5)	(5.9)
Tax losses unrelieved	(4.5)	(13.4)
Write off/disposal of subsidiaries	(0.6)	3.2
Prior year tax credit	(1.0)	29.8
Other	0.3	0.1
Current tax charge on the profit for the year	(45.5)	(19.9)

(ii) The underlying tax on profits before amortisation and impairment of intangible assets and exceptional items amounted to £47.0 million (2002 £49.5 million) (Note 14) and the resulting rate is 25.3% (2002 27.1%). There was a tax credit of £1.5 million (2002 £31.7 million) relating to exceptional items in the current and prior years. This included a credit of £4.1 million (2002 £0.8 million) which arose on the sale of fixed assets, a charge of £0.7 million (2002 £Nil) on the disposal and closure of businesses, a credit of £Nil (2002 £2.7 million) in respect of exceptional operating items, a credit of £4.9 million (2002 £27.4 million) following the agreement of certain prior year open issues with the UK Inland Revenue in relation to the Group's international structure, a charge of £6.8 million (2002 £Nil) in respect of increased provisions for certain prior year open issues and a credit of £Nil million (2002 £2.4 million) relating to the prior year effect of discounting deferred tax.

(iii) The net current tax prior year charge of £1.0 million (2002 credit £29.8 million) arose largely from a reassessment of the level of tax provisions required.

(iv) In subsequent years the Group's tax charge may be affected by the movement in currently unrecognised deferred tax assets, the largest of which relates to the Group's accumulated tax losses in the US.

11 Profit for the Financial Year

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the Company has not been included in these accounts. The Company's profit after tax for the year was £28.3 million (2002 £10.7 million).

12 Dividends

	2003 Pence per share	£m	2002 Pence per share	£m
Interim paid				
Ordinary shares	3.15	0.6	2.95	0.6
'A' Ordinary Non-Voting shares	3.15	12.0	2.95	11.1
		12.6		11.7
Final proposed				
Ordinary shares	6.85	1.4	6.25	1.3
'A' Ordinary Non-Voting shares	6.85	25.8	6.25	23.6
		27.2		24.9
	10.00	39.8	9.20	36.6

All shares in issue are equity shares.

Notes to the Profit and Loss Account

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13 Earnings per Share

Basic earnings per share of 15.2p (2002 20.8p) are calculated, in accordance with FRS 14, on Group profit for the financial year of £60.4 million (2002 £82.8 million) and on the weighted average number of ordinary shares in issue during the year, as set out below.

Diluted earnings per share of 15.2p (2002 20.8p) are calculated, in accordance with FRS 14, on an unchanged earnings numerator and on the weighted average number of ordinary shares in issue during the year, as set out below.

As in previous years, adjusted earnings per share have also been disclosed since the Directors consider that this alternative measure gives a more comparable indication of the Group's underlying trading performance. Adjusted earnings per share of 33.2p (2002 31.0p) are calculated on profit before amortisation and impairment of intangible assets and exceptional items, after charging the taxation and minority interests associated with those profits, of £131.9 million (2002 £123.4 million), as set out in Note 14 below, and on the basic weighted average number of ordinary shares in issue during the year.

	2003 Pence per share	2002 Pence per share
Basic earnings per share	15.2	20.8
Adjustments:		
Amortisation of intangible assets	17.1	17.8
Impairment of intangible assets	2.0	1.6
Exceptional items	0.4	(0.5)
Taxation on exceptional items	(0.4)	(8.0)
Interest of minority shareholders	(1.1)	(0.7)
Adjusted earnings per share (before amortisation and impairment of intangible assets and exceptional items)	33.2	31.0

The weighted average number of ordinary shares in issue during the year for the purpose of these calculations is as follows:

	2003 No million	2002 No million
Weighted average number of shares		
Number of ordinary shares in issue	401.0	401.0
Shares held by the DMGT Share Trust	(3.2)	(3.1)
Basic earnings per share denominator	397.8	397.9
Effect of dilutive share options	0.2	0.3
Dilutive earnings per share denominator	398.0	398.2

14 Adjusted profit

(before amortisation and impairment of intangible assets and exceptional items, after taxation and minority interests)

	Note	2003 £m	2002 £m
Profit before tax		108.0	107.4
Add back:			
Amortisation of intangible assets in Group operating profit and in joint ventures and associates		68.0	70.7
Impairment of intangible assets in Group and in associates		7.9	6.5
Operating exceptional losses		–	8.8
Profit on sale of fixed assets	5	(1.2)	(3.5)
Profit on disposal of businesses	6	(0.1)	(8.6)
Amounts written off investments		2.9	1.2
Profit before amortisation and impairment of intangible assets, exceptional items and taxation		185.5	182.5
Taxation charge	10ii	(47.0)	(49.5)
Interest of minority shareholders	i	(6.6)	(9.6)
Profit before amortisation and impairment of intangible assets and exceptional items, after taxation and minority interests		131.9	123.4

(i) The adjusted minority charge for the year of £6.6 million (2002 £9.6 million) is stated after eliminating a credit of £4.5 million (2002 £3.3 million), being the minority share of amortisation, and a charge of £Nil (2002 £0.5 million) on exceptional items.