# APPENDIX

## IFRS information

### Introduction

DMGT prepares its report and accounts in accordance with U.K. generally accepted accounting practice (UK GAAP). Following the European regulation issued in 2002, the Group will present its report and accounts in accordance with International Financial Reporting Standards (IFRS) from 3rd October, 2005.

The Group's first Annual Report and Accounts under IFRS will therefore be for the year ending 1st October, 2006. Comparative figures for the year ended 2nd October, 2005, as presented in this Report and Accounts will be restated. The transition date to IFRS for DMGT is 3rd October, 2004, being the start of the period of comparative information.

### Basis of preparation

The key differences between UK GAAP and IFRS affecting the Group's accounting policies are set out below and these assume that all existing IFRS, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) effective for the year to 2nd October, 2005, will be fully endorsed by the EC. The failure of the EC to endorse all of these standards in time for the 2005/06 financial reporting period could result in the need to change the basis of accounting or presentation of certain financial information from that reported herein.

The IASB continues to amend certain of these standards and interpretations as well as to issue new standards and interpretations. Such new guidance may be applicable to 2005/06 or may be applicable to later periods but may be adopted early. It is important to note that the IFRS position as stated is the Group's current view based on the financial reporting standards currently in issue and changes may arise as new accounting pronouncements are developed and issued. As a result of this, the Group's first financial statements may be prepared on a different basis to that presented herein. The Group's accounting policy for the financial instruments assumes that the final version of IAS 39 Financial Instruments will be endorsed by the EC and adopted from 3rd October, 2005.

## IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 permits companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS and also certain elections in the transition period. The Group has taken advantage of the following exemptions and elections.

### Business Combinations IFRS 3

The Group has decided not to adopt IFRS 3 retrospectively to business combinations. As a result, in the opening balance sheet, goodwill from past business combinations amounting to £626.6 million remains as stated under UK GAAP as at 3rd October, 2004.

### Cumulative translation differences

The Group has elected not to recalculate the movement arising on the retranslation of the overseas operations at the date of transition. The gain or loss or loss on the subsequent disposal of an overseas operation will only take account of translation gains or losses that arise subsequent to the date of transition.

### Employee Benefits IAS 19

The Group has elected to recognise all cumulative actuarial gains and losses in relation to employee benefit schemes at the date of transition.

### Share-based payments IFRS 2

The Group has elected to apply IFRS 2 to all relevant share based payment transactions granted after 7th November, 2002 but not fully vested as at 1st January, 2005.

### Joint Ventures

The Group has elected to continue to equity account for its investments in joint ventures and not adopt a proportional consolidation approach.

### Financial Instruments: Disclosure and Presentation IAS 32 and Financial Instruments: Recognition and Measurement IAS 39

IAS 32 and IAS 39 have been deferred. They will be adopted from 3rd October, 2005. Commencing on this date it is the intention to apply hedge accounting where the requirements of IAS 39 are met.

## Summary of differences between UK GAAP and IFRS

The following summarises the areas of reconciliation relevant to the Group between UK GAAP and IFRS.

### Share based payments

Under UK GAAP no cost is incurred for share options under the Group's incentive schemes. In accordance with IFRS 2 Share-based payments the Group will recognise a charge to the Profit and Loss Account which represents the fair value of outstanding share-based payments granted to employees.

The basis of calculation for deferred taxation is the difference between the market price at the balance sheet date and the exercise price of the share-based payment reflecting expected levels of vesting.

### Employment benefits

Under UK GAAP, a prepayment or accrual is shown in the balance sheet representing timing differences between the surplus of pension fund assets over projected accrued benefit obligations and the cash payments made to the pension fund scheme.

Under IAS 19 Employee Benefits, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating profit in the period. A net credit representing the expected return on assets of the retirement benefit schemes less a charge representing the expected increase in the liabilities during the period is included within other finance income, based on the market value of the assets of the scheme at the start of the financial period. The difference between the market value of the assets and the present value of the accrued pension liabilities is recognised as an asset or a liability in the balance sheet together with the related deferred tax. Differences between the actual and expected returns on assets during the period are recognised in the Statement of Recognised Income and Expense, together with differences arising from changes in assumptions. This treatment is consistent with that already disclosed under FRS 17 Retirement Benefits under UK GAAP as set out in note 37 to the financial statements.

# APPENDIX
## Continued

### Leases
Under UK GAAP, lease incentives are taken to the Profit and Loss Account over the term of the lease remaining to the next rental review. IAS 17 Leases, requires incentives to be taken to the Profit and Loss Account over the lease term rather than to the next review. This has led to a slight increase in the charge for the year.

### Dividends
Under UK GAAP dividends are provided for in the period in respect of which they are declared or proposed. IAS 10 Events After the Balance Sheet Date requires that dividends are given effect only in the period in which they are declared. The effect of this change for the Group is that the final dividend in relation to the financial years 2003/04 and 2004/05 which were accrued at the balance sheet dates are reversed and, instead, accounted for in 2004/05 and 2005/06 respectively.

### Business combinations and intangible assets
Under UK GAAP, goodwill on acquisitions made by the Group since 28th September, 1998 has been capitalised and amortised over its estimated life where such a life has been determined to be finite. Prior to 28th September, 1998, goodwill arising on acquisitions was eliminated against reserves in the consolidated balance sheet in the year in which the acquisition was made. IFRS 3 Reporting Financial Performance prohibits the amortisation of goodwill. This standard requires goodwill to be carried at cost with impairment reviews carried out annually and at other times if there are indications that the carrying amount may not be supportable. The Group has adopted the transitional provisions set out in IFRS 1, to apply IFRS 3 prospectively from the Transition Date. Goodwill arising on acquisitions made prior to this is frozen as at the Transition Date and any goodwill amortisation occurring in the financial year 2004/05 is therefore reversed for IFRS reporting purposes.

IAS 38 Intangible Assets requires other intangible assets to be separately identified and amortised over their useful economic lives. These lives will typically not be indefinite and as a result, upon acquisition of a company, intangible assets such as brands and customer lists are now separately valued and then amortised over their useful economic lives. Additionally, UK GAAP requires that on subsequent disposal or closure of a previously acquired subsidiary, any goodwill previously taken directly to shareholders' funds is then charged to the Profit and Loss Account as part of profit or loss on disposal or closure. Under IFRS the appropriate balance to be written off on the disposal of the business is the remaining unamortised balance for goodwill. This change has no effect on the Group's opening balance sheet.

### Marketing costs
Under UK GAAP the Group matches its marketing and promotional spend with income generated from an event. Under IFRS, IAS 38 Intangible Assets requires that deferred marketing and promotional costs be expensed when incurred.

### Taxation
Under UK GAAP recognition of deferred tax in respect of rolled over capital gains is not required and is not permitted in respect of revaluation gains. Under IFRS a deferred tax provision is required in both cases. Under UK GAAP deferred tax does not arise in respect of capitalised intangible fixed assets unless they are deductible for tax purposes, IFRS requires provision where the asset is acquired as part of a business combination. Goodwill written off to reserves under UK GAAP prior to the introduction of FRS10 Goodwill and Intangible Assets, gave rise to a potential deferred tax liability under UK GAAP, however, the reverse is true under IFRS where a potential deferred tax asset arises. Under UK GAAP the Group was permitted to discount deferred tax assets and liabilities, whereas IFRS does not permit discounting. As amortisation of goodwill is not permitted under IFRS the potential deferred tax in respect of capitalised tax deductible goodwill will be more significant under IFRS.

### Presentation of financial statements
The format of the primary financial statements will be presented in accordance with IAS 1 Presentation of Financial Statements. Although similar, a presentation and related disclosures differ from the UK GAAP equivalent. Under IAS 1, there is no definition of exceptional items. However, the standard provides examples of circumstances where, when such items of income and expense are material, the nature and amount should be disclosed separately. Included in these examples are many one off items which the Group has previously described as exceptional. Accordingly, the Group will continue to identify such items separately.

### Reclassification changes
The following changes reflect presentational changes to the balance sheet at the Transition Date and have no effect on either net assets or future profits:

• Under UK GAAP, share of interest and taxation of associates and joint ventures is included within Group net interest and taxation. Under IFRS these items are disclosed within share of profits/(losses) from associates and joint ventures;

• Under UK GAAP, capitalised computer software is included within tangible fixed assets on the balance sheet. Under IFRS, only computer software which is integral to a related item of hardware is included as property, plant and equipment. All other computer software is included. All other computer software is included as an intangible asset. As a result, certain software previously shown as fixed assets has been reclassified as intangible assets;

• Under UK GAAP, specific definitions exist for cash at bank and in hand and short-term investments. Under IFRS, a new category described as cash and cash equivalents replaces the UK GAAP equivalent of cash at bank and in hand. The definition of cash and cash equivalents results in a reclassification of certain amounts from short-term investments into cash and cash equivalents;

• Under UK GAAP, provisions for liabilities and charges are not required to be formally split between current and non-current. IFRS requires this distinction to be made; and

• Under UK GAAP, deferred tax assets are split between amounts falling due within one year and amounts falling due after more than one year. IFRS requires all deferred tax asset balances to be shown as non-current.

# APPENDIX
Continued

## Summary of effects on profit for the year of differences between UK GAAP and IFRS

| | Period ended 2nd October, 2005 £m |
|---|---|
| **Effect of differences between UK GAAP and IFRS on profit for the year** | |
| Profit for the year in accordance with UK GAAP | 51.3 |
| **IFRS Adjustments** | |
| Employee benefits IAS 19 | (13.0) |
| Share based payments IFRS 2 | (11.0) |
| Deferred marketing costs IAS 38 | (0.7) |
| Operating leases IAS 17 | (0.1) |
| Operating profit before amortisation and impairment of intangible assets and exceptional items | (24.8) |
| Goodwill amortisation reversal IFRS 3 | 50.5 |
| Amortisation of intangibles acquired IAS 38 | (7.0) |
| IFRS adjustments to operating profit | 18.7 |
| Goodwill amortisation reversal from associates and joint ventures IFRS 3 | 4.4 |
| Goodwill previously written off to reserves IFRS 3 | 5.3 |
| Goodwill amortisation reversal on associate sold during the year IFRS 3 | (1.1) |
| Reclassification of share of tax and interest from associates and joint ventures IAS 1 | (3.5) |
| IFRS adjustments to profit before interest and taxation | 23.8 |
| Employee benefits IAS 19 | 9.9 |
| Reclassification of share of interest from associates and joint ventures IAS 1 | 1.2 |
| IFRS adjustments to interest | 11.1 |
| Tax effect on | |
| Reclassification of share of tax from associates and joint ventures IAS 1 | 2.3 |
| Employee benefits IAS 19 | 1.6 |
| Sundry items | 0.1 |
| Deferred marketing costs IAS 38 | 0.2 |
| Share based payments IFRS 2 | (6.9) |
| Deferred tax IAS 12 | (9.6) |
| IFRS adjustments to taxation | (12.3) |
| Effect on minority interests | (2.2) |
| IFRS adjustments to minorities | (2.2) |
| Dividends IAS 10 | 2.5 |
| IFRS adjustments to dividends | 2.5 |
| Profit for the year in accordance with IFRS | 74.2 |

# APPENDIX
Continued

## Summary of effects on shareholders' funds of differences between UK GAAP and IFRS

| | 2nd October, 2005 £m | Transition 3rd October, 2004 £m |
|---|---|---|
| **Effects of difference between UK GAAP and IFRS on shareholders' funds** | | |
| Shareholders' funds for the year in accordance with UK GAAP | **462.4** | 402.1 |
| **IFRS Adjustments** | | |
| Employee benefits IAS 19 | **(237.0)** | (255.7) |
| Share based payments IFRS 2 | **–** | (42.9) |
| Dividends IAS 10 | **32.5** | 30.0 |
| Goodwill amortisation reversal IFRS 3 | **53.8** | – |
| Amortisation of intangibles acquired IAS 38 | **(7.0)** | – |
| Deferred marketing costs IAS 38 | **(2.5)** | (1.7) |
| Operating leases IAS 17 | **(1.4)** | (1.3) |
| Other | **(0.5)** | (0.5) |
| IFRS adjustments before taxation | **(162.1)** | (272.1) |
| Deferred tax on pension deficit IAS 19 | **71.6** | 75.4 |
| Deferred tax on goodwill and intangible timing differences IAS 12 | **(39.8)** | (25.8) |
| Deferred tax on share based payments IFRS 2 | **0.7** | 1.6 |
| Corporation tax on deferred marketing costs IAS 38 | **0.6** | 0.4 |
| Corporation tax on employee benefits IAS 19 | **0.4** | 0.2 |
| Deferred tax other | **(2.0)** | (3.0) |
| IFRS adjustments after taxation | **(130.6)** | (223.3) |
| Shareholders' funds for the year in accordance with IFRS | **331.8** | 178.8 |