

### 30 Financial assets and liabilities

The Group's treasury policies are set out in the Financial and Treasury Review on pages 30 and 31.

The maturity profile of the Group's borrowings is as follows:

	Overdrafts £m	Bank loans £m	Bonds £m	Loan notes £m	Finance leases £m	Total £m
<b>2006</b>						
Within 1 year	1.2	1.7	–	9.4	–	12.3
Between 1 – 2 years	–	–	–	–	–	–
Between 2 – 5 years	–	178.1	–	–	–	178.1
Over five years	–	–	653.9	–	–	653.9
	–	178.1	653.9	–	–	832.0
	1.2	179.8	653.9	9.4	–	844.3
<b>2005</b>						
Within 1 year	0.2	–	–	11.0	6.6	17.8
Between 1 – 2 years	–	0.1	–	–	1.0	1.1
Between 2 – 5 years	–	205.1	–	–	6.7	211.8
Over five years	–	0.1	656.9	–	–	657.0
	–	205.3	656.9	–	7.7	869.9
	0.2	205.3	656.9	11.0	14.3	887.7

Continued

**30 Financial assets and liabilities continued**

Fixed and floating rate borrowings before taking account of derivative instruments are analysed by type of debt and currency as follows:

	Overdrafts £m	Bank loans £m	Bonds £m	Loan notes £m	Finance leases £m	Total £m
<b>2006</b>						
Sterling	0.2	38.6	653.9	9.4	–	702.1
US dollar	1.0	136.1	–	–	–	137.1
Euro	–	3.5	–	–	–	3.5
Other	–	1.6	–	–	–	1.6
	1.2	179.8	653.9	9.4	–	844.3
Analysed as:						
Fixed rate interest	–	–	653.9	–	–	653.9
Floating rate interest	1.2	179.8	–	9.4	–	190.4
	1.2	179.8	653.9	9.4	–	844.3
<b>2005</b>						
Sterling	–	173.1	656.9	11.0	14.3	855.3
US dollar	0.2	19.1	–	–	–	19.3
Australian dollar	–	13.0	–	–	–	13.0
Other	–	0.1	–	–	–	0.1
	0.2	205.3	656.9	11.0	14.3	887.7
Analysed as:						
Fixed rate interest	–	–	656.9	–	–	656.9
Floating rate interest	0.2	205.3	–	11.0	14.3	230.8
	0.2	205.3	656.9	11.0	14.3	887.7

The above currency borrowings are analysed by types of interest rate as follows:

	Sterling £m	US dollar £m	Australian dollar £m	Euro £m	Other £m	Total £m
<b>2006</b>						
Analysed as:						
Fixed rate interest	653.9	–	–	–	–	653.9
Floating rate interest	48.2	137.1	–	3.5	1.6	190.4
	702.1	137.1	–	3.5	1.6	844.3
<b>2005</b>						
Analysed as:						
Fixed rate interest	656.9	–	–	–	–	656.9
Floating rate interest	198.4	19.3	13.0	–	0.1	230.8
	855.3	19.3	13.0	–	0.1	887.7

Continued

**30 Financial assets and liabilities continued**

Analysis by currency and interest rate profile stated after taking account of derivative instruments, excluding the effect of forward currency contracts, as at 1st October, 2006 and at 2nd October, 2005, was as follows:

	Sterling £m	US dollar £m	Australian dollar £m	Euro £m	Other £m	Total £m
<b>2006</b>						
Analysed as:						
Fixed rate interest	298.5	287.9	42.3	–	–	628.7
Floating rate interest	121.6	88.9	–	3.5	1.6	215.6
	420.1	376.8	42.3	3.5	1.6	844.3
<b>2005</b>						
Analysed as:						
Fixed rate interest	395.0	152.0	35.0	–	–	582.0
Floating rate interest	273.3	19.3	13.0	–	0.1	305.7
	668.3	171.3	48.0	–	0.1	887.7

The above tables do not take into consideration the effect of US dollar, Australian dollar, Euros and Canadian dollar forward contracts which are used by the Group to create 'synthetic currency debt'. The impact of including these derivatives on the above table would be as follows:

	Sterling £m	US dollar £m	Australian dollar £m	Euro £m	Other £m	Total £m
<b>2006</b>						
Analysed as:						
Fixed rate interest	298.5	287.9	42.3	–	–	628.7
Floating rate interest	99.1	117.1	(14.0)	7.3	6.1	215.6
	397.6	405.0	28.3	7.3	6.1	844.3
<b>2005</b>						
Analysed as:						
Fixed rate interest	395.0	152.0	35.0	–	–	582.0
Floating rate interest	156.3	142.3	7.0	–	0.1	305.7
	551.3	294.3	42.0	–	0.1	887.7

Leases over five years are repaid by instalments. The interest rate on finance leases was approximately 8% (2005 8%).

The Group has issued loan notes which attract interest at rates of approximately LIBID to LIBID minus 1%. The loan notes are repayable at the option of the loan note holder.

The Group's bonds have been adjusted from their nominal values to offset the premia paid on settlement or redemption, direct issue costs and discounts. The issue costs are being amortised over the expected lives of the bonds. The unamortised issue costs amount to £3.2 million (2005 £3.5 million).

A proportion of the Group's bonds are hedged using fixed to floating swaps. The element of the bonds which have been swapped have been marked to market with changes in mark to market valuation being included within the income statement, offset by changes in the mark to market valuation of the associated derivative.

The Group's bank loans are denominated in US dollars, Australian dollars and sterling. The interest rates on these borrowings ranged as follows:

	2006 High %	2006 Low %	2005 High %	2005 Low %
Sterling	5.61	4.72	5.49	4.50
US dollar	5.86	4.07	4.23	2.20
Australian dollar	6.54	5.75	5.93	5.55

Continued

**30 Financial assets and liabilities continued**

The nominal values of the bonds are as follows:

	2006 £m	2005 £m
7.5% Bonds 2013	300.0	300.0
5.75% Bond 2018	175.0	175.0
10% Bonds 2021	165.0	165.0
	<b>640.0</b>	<b>640.0</b>

At the year end the Group had a US\$ interest rate swap outstanding amounting to US\$10.0 million (2005 US\$10.0 million) with the Group paying a fixed rate of 5.00% (2005 5.00%). The Group also had outstanding interest rate swaps of £75.0 million (2005 £75.0 million) with the Group paying floating rates of between 4.71% and 4.76% (2005 4.91% and 5.18%).

The Group also had outstanding cross currency fixed to fixed interest rate swaps. These amounted to £239.6 million/US\$430.1 million (2005 £207.7 million/US\$370.1 million) resulting in the Group paying fixed US dollar interest at rates of between 2.62% and 5.34% (2005 between 2.62% and 5.04%), £41.8 million/Aus\$100.0 million (2005 £43.9 million/Aus\$105.0 million) with the Group paying fixed Australian dollar interest at rates of between 5.66% and 6.44% (2005 between 5.66% and 6.44%), ¥23.4 billion/£127.8 million (2005 ¥21.3 billion/£118.4 million) with the Group paying fixed Japanese yen interest of 0.9% (2005 JPY 0.9%).

The Group also had a number of outstanding interest rate caps. These amounted to US\$60.0 million notional (2005 US\$80.0 million) at rates of between 4% and 6% (2005 4% and 6%).

The effect of these derivatives on the Group's interest rate exposure is as follows:

	Including the effect of financial instruments		Excluding the effect of financial instruments	
	2006 %	2005 %	2006 %	2005 %
Sterling bank loans	4.79	5.14	4.79	5.14
US\$ bank loans	5.30	3.24	5.30	3.24
Aus\$ bank loans	6.02	5.79	6.02	5.79
Bonds	6.83	6.77	7.67	7.67

**Committed borrowing facilities**

The following undrawn committed borrowing facilities were available to the Group on 1st October, 2006 and at 2nd October, 2005, in respect of which all conditions precedent had been met:

	2006 £m	2005 £m
Expiring in more than one year but not more than two years	260.0	–
Expiring in more than two years	115.2	107.3
	<b>375.2</b>	<b>107.3</b>

**Market risk**

The Group's primary market risks are interest rate fluctuations and exchange rate movements. Derivatives are used to hedge or reduce the risks of interest rate and exchange rate movements and are not entered into unless such risks exist. Derivatives used by the Group for hedging a particular risk are not specialised and are generally available from numerous sources.

The fair values of interest rate swaps, interest rate options and forward foreign exchange contracts set out below represent the replacement costs calculated using market rates of interest and exchange at 1st October, 2006. The fair value of long-term borrowings has been calculated by discounting expected future cash flows at market rates.

Continued

**30 Financial assets and liabilities continued****Interest rate risk**

The Group's interest rate exposure management policy is aimed at reducing the exposure of the consolidated businesses to changes in interest rates.

The following sensitivity analysis of borrowings and derivative financial instruments to interest rate movements assumes an immediate 100 basis point change in interest rates for all currencies and maturities from their levels at 1st October, 2006, with all other variables held constant. The range of changes represents the Group's view of the changes that are reasonably possible over a one-year period based on these assumptions.

At 1st October, 2006, the majority of net borrowings are either fixed rate or have been fixed through the use of interest rate swaps and options. A 100 basis point reduction in interest rates would result in an estimated decrease in net interest expense of £1.2 million, based on the composition of financial instruments including cash and cash equivalents, bank loans and other long-term borrowings at 1st October, 2006. A 100 basis point rise in interest rates would result in an estimated increase in net interest expense of £1.2 million. The sensitivity of the fair value of financial instruments at 1st October, 2006 to changes in interest rates is set out in the table below.

	Carrying value £m	Fair value £m	Fair value assuming interest rate change by the following +100 basis points £m	-100 basis points £m
Trade and other receivables	367.6	367.6	367.6	367.6
Cash and cash equivalents	97.3	97.3	97.3	97.3
Trade and other payables	526.7	526.7	526.7	526.7
Short-term borrowings	12.3	12.3	12.3	12.3
Long-term borrowings	832.0	905.1	877.3	936.3
Interest rate swaps (swapping fixed rate debt to floating)	(2.3)	(2.3)	(5.7)	1.6
Interest rate swaps (swapping floating rate debt to fixed)	0.3	0.3	0.4	0.2
Fixed to fixed cross currency swaps	33.6	33.6	33.6	33.6
Forward foreign exchange contracts	-	-	0.1	(0.1)

Short-term borrowings comprise bank loans, overdrafts, finance lease and deferred consideration. Long-term borrowings comprise bank loans, bonds, finance lease and deferred consideration.

**Foreign exchange rate risk**

Translation exposures arise on the earnings and net assets of business operations in countries with currencies other than those of each of the parent companies, most particularly in respect of the US businesses. These exposures are hedged, to a significant extent, by a policy of denominating borrowings in currencies where significant translation exposures exist, most notably US dollars.

The following sensitivity analysis of net borrowings and derivative financial instruments to foreign exchange rate movements assumes an immediate 10% change in all foreign exchange rates against sterling as appropriate from their levels at 1st October, 2006, with all other variables held constant. A +10% change indicates a strengthening of the currency against sterling and a -10% change indicates a weakening of the currency against sterling. The range of changes represents the Group's view of the changes that are reasonably possible over a one-year period based on these assumptions.

	Carrying value £m	Fair value £m	Fair value assuming interest rate change by the following +100 basis points £m	-100 basis points £m
Trade and other receivables	367.6	367.6	355.9	381.9
Cash and cash equivalents	97.3	97.3	92.2	103.5
Trade and other payables	526.7	526.7	544.4	505.0
Short-term borrowings	12.3	12.3	12.3	12.3
Long-term borrowings	832.0	905.1	892.4	920.6
Interest rate swaps (swapping fixed rate debt to floating)	(2.3)	(2.3)	(2.3)	(2.3)
Interest rate swaps (swapping floating rate debt to fixed)	0.3	0.3	0.3	0.3
Fixed to fixed cross currency swaps	33.6	33.6	68.2	(5.9)
Forward foreign exchange contracts	-	-	2.2	(2.7)

Continued

**30 Financial assets and liabilities continued****Credit risk**

The Group seeks to limit interest rate and foreign exchange risks described above by the use of financial instruments and as a result has a credit risk from the potential non performance by the counterparties to these financial instruments, which are unsecured. The amount of this credit risk is normally restricted to the amounts of any hedge gain and not the principal amount being hedged. The Group also has a credit exposure to counterparties for the full principal amount of cash and cash equivalents. Credit risks are controlled by monitoring the credit quality of these counterparties, principally licensed commercial banks and investment banks with strong long-term credit ratings, and of the amounts outstanding with each of them.

The Group has treasury policies in place which do not allow concentrations of risk with individual counterparties and do not allow significant treasury exposures with counterparties which are rated lower than AAA by Standard and Poor's, Moody's or Fitch.

The Group considers its maximum exposure to credit risk to be as follows:

	2006 £m	2005 £m
Expiring in one year or less		
Bank deposits	97.3	81.7
Money market fund investments	-	42.5
Derivative financial instruments	39.3	4.0
	<b>136.6</b>	<b>128.2</b>

**Hedge accounting**

The hedging relationships that are designated under IAS 39 Financial Instruments, effective from 3rd October, 2005 are described below:

**Fair value hedges**

The Group's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective.

The Group has entered into interest rate swaps to hedge the exposure to changes in the fair value of fixed rate borrowings due to interest rate movements which could affect the income statement.

Interest rate derivatives with a principal amount of £75.0 million were in place at 1st October, 2006 swapping fixed rate term sterling debt issues to floating rate sterling. All fair value hedges were effective throughout the year ended 1st October, 2006.

The gains and losses on the borrowings and related derivatives designated as fair value hedges included in the income statement for the year ended 1st October, 2006 were:

	2nd October 2005 £m	Fair value movement gain/(loss) £m	Exchange gain/(loss) £m	1st October 2006 £m
Sterling interest rate swaps	-	(2.3)	-	<b>(2.3)</b>
Sterling debt	-	2.3	-	<b>2.3</b>
Total	-	-	-	-

**Cash flow hedges**

The group enters into two types of cash flow hedge: fixed to fixed cross currency interest rate swaps and forward currency sales/purchases which hedge tax payable/receivable when long-term intercompany non-trading balances are revalued and foreign exchange derivatives which fix the exchange rate on a portion of future currency expenditure.

All cash flow hedges were effective throughout the year ended 1st October, 2006.

The deferred gain on cash flow hedges at 1st October, 2006 amounted to £0.1 million and is expected to be recognised in the income statement in the year ending 30th September, 2007.

**Net investment hedges**

The Group enters into net investment hedge to hedge the Group's investment in foreign operations.

All cash flow hedges were effective throughout the year ended 1st October, 2006.

Continued

**30 Financial assets and liabilities continued****Currency and interest rate composition of financial assets**

Currency	Non-current assets available for sale investments £m	Current assets available for sale investments £m	Cash and cash equivalents £m	Total £m
<b>2006</b>				
Sterling	–	69.4	41.1	110.5
US dollar	–	1.8	29.8	31.6
Australian dollar	–	2.0	0.8	2.8
Canadian dollar	–	–	–	–
Euro	–	–	15.0	15.0
Other	–	–	10.6	10.6
	–	73.2	97.3	170.5
Of which:				
Floating rate interest	–	70.8	97.3	168.1
Non-interest bearing	–	2.4	–	2.4
	–	73.2	97.3	170.5

Currency	Non-current assets available for sale investments £m	Current assets available for sale investments £m	Cash and cash equivalents £m	Total £m
<b>2005</b>				
Sterling	88.5	10.5	77.2	176.2
US dollar	–	–	24.8	24.8
Australian dollar	2.9	–	3.3	6.2
Canadian dollar	–	–	0.4	0.4
Euro	–	–	9.2	9.2
Other	–	–	9.3	9.3
	91.4	10.5	124.2	226.1
Of which:				
Fixed rate interest	0.7	–	–	0.7
Floating rate interest	90.7	10.5	124.2	225.4
	91.4	10.5	124.2	226.1

**Financial asset maturity profile**

The maturity profile of the carrying value of the Group's financial assets at the end of the year was as follows:

	2006 £m	2005 £m
In one year or less, or on demand	170.5	226.1

The interest rates received on the Group's sterling bank deposits ranged as follows:

	2006 High %	2006 Low %	2005 High %	2005 Low %
Bank deposits	4.70	4.05	5.00	4.07

Continued

**31 Post-employment benefits**

The Group operates a number of pension schemes covering most major UK group companies under which contributions are paid by the employer and employees.

The schemes for most employees are funded defined benefit pension arrangements, providing service-related benefits, based on final pensionable salary. In addition, a number of defined contribution pension plans are operated by certain divisions of the Group where this type of pension provision aligns with the business model. The assets of all the schemes are held independently from the Group's finances and in the UK are administered by trustees or trustee companies.

Since the last year-end, and in the light of very recent case law, legal advice received is that the DMGT AVC Plan, a plan established to enable members of the main defined benefit schemes of the Group to make additional voluntary contributions (AVCs) to enhance their pension benefits, should be categorised as a defined benefit arrangement. It has therefore been included in the pension disclosures for the first time. The inclusion of this Plan has increased the defined benefit obligation to the Group by £62.1 million as at 1st October, 2006 (2005 £63.2 million). The assets of the Plan as at 1st October, 2006 were £65.7 million, producing a surplus of £3.6 million (2005 deficit £0.1 million).

However, as indicated in the disclosures below, an adjustment has been made for 2006 to cap the value of assets in the Plan since the surplus is not recoverable by the Group. Thus, the net value of the Plan in the Group balance sheet is zero. These adjustments are reflected in the reconciliation of the Group's overall pension assets and liabilities, and in the statement of recognised income and expense (SORIE). The inclusion of the Plan has had no impact on the pension cost reported in these financial statements.

The total net pension costs of the Group for the year ended 1st October, 2006 were £34.4 million (2005 £41.8 million).

**Aberdeen Journals**

The sale by the Group of Aberdeen Journals Limited on 2nd April, 2006 crystallised from a pensions viewpoint on 30th September, 2006 following a period of continued participation by employees of that company in the Group's pension scheme. The pension implications of this sale whereby an option has been given to employees to transfer their benefits to the purchaser's pension arrangements has been taken into account in the figures below. The sale triggers a payment to the defined benefit schemes to deal with the debt arising under Section 75 of the Pensions Act 2004. The actual amount to be paid has yet to be finalised, but is expected to be in the region of £25.9 million.

**Defined benefit schemes**

Full actuarial valuations are carried out triennially by the actuary using the projected unit credit method. The figures in this note are based on the calculations in connection with the valuation of the main schemes as at 31st March, 2004, and updated to 1st October, 2006 by the actuary.

The company cash contribution rate to the main schemes during the year was 18% of pensionable salaries (2005 18%).

The main schemes have a two-tiered benefit structure represented by a "Standard" section and a "Pension +" section. In the "Standard" section, employees pay contributions of 5% of pensionable salaries and have benefits based on a normal retirement age of 65. Under the "Pension +" section, employees currently pay contributions of 7%, rising to 7.5% on 1st July, 2007 and enjoy a higher benefit accrual rate and lower normal retirement age than in the "Standard" section. The schemes remain open to eligible new employees who, after one year's service, can join the "Standard" section with an option to join the "Pension +" section after a further four years' service.

A reconciliation of the net pension obligation reported in the balance sheet is shown in the following table:

	2006 £m	2005 £m
Present value of defined benefit obligation	<b>(1,830.1)</b>	(1,717.3)
Assets at fair value	<b>1,682.4</b>	1,538.6
Impact of asset ceiling on AVC Plan	<b>(3.6)</b>	–
Deficit reported in the balance sheet	<b>(151.3)</b>	(178.7)

The deficit for the year excludes a related deferred tax asset of £35.6 million (2005 £52.9 million).

Continued

**31 Post-employment benefits continued**

A reconciliation of the present value of the defined benefit obligation is shown in the following table:

	2006 £m	2005 £m
Defined benefit obligation at start of year	(1,717.3)	(1,482.0)
Service cost	(50.0)	(48.6)
Interest cost	(85.9)	(81.5)
Past service cost	(2.9)	(0.6)
Settlements/curtailments	5.9	-
Member contributions	(9.6)	(10.0)
Benefit payments	72.7	59.4
BUP Executive Pensions Scheme transfer	-	(15.2)
Actuarial movement	(43.0)	(138.8)
Defined benefit obligation at the end of year	(1,830.1)	(1,717.3)

A reconciliation of the fair value of assets is shown in the following table:

	2006 £m	2005 £m
Fair value of assets at start of year	1,538.6	1,277.6
Expected return on assets	106.1	91.4
Company contributions	21.8	38.9
Member contributions	9.6	10.0
Benefit payments	(72.7)	(59.4)
BUP EPS transfer	-	10.9
Actuarial gain	79.0	163.8
Fair value of assets at end of year	1,682.4	1,538.6

The fair value of the assets held by the pension schemes and the long-term expected rate of return on each class of assets are shown in the following table:

	Equities	Bonds	Property	Other assets	Total
<b>2006</b>					
Value at 1st October, 2006 £m	1,240.2	175.8	136.0	130.4	1,682.4
% of assets held	73.7%	10.4%	8.0%	7.9%	100.0%
Long-term rate of return expected at 1st October, 2006	7.6%	4.4%	6.5%	4.4%	6.9%
<b>2005</b>					
Value at 2nd October, 2005 £m	1,142.7	168.6	122.8	104.5	1,538.6
% of assets held	74.3%	10.9%	8.0%	6.8%	100.0%
Long-term rate of return expected at 2nd October, 2005	7.8%	4.3%	6.5%	4.3%	7.2%
<b>2004</b>					
Value at 3rd October, 2004 £m	909.8	167.4	104.8	95.6	1,277.6
% of assets held	71.2%	13.1%	8.2%	7.5%	100.0%
Long-term rate of return expected at 3rd October, 2004	8.0%	4.9%	7.0%	4.9%	7.4%

The trust deed of each of the schemes explicitly prohibits investment of the scheme assets in employer-related investments, apart from those required in order that a passively managed UK equity portfolio can be utilised by the trustees. The value of DMGT 'A' Ordinary Non-Voting shares held by the UK equity passive manager on behalf of the schemes at 1st October, 2006 was £0.7 million (2005 £0.7 million).

Continued

**31 Post-employment benefits continued**

The assumption for the expected overall rate of return on assets is a weighted average of the expected returns for each asset class based on the proportion of assets held in each class at the beginning of the year. The expected return on bonds has been selected having regard to gross redemption yields at the start of the year. The expected returns on equities and property are based on a combination of estimated risk premiums over Government bond yields, the gross redemption yields on bonds, and consensus economic forecasts for future returns.

The actual return on plan assets was £185.1 million (2005 £255.2 million) representing the expected return plus the associated actuarial gain or loss during the year.

The size of the pension deficit is sensitive to the assumptions adopted. The main financial assumptions are shown in the following table:

	2006 %	2005 %
Price inflation	2.90	2.75
Salary increases	4.40	4.30
Pension increases	2.90	2.75
Discount rate for scheme liabilities	5.00	5.00
Expected overall rate of return on assets	6.90	7.20

The discount rate for scheme liabilities reflects yields at the balance sheet date on high quality corporate bonds. All assumptions were selected after taking actuarial advice. Based on the reported liabilities at 1st October, 2006, a movement of 0.1% in the discount rate would represent a change in the value of those liabilities of approximately £30.3 million (before associated deferred tax).

The mortality assumptions adopted reflect the mortality experience of the schemes and a best estimate of future average life expectancies and are shown in the following table:

	2006 Future life expectancy from age 60 (years)
For a current 60 year old male member of the scheme	23
For a current 60 year old female member of the scheme	26.5
For a current 50 year old male member of the scheme	24.5
For a current 50 year old female member of the scheme	28

The above mortality assumptions will be reviewed again as part of the next formal valuation of the principal schemes as at 31st March, 2007. At the same time an adjustment to reflect the extent to which retiring employees commute part of their pension for cash will be considered. As no allowance is currently made for commutation, such adjustment would serve to offset to some extent any increase in liabilities next year if it is agreed that stronger mortality assumptions are justified.

The amounts charged to the income statement based on the above assumptions are shown in the following table:

	2006 £m	2005 £m
Service cost	50.0	48.6
Interest cost	85.9	81.5
Expected return on assets	(106.1)	(91.4)
Past service cost	2.9	0.6
Settlements/curtailments	(5.9)	–
Net charge to income statement	26.8	39.3

Amounts recognised in the statement of recognised income and expense (SORIE) are shown in the following table:

	2006 £m	2005 £m
Actuarial gain recognised in SORIE	38.2	19.5
Inclusion of BUP Executive Pension Scheme	–	(4.3)
Impact of asset ceiling on AVC Plan	(3.6)	–
Total gains recognised in SORIE	34.6	15.2
Cumulative actuarial gain recognised in SORIE at beginning of year	15.2	–
Cumulative actuarial gain recognised in SORIE at end of year	49.8	15.2

Continued

**31 Post-employment benefits continued**

The Group expects to contribute approximately £52.8 million to the schemes during the 2007 financial year, including £25.9 million which relates to the section 75 debt arising from the sale of Aberdeen Journals Limited.

Included in scheme assets is an advance payment into the Group's pension schemes amounting to £23.6 million in respect of the 2007 contributions (2005 £32.3 million). A special funding payment of £2.5 million was made prior to the year-end relating to a commitment given by the Group when agreeing the terms of merger of two of its schemes with effect from 30th September, 2005.

**UK Defined contribution plans**

The Group operates a number of defined contribution pension plans. These are principally trust-based arrangements currently, with an aggregate value of £26.0 million at the year end. Recent acquisitions of businesses outside the newspaper divisions mean that a higher portion of the Group's employees will be offered defined contribution arrangements in future.

The pension cost attributable to these plans during the year amounted to £5.2 million (2005 £6.0 million).

**Overseas pension plans**

Overseas subsidiaries of certain Group divisions operate defined contribution retirement benefit plans, primarily in North America and Australia. The pension cost attributable to these plans during the year amounts to £2.4 million (2005 £1.8 million).

**Pension arrangements for executives**

The Group operates a two-tier, defined benefit pension scheme for senior executives (including executive Directors), details of which are incorporated in the above disclosures. On 1st April, 2005, this became a contributory scheme. It is the Group's policy that annual bonuses, payments under the Executive Bonus Scheme and benefits in kind are not pensionable.

Included in UK Defined Contribution Plans above are investments in a funded unapproved retirement benefit scheme for certain executives of the Group including two executive Directors who were subject to the pensionable earnings cap imposed by HM Revenue and Customs under the previous tax regime. The assets of this scheme are held under individual trusts independently from the Group's finances; investment during the year totalled £0.2 million (2005 £1.1 million). The Group has terminated its investment in this scheme with effect from 5th April, 2006, to coincide with the tax changes introduced from that date.

**Stakeholder pension**

DMGT provides access to a stakeholder pension plan for relevant employees who are not eligible for the other pension schemes operated by the Group.

**32 Provisions**

	Note	2006 £m	2005 £m
<b>Current liabilities</b>			
Other provisions		46.2	50.7
<b>Non-current liabilities</b>			
Other provisions		47.1	34.1
Deferred taxation	33	42.3	1.0
		<b>89.4</b>	<b>35.1</b>

Continued

**32 Provisions continued**

Movements on other provisions during the year were as follows:

	Note	Coupon discount £m	Lease £m	Redundancy and reorganisation £m	Deferred consideration £m	Legal £m	Other £m	Total £m
<b>Current liabilities</b>								
At beginning of year		2.5	–	–	44.6	2.5	1.1	50.7
Additions		–	–	–	10.4	–	–	10.4
Charged during year		–	0.3	0.6	–	4.3	4.7	9.9
Utilised during year		(1.5)	–	(0.3)	–	(4.0)	(3.0)	(8.8)
Transfer		–	–	–	21.6	–	–	21.6
Deferred consideration paid	14	–	–	–	(36.5)	–	–	(36.5)
Notional interest on deferred consideration		–	–	–	1.1	–	–	1.1
Adjustment to goodwill/deferred consideration	17	–	–	–	0.5	–	–	0.5
Exchange differences		–	–	–	(2.4)	–	(0.3)	(2.7)
At end of year		<b>1.0</b>	<b>0.3</b>	<b>0.3</b>	<b>39.3</b>	<b>2.8</b>	<b>2.5</b>	<b>46.2</b>
<b>Non-current liabilities</b>								
At beginning of year		–	0.7	–	29.6	0.8	3.0	34.1
Owned by subsidiaries acquired	15	–	–	–	4.9	–	–	4.9
Additions		–	–	–	28.5	–	–	28.5
Charged during year		–	–	–	–	0.2	2.3	2.5
Utilised during year		–	–	–	–	–	(1.6)	(1.6)
Owned by subsidiaries disposed	16	–	–	–	(0.8)	–	–	(0.8)
Transfer to current liabilities		–	–	–	(21.6)	–	–	(21.6)
Notional interest on deferred consideration		–	–	–	1.6	–	–	1.6
Exchange differences		–	–	–	(0.4)	–	(0.1)	(0.5)
At end of year		–	<b>0.7</b>	–	<b>41.8</b>	<b>1.0</b>	<b>3.6</b>	<b>47.1</b>

Other provisions principally comprise long service leave of £2.4 million (2005 £1.1 million), performance related bonus provisions of £0.1 million (2005 £1.7 million) dilapidation provisions of £0.8 million (2005 £0.9 million), contract discount of £1.0m (2005 £0.2 million) and a lease guarantee provision of £1.5 million (2005 £Nil).

Due to the estimates involved in making provisions for deferred consideration, this liability has been reclassified from liabilities to provisions since the Directors consider that this presentation provides a better understanding of the Group's balance sheet. The maturity profile of the deferred consideration balance is as follows:

	2006 £m	2005 £m
Expiring in one year or less	<b>39.3</b>	44.6
Expiring between one and two years	<b>5.9</b>	14.3
Expiring between two and five years	<b>35.9</b>	15.3
	<b>81.1</b>	74.2

Continued

**33 Deferred taxation**

	Note	2006 £m	2005 £m
Accelerated capital allowances		40.2	35.9
Other timing differences		(7.1)	(2.9)
Capitalised goodwill and intangibles		71.8	37.3
Goodwill previously offset against reserves		(11.2)	(4.6)
Revaluation and rolled over gains		6.2	10.9
UK capital losses		(6.2)	(10.9)
Overseas trading losses and tax credits		(29.5)	(24.3)
Pension scheme deficit		(37.6)	(52.9)
Total provision for deferred tax		26.6	(11.5)
Disclosed within non-current liabilities	32	42.3	1.0
Disclosed within non-current assets		(15.7)	(12.5)
		26.6	(11.5)

Movements on the provision for deferred taxation were as follows:

	Note	2006 £m	2005 £m
At beginning of year		(11.5)	(21.2)
Owned by subsidiaries acquired	15	35.4	17.0
Owned by subsidiaries sold	16	(0.7)	–
Net credit to income statement		(7.8)	(13.7)
Net charge to equity		10.8	6.4
Exchange differences		0.4	–
At end of year		26.6	(11.5)

The deferred tax assets disclosed in the balance sheet in respect of overseas tax losses, relate primarily to trading losses incurred in the US and have been recognised on the basis that the Directors are of the opinion based on recent and forecast trading, that sufficient suitable taxable profits will be generated in the relevant territories in future accounting periods, such that it is considered probable that these assets will be recovered. £14.4 million of these assets will expire between 2017 and 2025. The remaining assets have no expiry date.

There is an unrecognised deferred tax asset of £19.5 million (2005 £16.4 million) which relates primarily to overseas tax losses where there is insufficient certainty that these losses will be utilised in the foreseeable future. There is an additional unprovided deferred tax asset relating to capital losses carried forward of £26.1 million (2005 £49.2 million).

There is a potential taxable temporary difference in respect of the Group's investments in subsidiaries, branches, associates and joint ventures, principally in relation to as yet unremitted earnings from overseas subsidiaries. The Group has estimated the potential taxable temporary difference to be approximately £615.6 million (2005 £599.9 million).

**34 Called up share capital**

	2006 £m	Authorised 2005 £m	2006 £m	Allotted, issued and fully paid 2005 £m
Ordinary shares of 12.5 pence each	2.5	2.5	2.5	2.5
'A' Ordinary Non-Voting shares of 12.5 pence each	48.5	48.5	47.7	47.7
	51.0	51.0	50.2	50.2

	Number of shares		Number of shares	
	2006	2005	2006	2005
Ordinary shares	20,000,000	20,000,000	19,886,472	19,886,472
'A' Ordinary Non-Voting shares	388,000,000	388,000,000	381,844,636	381,606,414
	408,000,000	408,000,000	401,731,108	401,492,886

Continued

**34 Called up share capital continued**

The two classes of shares are equal in all respects, except that the 'A' Ordinary Non-Voting shares do not have voting rights and hence their holders are not entitled to vote at general meetings of the Company.

During the year, 238,222 'A' Ordinary Non-Voting shares were allotted for aggregate consideration of £1,380,397 under the terms of the Company's 1997 Executive Share Option scheme.

At 1st October, 2006, options were outstanding under the terms of the Company's 1997 and 2006 Executive Share Option Schemes over a total of 6,138,512 (2005 5,490,734) 'A' Ordinary Non-Voting shares as follows:

At 3rd October, 2005	Granted during the year	Exercised during the year	Reclassified during the year	Lapsed during the year	At 1st October, 2006	Exercise price £	Note	Weighted average market price at date of exercise £	Normal date from which exercisable	Expiry date
<b>DMGT 1997 Executive Share Option Scheme</b>										
215,380	–	(46,000)	–	–	<b>169,380*</b>	£4.071		£6.95	12-Jun-00	12-Jun-07
2,076	–	–	–	–	<b>2,076*</b>	£4.300			21-Jul-00	21-Jul-07
24,000	–	(24,000)	–	–	<b>–*</b>	£4.738		£7.49	12-Dec-00	1-Jan-06
24,000	–	(24,000)	–	–	<b>–*</b>	£6.475		£7.49	15-Dec-01	1-Jan-06
570,000	–	(44,000)	–	–	<b>526,000*</b>	£6.475		£7.81	15-Dec-01	15-Dec-08
10,000	–	–	–	(10,000)	–	£10.295	iii		23-Dec-02	1-Jan-06
486,000	–	–	–	(20,000)	<b>466,000</b>	£10.295	iii		23-Dec-02	23-Dec-09
24,000	–	–	–	(10,000)	<b>14,000</b>	£10.960	iii		16-Jun-03	16-Jun-10
17,500	–	–	–	(17,500)	<b>–*</b>	£8.340			18-Dec-03	1-Jan-06
–	–	–	5,000	–	<b>5,000*</b>	£8.340			18-Dec-03	28-Oct-06
574,500	–	–	(5,000)	(34,000)	<b>535,500*</b>	£8.340			18-Dec-03	18-Dec-10
65,500	–	–	–	–	<b>65,500*</b>	£7.250			11-Jul-04	11-Jul-11
15,000	–	(15,000)	–	–	<b>–*</b>	£6.450		£7.49	14-Dec-04	1-Jan-06
8,000	–	(8,000)	–	–	<b>–*</b>	£6.450		£7.23	14-Dec-04	31-Mar-06
487,000	–	(67,000)	–	(5,000)	<b>415,000*</b>	£6.450		£7.66	14-Dec-04	14-Dec-11
10,000	–	–	–	–	<b>10,000*</b>	£6.480			2-Jan-05	2-Jan-12
90,000	–	–	–	–	<b>90,000*</b>	£6.450			21-Jan-05	21-Jan-12
36,000	–	–	–	(36,000)	–	£5.730	iii		16-Dec-05	16-Jun-06
–	–	–	5,000	–	<b>5,000</b>	£5.730	iii		16-Dec-05	28-Oct-06
763,500	–	(10,000)	(5,000)	(30,000)	<b>718,500</b>	£6.940	iii	£7.81	16-Dec-05	16-Dec-12
68,000	–	–	–	(6,000)	<b>62,000</b>	£5.815	iii		2-Jan-06	2-Jan-13
24,778	–	–	41,278	–	<b>66,056</b>	£6.075	iii		8-Dec-06	8-Jun-07
883,500	–	(222)	(41,278)	(30,000)	<b>812,000</b>	£6.075	iii	£7.81	8-Dec-06	8-Dec-13
5,000	–	–	–	–	<b>5,000</b>	£6.840			16-Jun-07	16-Jun-14
9,000	–	–	33,000	–	<b>42,000</b>	£7.235			6-Dec-07	6-Jun-08
1,070,000	–	–	(33,000)	(47,500)	<b>989,500</b>	£7.235			6-Dec-07	6-Dec-14
8,000	–	–	–	–	<b>8,000</b>	£7.420			4-Jan-08	4-Jan-15
5,490,734	–	(238,222)	–	(246,000)	<b>5,006,512</b>					

\* Vested

Continued

**34 Called up share capital continued**

At 3rd October, 2005	Granted during the year	Exercised during the year	Reclassified during the year	Lapsed during the year	At 1st October, 2006	Exercise price £	Note	Weighted average market price at date of exercise £	Normal date from which exercisable	Expiry date
<b>DMGT 2006 Executive Share Option Scheme</b>										
-	465,000	-	-	-	<b>465,000</b>	£6.980	v		31-Mar-09	31-Mar-16
-	587,000	-	-	(18,000)	<b>569,000</b>	£6.980			31-Mar-09	31-Mar-16
-	98,000	-	-	-	<b>98,000</b>	£6.105			5-Jul-09	5-Jul-16
-	1,150,000	-	-	(18,000)	<b>1,132,000</b>					
5,490,734	1,150,000	(238,222)	-	(264,000)	<b>6,138,512</b>					

(i) These options were granted at market value at the date of the grant and none required any payment. They are not normally exercisable before the third anniversary of the grant and in all circumstances will lapse if not exercised within ten years.

(ii) In the case of the 1997 Executive Share Option Scheme, they are normally exercisable only when the relevant performance conditions have been met. The first condition is that, in respect of four out of six consecutive monthly calculation dates (which start in the thirtieth month following the date of grant of a particular option), the total shareholder return ('TSR') of the Company must exceed that of the FTSE 100 index. Secondly, there must be real growth in earnings per share over a period of three consecutive financial years.

(iii) The TSR condition has not been met so far in respect of the options granted in December 1999, June 2000 or December 2002. As a consequence, these options have not vested yet. The respective eps conditions were met in previous years.

(iv) For the options granted in December 2003 at £6.075, the eps condition was met in the year, since real growth in adjusted earnings per share was achieved, compared to the year ended 28th September, 2003. The TSR condition has not yet been met.

(v) In the case of the 2006 Executive Share Option Scheme, performance conditions apply only to the 465,000 options granted to Directors and to other persons discharging managerial responsibility, as explained in the Remuneration Report on pages 42 and 53.

**DMGT Long Term Incentive Plan**

At 1st October, 2006, 903,402 (2005 1,006,441) 'A' Ordinary Non-Voting shares had been committed by executives to the Company's LTIP, full details of which are set out in the Remuneration Report on pages 44 to 46.

These committed shares are analysed below:

'A' Ordinary Non-Voting shares in award	At 3rd October, 2005	Awarded during year	Vested/lapsed during year	At 1st October, 2006	Weighted average award price £	Date of award	End of initial performance period
	214,300	-	(214,300)	-	7.43	1-Jan-01	31-Dec-05
	363,191	-	-	363,191	7.07	1-Jan-02	31-Dec-06
	111,557	-	-	111,557	5.94	1-Jan-03	31-Dec-07
	221,743	-	-	221,743	7.04	1-Jan-04	31-Dec-08
	95,650	-	-	95,650	7.53	1-Jan-05	31-Dec-09
	-	111,261	-	111,261	7.88	1-Jan-06	31-Dec-10
	<b>1,006,441</b>	<b>111,261</b>	<b>(214,300)</b>	<b>903,402</b>			

Continued

**35 Reserves**

	2006 £m	2005 £m
<b>Share premium account</b>		
At beginning of year	8.3	7.3
Issue of shares	1.4	1.0
At end of year	9.7	8.3
<b>Revaluation reserve</b>		
At beginning of year	71.1	72.1
Fair value adjustment on adoption of IAS 32 and 39	17.8	–
<b>As restated after adoption of IAS 32 and 39</b>	<b>88.9</b>	<b>72.1</b>
Fair value movement in the year on GCap Media plc shares	(26.7)	–
Transfer to income statement	–	(1.0)
Transfer to income statement on disposal of Reuters Group plc shares	(15.7)	–
At end of year	46.5	71.1
<b>Shares held in treasury</b>		
At beginning of year	(40.0)	(26.3)
Purchase of own shares	(32.4)	(14.4)
Disposals	9.3	0.7
At end of year	(63.1)	(40.0)

The Group's investment in its own shares is classified within shareholders' funds as shares held in treasury. At 1st October, 2006 this investment comprised the cost of 9,692,016 'A' Ordinary Non-Voting shares (2005 6,280,751 shares). The market value of these shares at 1st October, 2006 was £58.8 million (2005 £41.5 million).

<b>Translation reserve</b>		
At beginning of year	19.1	–
Exchange differences on translation of overseas operations	(15.2)	15.1
Increase in fair value of hedging derivatives	11.3	–
Tax on net investment hedges	(0.3)	4.0
At end of year	14.9	19.1

The translation reserve arises on the translation into sterling of the net assets of the Group's foreign operations, offset by changes in fair value of financial instruments used to hedge this exposure.

<b>Retained earnings</b>		
At beginning of year	244.8	94.6
Reclassification of minority losses	–	(12.8)
Fair value adjustment on adoption of IAS 32 and 39	(20.1)	–
Net profit for the year	251.5	155.4
Dividends paid	(48.6)	(44.9)
Actuarial gains on defined benefit pension schemes	34.6	15.2
Deferred tax on actuarial gain	(10.4)	(7.2)
Other movements on share option schemes	4.7	52.4
Settlement of exercised share options of subsidiary	(25.3)	–
Transfer from revaluation reserve	–	1.0
Transactions with minorities	1.3	(7.2)
Shares issued to minorities	0.7	3.2
Minority dividends paid	(7.7)	(5.7)
Put options arising on shareholdings yet to be acquired	(8.4)	–
Tax on items taken directly to equity	–	0.8
At end of year	417.1	244.8
At end of year – Total Reserves	425.1	303.3

Continued

**35 Reserves continued**

IAS 39 Financial Instruments Recognition and Measurement, requires the Group to value, on a mark to market basis, its investments and financial instruments. These fair value adjustments are summarised as follows:

	£m
Mark to market value of derivative financial assets	4.0
Mark to market value of derivative financial liabilities	(7.5)
Mark to market valuation of acquisition option commitments	(20.1)
Mark to market valuation of derivatives in net debt	3.5
Transfer to retained earnings	(20.1)
Mark to market value of non current assets – available for sale investments	2.1
Mark to market value of trading investments	15.7
Transfer to revaluation reserve	17.8

**36 Commitments**

	2006 £m	2005 £m
Tangible fixed assets:		
Contracted but not provided in the financial statements	<b>28.1</b>	43.5

At 1st October, 2006 the Group had outstanding commitments under non-cancellable operating leases as follows:

	2006 Properties £m	2006 Plant and equipment £m	2005 Properties £m	2005 Plant and equipment £m
Operating leases which expire:				
Expiring in one year or less	2.7	1.9	2.2	2.2
Expiring between one and two years	2.3	1.0	3.2	2.0
Expiring between two and five years	7.4	1.7	9.9	3.3
Expiring over five years	16.7	–	29.6	–
	<b>29.1</b>	<b>4.6</b>	44.9	7.5

The Group entered into arrangements with its ink suppliers to obtain ink for the period to 2010 at competitive prices and to secure supply. At the year end, the commitment to purchase ink over the period was £85.5 million (2005 £106.4 million).

DMG World Media (USA), Inc acquired a 25% stake in George Little Management LLC (GLM) in November 2000 and acquired a further 15% in January 2005. The purchase agreement included 'put and call' arrangements to acquire the membership interests of the other members of GLM. The overall terms are as follows:

With effect from 1st October, 2010, DMG World Media (USA), Inc will acquire a further 11% of GLM shares at an agreed multiple of pre tax profits.

With effect from 1st October, 2014, the Group is required to acquire any remaining membership interests, which it does not own in GLM, at an agreed multiple of pre tax profits.

The shareholders cumulatively will now be limited in the number of shares that they can put to the Group to a maximum of 20% of the shares in GLM in any one year.

In certain circumstances, the Group is required to purchase the membership interests of individual members of GLM. These circumstances include, disability, death and retirement.

Continued

**37 Contingent liabilities**

The Group is exposed to libel claims in the ordinary course of business and makes provision for the estimated costs to defend such claims.

Four writs claiming damages for the libel have been issued in Malaysia against Euromoney Institutional Investor and three of its employees in respect of an article published in one of Euromoney's magazines, International Commercial Litigation, in November 1995. The writs were served on Euromoney on 22nd October, 1996. The total amount claimed is 280 million Malaysian ringgits, £40.2 million (2005 £42.0 million). No provision has been made in these accounts since the Directors do not believe that Euromoney has any material liability in respect of these writs.

**38 Share-based payments**

The Group offers a number of share-based remuneration schemes to Directors and certain employees. The principal schemes comprise share options under the DMGT, Euromoney and, within DMG Information, Risk Management Solutions (RMS), Genscape, Sanborn and Dolphin Executive Share Option Schemes (ESOS), the Euromoney Capital Appreciation Plan and the Company's LTIP. Share options are exercisable after three years, subject in some cases to the satisfaction of performance conditions, and up to ten years from the date of grant at a price equivalent to the market value of the respective shares at the date of grant.

Where the DMGT Schemes have performance conditions attached to them, these are explained in Note 34 and in the Remuneration Report on pages 42 and 53.

For equity-settled share-based payment transactions, IFRS 2 applies to grants of shares, share options or other equity instruments made after 7th November, 2002 that had not vested by 1st January, 2005. Details of these schemes are set out below.

**Share options**

Options outstanding under the Company's 1997 and 2006 Executive Share Option Schemes are set out in Note 34. The following options were outstanding at the year end under Euromoney's schemes to subscribe for new shares in that company:

Number of ordinary shares under option in Euromoney:

	2006 Number of share options	Option price £	2005 Number of share options	Lapsed, exercised, issued
Period during which option may be exercised:				
Before 7th February, 2006	–	3.33	10,000	(10,000)
Before 6th February, 2007	20,448	3.55	28,448	(8,000)
Before 6th January, 2008	17,984	3.96	35,564	(17,580)
Before 28th January, 2009	190,000	4.19	244,000	(54,000)
Before 10th February, 2009	160,000	3.96	160,000	–
Before 24th June, 2009	540,000	4.31	540,000	–
Before 4th January, 2010	156,000	5.63	160,000	(4,000)
Before 1st March, 2011	257,000	5.38	282,000	(25,000)
Before 22nd January, 2012	138,000	3.35	188,000	(50,000)
Between 4th December, 2005 and 3rd December, 2012	428,000	2.59	448,000	(20,000)
Between 1st February, 2006 and 31st July, 2006	–	2.08	103,205	(103,205)
Between 28th January, 2007 and 27th January, 2014	394,000	4.19	426,000	(32,000)
Between 1st February, 2007 and 31st July, 2007	29,999	3.24	39,047	(9,048)
Between 4th January, 2008 and 3rd July, 2008	32,954	3.38	42,424	(9,470)
Between 1st February, 2009 and 31st July, 2009	83,580	3.69	–	83,580
	<b>2,447,965</b>		<b>2,706,688</b>	<b>(258,723)</b>

Continued

**38 Share-based payments continued**

The following options were outstanding at the year end under RMS's scheme to subscribe for new shares in that company:

Number of ordinary shares under option in RMS:

	2006 Number of share options	Option price \$	2005 Number of share options	Lapsed, exercised, issued
Period during which option may be exercised:				
Exercisable immediately				
Granted during 2001	26,544	5.26	75,366	(48,822)
Granted during 2002	19,943	4.81	61,840	(41,897)
Granted during 2003	50,824	5.56	36,306	14,518
Granted during 2004	30,346	9.13	33,928	(3,582)
Granted during 2005	44,858	16.61	-	44,858
Granted during 2006	-	29.78	-	-
Exercisable within 1 year				
Granted during 2001	-	5.26	-	-
Granted during 2002	-	4.81	49,210	(49,210)
Granted during 2003	33,679	5.56	127,250	(93,571)
Granted during 2004	58,625	9.13	82,125	(23,500)
Granted during 2005	58,125	16.61	67,750	(9,625)
Granted during 2006	273,996	29.78	-	273,996
Exercisable between 1 - 2 years				
Granted during 2001	-	5.26	-	-
Granted during 2002	-	4.81	-	-
Granted during 2003	-	5.56	38,365	(38,365)
Granted during 2004	27,360	9.13	82,125	(54,765)
Granted during 2005	58,125	16.61	67,750	(9,625)
Granted during 2006	273,996	29.78	-	273,996
Exercisable between 2 - 3 years				
Granted during 2001	-	5.26	-	-
Granted during 2002	-	4.81	-	-
Granted during 2003	-	5.56	-	-
Granted during 2004	-	9.13	41,552	(41,552)
Granted during 2005	32,621	16.61	67,750	(35,129)
Granted during 2006	273,996	29.78	-	273,996
Exercisable between 3 - 4 years				
Granted during 2001	-	5.26	-	-
Granted during 2002	-	4.81	-	-
Granted during 2003	-	5.56	-	-
Granted during 2004	-	9.13	-	-
Granted during 2005	-	16.61	67,750	(67,750)
Granted during 2006	273,995	29.78	-	273,995
	<b>1,537,033</b>		<b>899,067</b>	<b>637,966</b>

Continued

**38 Share-based payments continued**

The following options were outstanding at the year end under Genscape's scheme to subscribe for new shares in that company:

Number of ordinary shares under option in Genscape:

	2006 Number of share options	Option price \$	2005 Number of share options	Lapsed, exercised, issued
Period during which option may be exercised:				
Exercisable immediately	–	2.79	–	–
Exercisable within 1 year	2,022,059	2.79	–	–
Exercisable between 1 - 2 years	1,516,544	2.79	–	–
Exercisable between 2 - 3 years	1,011,029	2.79	–	–
Exercisable between 3 - 4 years	–	–	–	–
	4,549,632		–	–

**The Euromoney Capital Appreciation Plan (CAP)**

The CAP was introduced in 2005. Each of the CAP awards comprises an option to subscribe for ordinary shares of 0.25p each in the company for an exercise price of 0.25p per ordinary share. The awards become exercisable on satisfaction of certain performance conditions and lapse to the extent unexercised on 30th September, 2014. In the event that the performance conditions are achieved, the option pool (of a maximum of 7.5 million shares) will be allocated between the holders of outstanding awards. One third of the awards will vest immediately, with the other two thirds vesting in equal tranches in the following two years, but only if the specified profit target is maintained. Otherwise vesting is deferred until the profits achieved in 2008 are achieved again, but no later than by reference to the year ending 30th September, 2013. The CAP expense recognised in the year was £4.3 million (2005: £1.3 million).

**RMS options plan**

RMS Options were granted at market value. The options become exercisable after 4 years vesting period and lapse 10 years from the grant date. The stock issued under the plan must be held for 9 months and they are subject to put or call options where DMGT plc and DMGI have the right to settle in DMGT shares. The options plan classification changed from cash settled plan in June 2005 to equity settled plan following a change of settlement feature of stock issued under the plan.

**Genscape options plan**

Genscape Options were granted at market value. The options become exercisable after 3 years vesting period and lapse after 10 years from the grant date. The stock issued under the plan is subject to put or call options where DMGT plc and DMGI have the right to settle in DMGT shares.

**Share option schemes**

A description of each of the Group's employee share schemes is given above. The fair value per option granted and the assumptions used in the calculation are shown below:

Options were valued using the Black-Scholes option-pricing model.

Scheme type	Options under the DMGT 1997 Executive Share Option Scheme			
	16th December, 2002	2nd January, 2003	8th December, 2003	16th June, 2004
Market value of shares at date of grant (p)	573.0	581.5	607.5	684.0
Option price (p)	573.0	581.5	607.5	684.0
Number of share options outstanding	723,500	62,000	878,056	5,000
Term of option (years)	10	10	10	10
Assumed period of exercise after vesting (years)	6.5	6.5	6.5	6.5
Exercise price (p)	573.0	581.5	607.5	684.0
Risk-free rate	5.0%	5.0%	4.8%	4.6%
Volatility	20.0%	20.0%	20.0%	20.0%
Fair value per option (p)	134.7	136.7	142.8	160.7

Continued

## 38 Share-based payments continued

Scheme type	DMGT 1997 Executive Share Option Scheme		DMGT 2006 Executive Share Option Scheme		
	Date of grant	6th December, 2004	4th January, 2004	31st March, 2006	5th July, 2006
Market value of shares at date of grant (p)		723.5	742.0	698.0	610.5
Option price (p)		723.5	742.0	698.0	610.5
Number of share options outstanding		1,031,500	8,000	934,000	98,000
Term of option (years)		10	10	10	10
Period of exercise after vesting (years)		6.5	6.5	7	7
Exercise price (p)		723.5	742.0	698.0	610.5
Risk-free rate		4.5%	4.5%	4.5%	4.8%
Volatility		20.0%	20.0%	20.0%	20.0%
Fair value per option (p)		170.0	174.4	153.0	143.5

The expected volatility is based on the Group's historical volatility averaged over a period equal to the expected life. The expected life is the average expected period to exercise. The risk free rate of return is based on the UK Government gilts.

Scheme type	Options in Euromoney		Options under Euromoney's SAYE Schemes		
	Date of grant	4th December, 2002	28th January, 2004	1st February, 2003	1st February, 2004
Market value of shares at date of grant (p)		259.0	419.0	260.0	405.0
Option price (p)		259.0	419.0	208.0	324.0
Number of share options outstanding		428,000	394,000	98,917	39,401
Term of option (years)		5.5	5.5	3	3
Period of exercise after vesting (years)		4	4	3	3
Exercise price (p)		259.0	419.0	208.0	324.0
Risk-free rate		4.8%	4.8%	4.8%	4.8%
Volatility		30.0%	30.0%	30.0%	30.0%
Fair value per option (p)		52.0	72.0	71.0	111.0

Scheme type	Options in CAP			
	Date of grant	Tranche 1 20th June, 2005	Tranche 2 20th June, 2005	Tranche 3 20th June, 2005
Market value at date of grant (p)		401.0	401.0	401.0
Option price (p)		0.25	0.25	0.25
Number of share options outstanding		2,200,000	2,200,000	2,200,000
Term of option (years)		3.28	4.53	5.53
Period of exercise after vesting (years)		3.28	4.53	5.53
Exercise price (p)		0.25	0.25	0.25
Risk-free rate		4.8%	4.8%	4.8%
Volatility		30.0%	30.0%	30.0%
Fair value per option (p)		328.0	302.0	282.0

Scheme type	Options in RMS				
	Date of grant	During YE 2001	During YE 2002	During YE 2003	During YE 2004
Market value of shares at date of grant (US cents)		526.0	481.0	556.0	913.0
Option price (US cents)		526.0	481.0	556.0	913.0
Number of share options outstanding		26,544	19,943	84,503	116,331
Term of option (years)		-	0.67	1.67	2.67
Assumed period of exercise after vesting (years)		6-9	6-9	6-9	6-9
Exercise price (US cents)		526.0	481.0	556.0	913.0
Risk-free rate		4.0%	4.0%	4.0%	4.0%
Volatility		35.0%	35.0%	35.0%	35.0%
Fair value per option (US cents)		2,222.0	2,243.0	2,138.0	1,791.0

Continued

**38 Share-based payments continued**

Scheme type Date of grant	Options in RMS	
	During 2005	During 2006
Market value of shares at date of grant (US cents)	1,661.0	2,978.0
Option price (US cents)	1,661.0	2,978.0
Number of share options outstanding	193,729	1,095,983
Term of option (years)	3.67	4.27
Assumed period of exercise after vesting (years)	6-9	6-9
Exercise price (US cents)	1,661.0	2,978.0
Risk-free rate	4.0%	4.0%
Volatility	35.0%	35.0%
Fair value per option (US cents)	1,253.0	857.0

Scheme type Date of grant	Options in Genscape
	During 2006
Market value of shares at date of grant (US cents)	277.8
Option price (US cents)	277.8
Number of share options outstanding	4,549,632
Term of option (years)	5.0
Assumed period of exercise after vesting (years)	7-9
Exercise price (US cents)	277.8
Risk-free rate	4.0%
Volatility	35.0%
Fair value per option (US cents)	73.0

**The LTIP**

Awards outstanding in the Company's LTIP are set out in Note 34.

The fair value per option granted and the assumptions used in the calculation are shown below:

LTIP awards were valued using the Black-Scholes option-pricing model.

Scheme type Date of award	DMGT LTIP			
	1st January, 2003	1st January, 2004	1st January, 2005	1st January, 2006
Market value of shares at date of grant (p)	593.8	703.5	753.0	788.0
Award price (p)	593.8	703.5	753.0	788.0
Number of share options outstanding	111,557	221,743	95,650	111,261
Initial term of option (years)	5	5	5	5
Assumed period of exercise after vesting (years)	-	-	-	-
Exercise price (p)	Prevailing price	Prevailing price	Prevailing price	Prevailing price
Risk-free rate	N/A	N/A	N/A	N/A
Volatility	N/A	N/A	N/A	N/A
Fair value per option (p)	451.3	534.7	572.3	598.9

**39 Ultimate holding company**

The Company's ultimate holding company is Rothermere Continuation Limited, a company incorporated in Bermuda.

Continued

**40 Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The transactions between the Group and its joint ventures and associates are disclosed below.

**Ultimate controlling party**

The Company's ultimate controlling party is the Viscount Rothermere, the Company's Chairman. Transactions relating to the remuneration and shareholdings of the Viscount Rothermere are given in the Remuneration Report.

**Transactions with Directors**

There were no material transactions with Directors of the Company, except for those relating to remuneration and shareholdings, disclosed in the Remuneration Report.

For the purposes of IAS 24 Related Party Disclosures, Executives below the level of the Company's Board are not regarded as related parties.

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the individual Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 43 to 44.

	2006 £million	2005 £million
Short-term employee benefits	5.1	4.3
Other long-term benefits	2.8	2.5
Share based payments	0.9	0.7
	<b>8.8</b>	<b>7.5</b>

There were no post-employment benefits or termination charges in 2005 or 2006.

**Transactions with joint ventures and associates**

Associated Newspapers has a 38% investment in Indigo Holidays Limited which is an associate. During the year, the Group received advertising revenue from Indigo Holidays of £1,000 (2005 £1.1 million). The amount due from Indigo Holidays at 1st October, 2006 was £6.3 million (2005 £6.1 million).

Associated Newspapers Limited has a 45% shareholding in Fortune Green Limited. During the year the Group received revenue for newsprint, computer and office services of £0.9 million (2005 Nil). Amounts due from Fortune Green Limited at 1st October, 2006 were £0.5 million (2005 Nil).

Associated Newspapers Limited has a 20% share in the Newspapers Licensing Agency from which royalty revenue of £1.7 million was received (2005 £1.8 million). Commissions paid on this revenue total £0.3 million (2005 £0.4 million).

During the year, Northcliffe Newspapers Group Limited provided equity funding of £1.0 million (2005 £2.0 million) to Fish4 Limited, a 25% associate. Full provision has been made against this funding in these Accounts.

During the year, George Little Management LLP (GLM), a 40% associate of DMG World Media Inc recorded US\$1.6 million (£0.9 million) (2005 US\$1.8 million or £1.0 million), of management revenue related to the California Gift Shows which are owned by dmg world media (USA) Inc.

GLM also recorded approximately US\$0.3 million (£0.2 million) (2005 \$0.4 million or £0.2 million) of management fee revenue related to shows owned by DMG World Media (Canada) Inc.

During the year, DMG World Media (USA) Inc, received distributions from GLM in the amount of \$6.8 million (£3.8 million) (2005 \$1.0 million or £0.5 million).

Details of the Group's principal joint ventures and associates are set out in Note 20.

Continued

**40 Related party transactions continued****Other related party disclosures**

At the beginning of the year, a loan of £179,233 was made to Mr Beatty, before his appointment as a Director of the Company, to assist with relocation after joining the Group. The loan, which bore interest at 2½ % per annum, was repaid on 29th June, 2006. The maximum principal amount outstanding during year was £179,233. At the beginning of the year, there was a further loan of £96,107, made to Mr Beatty, before his appointment as a Director, to enable him to purchase 'A' Ordinary Non-Voting shares in the Company for commitment to the LTIP. The loan, which bore interest at 5% per annum, was repaid on 31st August, 2006. The maximum principal amount outstanding during the year was £96,107.

As at 1st October, 2006 there was a loan to an officer of the Company of £33,258 (2005 £33,258) which bears interest at 5% per annum. The maximum amount outstanding during the year was £33,258.

At 1st October, 2006, the Group owed £0.7 million (2005 £2.9 million) to the pension schemes which it operates. This amount comprised employees' and employer's contributions in respect of September 2006 payrolls which were paid to the pension schemes in October 2006.

The Group recharges its principal pension schemes with costs of investment management fees. The total amount recharged during the year was £0.7 million (2005 £0.7 million).

**41 Post balance sheet events**

On 4th August, 2006, Euromoney announced the terms of a recommended cash offer by Euromoney Institutional Investor (Ventures) Limited, a subsidiary of the Company, to acquire the entire ordinary share capital of Metal Bulletin plc. The offer document setting out the full terms of the offer was posted to Metal Bulletin plc shareholders on 31st August, 2006.

All of the conditions of the offer have been satisfied and the offer was declared unconditional on 5th October, 2006.

Under the terms of the offer, Metal Bulletin plc shareholders received 400 pence in cash for every Metal Bulletin plc share held. The offer valued the issued ordinary share capital of Metal Bulletin plc at approximately £224.8 million.

A partial share alternative was made available which allowed Metal Bulletin plc shareholders to elect to receive any proportion of the consideration in new Euromoney shares subject to not more than 14 million new Euromoney shares being issued. For the purposes of the partial share alternative, each consideration share had an assumed value of 394.75 pence which was Euromoney's closing share price on 25th July, 2006, the last business day before the announcement made by Euromoney of the final proposed recommended offer for Metal Bulletin plc. The partial share alternative was oversubscribed and the maximum number of Euromoney shares were issued on 6th October, 2006 bringing the total issued share capital to 102.4 million shares.

A loan note alternative was also made available. Shareholders were entitled to elect to receive, for every £1 of cash consideration, £1 nominal value of loan notes. The loan notes will bear interest from the date of issue payable every six months in arrears on 30th June and 31st December in each year, at 0.75% below LIBOR per year. The loan notes are redeemable at par on interest payment dates commencing on 30th June, 2007. Any loan notes outstanding on 31st December, 2016 will be redeemed at par on that date.

At 24th October, 2006 Euromoney was the beneficial owner of 97.2% of the issued ordinary share capital of Metal Bulletin plc. Metal Bulletin plc shareholders opting for the loan note alternative represent 5.2% of Metal Bulletin plc's share capital. Accordingly it is estimated that the cash component of the offer will be approximately £157.0 million.

Metal Bulletin plc's balance sheet at the date of acquisition is set out below.

	£m
Goodwill and intangible assets	45.3
Other non-current assets	3.7
Current assets	10.8
Trade creditors and other payables	(10.4)
Other current liabilities	(26.0)
Non-current liabilities	(17.6)
Net assets	5.9
Goodwill	218.9
Fair value of consideration	224.8

Continued

**42 Summary of differences between UK GAAP and IFRS**

The following summarises the areas of reconciliation relevant to the Group between UK GAAP and IFRS for the transition period 3rd October, 2004 and prior year.

**Share-based payments**

Under UK GAAP no cost is incurred for share options under the Group's incentive schemes. In accordance with IFRS 2 the Group recognises a charge to the income statement 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. The difference between the market value of the assets and the present value of the accrued pension liabilities is recognised as an asset or liability in the balance sheet together with 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.

**Leases**

Under UK GAAP lease incentives are taken to profit and loss 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 over the lease term rather than to the next review.

**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 approved by shareholders or paid. The effect of this change for the Group is that the final dividends in relation to the financial years 2003/04 and 2004/05 which were accrued at the balance sheet dates were 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 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 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. 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 IAS 38 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 will not be permitted under IFRS, the potential deferred tax in respect of capitalised tax deductible goodwill will be more significant under IFRS.

**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 profits:

Under UK GAAP the Group recorded foreign exchange differences arising on retranslation of foreign operations as a component of retained earnings and has elected to record them from the transition date in a separate translation reserve;

Under UK GAAP, share of interest and taxation of joint ventures and associates is included within Group net interest and taxation charges. Under IAS 1 these items are disclosed within share of profits/(losses) from joint ventures and associates;

**42 Summary of differences between UK GAAP and IFRS continued**

Under UK GAAP, capitalised computer software is included within tangible fixed assets on the balance sheet. Under IFRS, only computer software that is integral to a related item of hardware is included as property, plant and equipment. 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 split formally between current and non-current. IFRS requires this distinction to be made;

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; and

Under UK GAAP, minority interests were disclosed separately on the face of the Group balance sheet. Under IFRS, since the minority interests represents amounts owed to the Group, these balances have been included within Group revenue reserves.