

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.

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/(loss)	
		2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
National newspapers and related activities		304.8	285.5	877.5	890.2	78.9	54.5
Regional newspapers and related activities		436.0	435.6	520.1	519.4	72.4	84.2
Business to business information and careers		172.4	160.0	294.6	257.1	37.7	20.7
Euromoney Institutional Investor		29.6	26.6	196.3	174.7	31.2	21.0
Exhibitions and related activities		118.9	107.9	152.1	144.7	10.7	6.7
Broadcasting		230.1	210.3	97.1	122.4	(7.3)	14.3
Unallocated central liabilities/costs		(33.4)	(21.3)	-	-	(16.4)	(19.7)
Turnover	2			2,137.7	2,108.5		
Operating profit	2					207.2	181.7
Net operating assets		1,258.4	1,204.6				
Investments in joint ventures and associates		87.4	141.5				
Net non-operating liabilities		(883.4)	(944.0)				
Net assets		462.4	402.1				

Turnover of regional newspapers and related activities excludes intra-group turnover of £17.1 million (2004 £17.1 million). Turnover from broadcasting comprises television of £63.2 million (2004 £74.9 million) and radio of £33.9 million (2004 £47.5 million). Turnover of business to business information and careers comprises £173.7 million (2004 £143.3 million) from business to business information and £120.9 million (2004 £113.8 million) from careers.

In the prior year associates and joint ventures together comprised more than 20% of Group net assets and hence have been segmented in accordance with SSAP 25 Segmental Reporting, as follows:

	Net assets		Operating profit/(loss)	
	2005 £m	2004 £m	2005 £m	2004 £m
Joint ventures:				
National newspapers and related activities	-	-	0.4	(1.8)
Regional newspapers and related activities	1.6	-	-	-
Business to business information and careers	1.4	1.3	0.4	0.4
Euromoney Institutional Investor	-	-	(0.1)	-
Exhibitions and related activities	-	4.6	(0.6)	(1.7)
Broadcasting	19.4	17.4	0.3	(0.3)
	22.4	23.3	0.4	(3.4)
Associates:				
National newspapers and related activities	1.4	2.6	(4.5)	(7.3)
Regional newspapers and related activities	(0.2)	(0.2)	(2.0)	(1.5)
Business to business information and careers	0.5	0.5	0.3	0.3
Euromoney Institutional Investor	6.8	0.2	0.6	0.4
Exhibitions and related activities	54.3	37.2	2.2	0.9
Broadcasting	2.2	77.9	0.3	1.8
	65.0	118.2	(3.1)	(5.4)
	87.4	141.5	(2.7)	(8.8)

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		2005 £m	Turnover 2004 £m	Operating profit/(loss)	
	2005 £m	2004 £m			2005 £m	2004 £m
UK	814.8	708.0	1,661.3	1,668.3	165.9	156.7
Rest of Europe	36.4	37.7	55.4	54.6	(2.0)	(9.4)
North America	178.2	234.6	312.4	261.3	41.9	21.5
Rest of the World	229.0	224.3	108.6	124.3	1.4	12.9
	1,258.4	1,204.6	2,137.7	2,108.5	207.2	181.7

2 Operating profit

	Note	2005 Continuing £m	2005 Acquisitions £m	2005 Total £m	2004 Total £m
Turnover		2,117.9	19.8	2,137.7	2,108.5
Decrease in stocks of finished goods and work in progress		(1.2)	–	(1.2)	(1.5)
Raw materials and consumables		(274.9)	(0.1)	(275.0)	(279.6)
Other external charges		(414.0)	(3.7)	(417.7)	(412.4)
Staff costs	3	(630.1)	(7.2)	(637.3)	(618.1)
Depreciation of tangible fixed assets	20	(72.6)	(0.1)	(72.7)	(84.5)
Amortisation of intangible assets	19	(67.6)	(4.7)	(72.3)	(71.2)
Impairment of intangible assets	19	(3.9)	–	(3.9)	(12.9)
Rental of property		(28.6)	–	(28.6)	(24.6)
Rental of plant and equipment		(5.8)	(0.2)	(6.0)	(7.1)
Foreign exchange translation differences		1.9	–	1.9	2.0
Other operating charges		(411.1)	(2.4)	(413.5)	(412.0)
Loss on sale of tangible fixed assets		(0.3)	–	(0.3)	–
Auditors' remuneration for the Group audit		(1.9)	–	(1.9)	(1.6)
Group auditors' fees for other services		(2.0)	–	(2.0)	(3.3)
		205.8	1.4	207.2	181.7

There were no material discontinued activities in the year.

The Group audit fee includes £43,960 (2004 £32,745) in respect of the Company's audit.

Other fees earned by the Group's auditors arise principally from acquisition advice of £0.2 million (2004 £1.6 million), tax advice of £0.4 million (2004 £1.3 million) and other audit related services of £1.4 million (2004 £0.4 million).

Turnover and operating profit for 2005 are analysed further by segment as follows:

	Continuing £m	Acquisitions £m	Total £m
Turnover			
National newspapers and related activities	873.8	3.7	877.5
Regional newspapers and related activities	519.5	0.6	520.1
Business to business information and careers	286.5	8.1	294.6
Euromoney Institutional Investor	196.3	–	196.3
Exhibitions and related activities	144.7	7.4	152.1
Broadcasting	97.1	–	97.1
	2,117.9	19.8	2,137.7

NOTES TO THE PROFIT AND LOSS ACCOUNT

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2 Operating profit continued

	2005 Continuing £m	2005 Acquisitions £m	2005 Before amortisation and impairment of intangible assets and exceptional items £m	2005 Exceptional items £m	2005 Impairment of intangible assets £m	2005 Amortisation of intangible assets £m	2005 Total £m
Operating profit							
National newspapers and related activities	94.0	1.1	95.1	(1.2)	–	(15.0)	78.9
Regional newspapers and related activities	101.5	0.1	101.6	(10.4)	(3.5)	(15.3)	72.4
Business to business information and careers	49.7	1.9	51.6	–	–	(13.9)	37.7
Euromoney Institutional Investor	39.0	–	39.0	–	–	(7.8)	31.2
Exhibitions and related activities	21.6	3.0	24.6	–	(0.4)	(13.5)	10.7
Broadcasting	1.8	–	1.8	(2.3)	–	(6.8)	(7.3)
Unallocated central costs	(16.4)	–	(16.4)	–	–	–	(16.4)
	291.2	6.1	297.3	(13.9)	(3.9)	(72.3)	207.2
Less: amortisation and impairment of intangible assets	(71.5)	(4.7)	(76.2)				
Less: exceptional items	(13.9)	–	(13.9)				
	205.8	1.4	207.2				

Operating profit before amortisation and impairment of intangible assets and exceptional items within broadcasting comprised £2.2 million from television and a loss of £0.4 million from radio.

Operating profit before amortisation and impairment of intangible assets and exceptional items within the business to business information and careers divisions comprised £50.3 million from business to business information and £5.2 million at careers, offset by unallocated central costs of £3.9 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 these divisions.

The Group's review of its portfolio of investments has led to an impairment charge of £3.9 million (2004 £12.9 million). The impairment charge has been assessed by reference to the value in use of the intangible fixed assets as required by FRS 11, Impairment of Fixed Assets. The discount rates applied to the cashflows varied, depending on the type of business, but were in the range of 7.5% and 10%.

Operating profit for 2004 is analysed further by segment as follows:

	2004 Before amortisation and impairment of intangible assets £m	2004 Exceptional items £m	2004 Impairment of intangible assets £m	2004 Amortisation of intangible assets £m	2004 Total £m
Operating profit					
National newspapers and related activities	90.3	(17.8)	(3.8)	(14.2)	54.5
Regional newspapers and related activities	100.5	–	(2.0)	(14.3)	84.2
Business to business information and careers	36.7	–	(3.5)	(12.5)	20.7
Euromoney Institutional Investor	30.6	–	(1.2)	(8.4)	21.0
Exhibitions and related activities	25.8	–	(2.4)	(16.7)	6.7
Broadcasting	19.4	–	–	(5.1)	14.3
Unallocated central costs and other activities	(19.7)	–	–	–	(19.7)
	283.6	(17.8)	(12.9)	(71.2)	181.7

Operating profit before amortisation and impairment of intangible assets and exceptional items within broadcasting comprised £15.6 million from television and £3.8 million from radio.

Operating profit before amortisation and impairment of intangible assets and exceptional items within the business to business information and careers division comprised £34.8 million from business to business information, £4.9 million at careers offset by unallocated central costs of £3.0 million.

NOTES TO THE PROFIT AND LOSS ACCOUNT

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3 Employees

	2005 Number	2004 Number
Average number of persons employed by the Group by activity including Directors:		
National newspapers and related activities	3,345	3,485
Regional newspapers and related activities	8,013	8,128
Business to business information and careers	3,898	3,483
Euromoney Institutional Investor	1,604	1,552
Exhibitions and related activities	812	786
Broadcasting	825	1,224
Group operations	89	79
	18,586	18,737

	2005 £m	2004 £m
Total staff costs comprised:		
Wages and salaries	549.5	537.1
Social security costs	47.9	46.3
Pension contributions	39.9	34.7
	637.3	618.1

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

	2005 £m	2004 £m
Share of operating profits of joint ventures (before amortisation and impairment of goodwill)	2.4	1.3
Share of operating profits of associates (before amortisation and impairment of goodwill)	6.0	8.9
Before amortisation and impairment of goodwill	8.4	10.2
Share of amortisation of goodwill of joint ventures	(1.0)	(1.0)
Share of amortisation of goodwill of associates	(1.1)	(1.8)
Impairment of goodwill of associates	(2.5)	(3.3)
Amortisation of goodwill of joint ventures	(1.1)	(3.7)
Amortisation of goodwill of associates	(5.4)	(9.2)
	(2.7)	(8.8)

5 Profit on Sale of Fixed Assets

	2005 £m	2004 £m
Profit on sale of tangible fixed assets	1.0	0.9
Profit on sale of fixed asset investments	9.9	5.2
	10.9	6.1

The profit on sale of investments arose on the disposal of shares in Reuters Group plc (note 23).

6 Profit on Disposal and Closure of Businesses including Associates

	Note	2005 £m	2004 £m
(Loss)/profit on sale of businesses	34	(5.2)	5.5
Profit/(loss) on sale of associates and joint ventures		8.1	(0.2)
Share of associates' loss on sale of businesses		(0.6)	–
		2.3	5.3

NOTES TO THE PROFIT AND LOSS ACCOUNT

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6 Profit on Disposal and Closure of Businesses including Associates continued

The loss on sale of businesses comprises the loss on sale of Arts and Entertainment, Business Traveller and Le Bourget antique shows, offset by the profit on sale of Hot 91.

The profit on sale of associates and joint ventures comprises the profit on sale of the Group's interests in Zoom, Greenland Interactive and California Market Center.

The profit on sale of businesses in the prior year mainly comprised the profit on the sale of the Group's Australian regional radio businesses.

7 Income from Other Fixed Asset Investments

	2005 £m	2004 £m
Reuters Group plc	0.8	1.1
GCap Media plc	1.4	–
The Press Association Limited	0.4	2.3
	2.6	3.4

8 Net Interest Payable

	2005 £m	2004 £m
Interest payable on loans and bonds	(65.0)	(70.0)
Share of interest payable by joint ventures and associates	(1.2)	(2.1)
Interest payable on finance leases	(2.0)	(1.5)
	(68.2)	(73.6)
Interest receivable from short-term deposits	13.0	9.6
Investment income from forward exchange contracts	3.4	4.1
Share of interest receivable by joint ventures and associates	0.2	0.2
	(51.6)	(59.7)

9 Other Finance Charges

	2005 £m	2004 £m
Finance charge on discounting of deferred consideration	(3.3)	(3.4)

The finance charge on the discounting of deferred consideration arose from the requirement under FRS 7, Fair Values in Acquisition Accounting, to discount deferred consideration back to current values.

10 Taxation on Profit on Ordinary Activities

	Note	2005 £m	2004 £m
The charge on the profit for the year consists of:			
UK			
Corporation tax at 30% (2004 30%)		(54.8)	(50.5)
Adjustments in respect of prior year	iii	3.8	0.9
Share of associates and joint ventures		(2.3)	(2.4)
		(53.3)	(52.0)
Overseas taxation			
Corporation taxes		(4.8)	(5.3)
Adjustments in respect of prior year	iii	–	3.2
Total current taxation		(58.1)	(54.1)
Deferred tax			
Origination and reversals of timing differences		(2.0)	(7.9)
Increase in discount		1.8	2.3
Adjustments in respect of prior year		5.3	2.5
		(53.0)	(57.2)

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 U.K. of 30% (2004 30%). The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	162.9	124.6
Tax on profit on ordinary activities at the standard rate of 30%	(48.9)	(37.4)
Effect of:		
Expenses not deductible for tax purposes:		
Amortisation of intangible assets	(15.2)	(13.4)
Impairment of intangible assets	(1.2)	(5.9)
Other expenses not deductible for tax purposes	(6.4)	(5.9)
Additional items deductible for tax purposes	0.9	1.0
Accelerated capital allowances and other timing differences	11.8	4.7
Non taxable income	0.8	1.0
Effect of overseas tax rates	(0.3)	3.0
Effect of associates tax	(3.4)	(4.5)
Tax losses unrelieved	(3.4)	(3.9)
Write off/disposal of subsidiaries	3.4	3.2
Prior year tax charge	3.8	4.1
Other	–	(0.1)
Current tax charge on the profit for the year	(58.1)	(54.1)

(ii) The underlying tax on profits before amortisation and impairment of intangible assets, exceptional and non recurring items amounted to £61.1 million (2004 £62.2 million) and the resulting rate is 24.1% (2004 26.6%). There was a tax credit of £8.0 million (2004 £5.0 million) relating to exceptional and non recurring items in the current and prior years. This included a credit of £2.3 million (2004 £6.0 million) following the agreement of certain prior year open issues with the U.K. Inland Revenue and a credit of £1.5 million (2004 £Nil) in respect of reduced provisions for certain prior year open issues.

(iii) The net current tax prior year credit of £3.8 million (2004 £4.1 million) arose largely from a reassessment of the level of tax provisions required.

(iv) The Group's tax charge has been affected by the movement in unrecognised deferred tax assets, the largest of which relates to the Group's accumulated tax losses in the U.S..

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 £93.8 million (2004 £27.1 million).

12 Dividends

	2005 Pence per share	£m	2004 Pence per share	£m
Interim paid				
Ordinary shares	3.75	0.8	3.45	0.7
'A' Ordinary Non-Voting shares	3.75	14.1	3.45	13.0
		14.9		13.7
Final proposed				
Ordinary shares	8.25	1.6	7.55	1.5
'A' Ordinary Non-Voting shares	8.25	31.0	7.55	28.5
		32.6		30.0
	12.00	47.5	11.00	43.7

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 24.9p (2004 15.5p) are calculated, in accordance with FRS 14 Earnings per Share, on Group profit for the financial year of £98.8 million (2004 £61.7 million) 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 46.2p (2004 41.6p) 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 £182.9 million (2004 £165.3 million), as set out in Note 14 below, and on the basic weighted average number of ordinary shares in issue during the year.

	2005 pence per share	2004 pence per share
Basic earnings per share	24.9	15.5
Adjustments:		
Amortisation of intangible assets	20.4	21.9
Impairment of intangible assets	1.6	4.1
Exceptional items	0.9	1.6
Taxation on exceptional items	(1.1)	(0.9)
Interest of minority shareholders	(0.5)	(0.6)
Adjusted earnings per share (before amortisation and impairment of intangible assets and exceptional items)	46.2	41.6

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

	2005 No million	2004 No million
Weighted average number of shares		
Number of ordinary shares in issue	401.3	401.3
Shares held in Treasury	(5.2)	(3.8)
Basic earnings per share denominator	396.1	397.5
Effect of dilutive share options	0.6	2.4
Dilutive earnings per share denominator	396.7	399.9

14 Adjusted profit

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

	Note	2005 £m	2004 £m
Profit before tax		162.9	124.6
Add back:			
Amortisation of intangible assets			
in Group operating profit and in joint ventures and associates		80.9	86.9
Impairment of intangible assets in Group and in associates		6.4	16.2
Operating exceptional losses		13.9	17.8
Profit on sale of fixed assets	5	(10.9)	(6.1)
Profit on disposal of businesses	6	(2.3)	(5.3)
Amounts written off investments		2.5	–
Profit before amortisation and impairment of intangible assets, exceptional items and taxation		253.4	234.1
Taxation charge	10ii	(57.2)	(60.6)
Interest of minority shareholders	i	(13.3)	(8.2)
Profit before amortisation and impairment of intangible assets and exceptional items, after taxation and minority interests		182.9	165.3

(i) The adjusted minority charge for the year of £13.3 million (2004 £8.2 million) is stated after eliminating a credit of £2.2 million (2004 £2.5 million), being the minority share of amortisation and exceptional items.