

### 1 Basis of preparation

DMGT plc has historically prepared its audited annual financial statements in accordance with UK generally accepted accounting practice (UK GAAP). Following European regulation issued in 2002, the Group now presents its report and consolidated accounts in accordance with International Financial Reporting Standards (IFRS as adopted for use in the European Union and therefore in compliance with Article 4 of the EU IAS regulation).

The significant accounting policies used in preparing this information are set out in note 2.

#### First time adoption of IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards permits companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS and also to make certain elections in the transition period. The exemptions and elections adopted by the Group are as follows:

#### Business combinations IFRS 3

The Group has elected not to adopt IFRS 3 retrospectively to business combinations. As a result, in the opening balance sheet, goodwill from past business combinations amounting to £621.2 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 on the subsequent disposal of an overseas operation will only take account of translation gains or losses that arose 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 adopted as of 3rd October, 2005 and thus, as permitted by IFRS 1, the Group has not restated comparatives to comply with IAS 32 and IAS 39. Commencing on this date, the Group applies hedge accounting where the requirements of IAS 39 are met.

#### Impact of new IFRS

##### Financial instruments: disclosures IFRS 7

IFRS 7, which comes into effect from 1st January, 2007 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 also makes consequential amendment to IAS 1 in respect of capital disclosure. The Group will be adopting the standard for the period beginning on 2nd October, 2006.

#### Summary of differences between UK GAAP and IFRS

Summary of differences between UK GAAP and IFRS for the transition period, 3rd October, 2004 and prior year are provided in note 42.

#### 2 Significant accounting policies

The Group financial statements incorporate the financial statements of the Company and all of its subsidiaries together with the Group's share of all of its interests in joint ventures and associates. The financial statements have been prepared on the historical basis, except for the revaluation of certain properties and financial instruments.

#### Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses attributable to the minority in excess of the minority's share in equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover such losses. When the subsidiary subsequently reports profits, the minority does not participate until the Group has recovered all of the losses of the minority it previously reported.

#### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisitions is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Continued

**2 Significant accounting policies continued****Interests in joint ventures and associates**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The post tax results and assets and liabilities of joint ventures and associates are incorporated in the Group's results using the equity method of accounting. Under the equity method, investments in joint ventures and associates are carried in the consolidated balance sheet at a cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture and associates, less any impairment in the value of investment. Losses of joint ventures and associates in excess of the Group's interest in that joint venture or associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture or associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

**Intangible assets****Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Goodwill arising before the date of transition to IFRS, on 4th October, 2004, has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

**Licences**

Radio licences are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives from the commencement of service of the network, estimated by management to be 20 years.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives, being three to five years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs and directly attributable overheads are capitalised as intangibles. Computer software which is integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

**Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the following conditions are met:

- an asset created can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it incurred.

**Marketing costs**

Marketing and promotional costs are charged to the income statement in the period in which they are incurred.

**Other intangible assets**

Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets from the date they become available for use. The estimated useful lives are as follows:

Publishing rights, titles and exhibitions	20 years
Radio licences	20 years
Brands	20 years
Market and customer related data bases	3 – 20 years
Computer software	3 – 5 years

Continued

**2 Significant accounting policies continued**

**Property, plant and equipment**

Land and buildings held for use are stated in the balance sheet at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, adjusted for revaluations of certain properties as at 30th September, 1994.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use. No interest is capitalised into assets in the course of construction.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is charged so as to write off the cost or valuation of assets, other than property, plant and equipment under construction using the straight-line method, over their estimated useful lives as follows:

Freehold buildings and long leasehold properties	50 years
Short leasehold premises	the term of the lease
Plant and equipment	3 – 25 years

Depreciation is not provided on freehold land.

**Impairment of goodwill**

Goodwill is measured at cost less any accumulated impairment losses. Impairment is reviewed either annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying value.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit but subject to not reducing any asset below its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

**Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

**Pre-publication costs**

Pre-publication costs represent direct costs incurred in the development of titles prior to their publication. These costs are carried forward in work in progress where the title will generate probable future economic benefits and costs that can be measured reliably.

**Cash and cash equivalents**

Cash and cash equivalents includes cash, short-term deposits and other short-term highly liquid investments with an original maturity of three months or less. For the purpose of the Group cash flow statement, cash and cash equivalents are as defined above, net of bank overdrafts.

**Revenue**

Group revenue comprises revenue of the Company and its subsidiary undertakings. Revenue is stated net of value added tax, trade discounts and commission where applicable and is recognised using several methods. Subscriptions revenue is recognised over the period of the subscription or contract. Publishing and circulation revenue is recognised on issue of the publication or report. Advertising is recognised on issue of publication, over the period of the on line campaign or date of broadcast. Contract printing is recognised on completion of the print contract. Exhibitions, Training and Events revenues are recognised over the period of the event. Education revenue is recognised over the period of the course. Information services revenue is recognised over the period of the subscription contract.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

**Dividends**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividends are recognised as a distribution in the period in which they are approved by the shareholders. Interim dividends are recorded in the period in which they are paid.

**Foreign currencies**

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing on the balance sheet date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that operation is recognised in the income statement as part of the gain or loss on sale.

Continued

**2 Significant accounting policies continued**

The Group records foreign exchange differences arising on retranslation of foreign operations within the translation reserve in equity.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Goodwill, intangible assets and fair value adjustments arising on the acquisition of foreign operations are treated as part of the assets and liabilities of the foreign operation except for those arising pre-transition to IFRS and translated at the closing rate.

In respect of all foreign operations, any cumulative exchange differences that have arisen before 4th October, 2004, the date of transition to IFRS, are reset to nil and will be excluded from the determination of any subsequent profit or loss on disposal.

**Borrowing costs**

All borrowing costs are recognised in the income statement in the period in which they are incurred. Debt issue costs are amortised over the lives of the debts. Finance charges including premiums paid on settlement or redemption and direct issue costs and discounts related to borrowings are accounted for on an accruals basis to the income statement using the effective interest method.

**Retirement benefits**

As permitted by IFRS 1 First-time adoption of International Financial Reporting Standards, the Group has elected to recognise all cumulative actuarial gains and losses in the pension schemes operated by the Group at the date of transition to IFRSs. Actuarial gains and losses arising following the date of transition are recognised in the period in which they arise in the statement of recognised income and expense (SORIE). Pension scheme assets are measured at market value at the balance sheet date. Scheme liabilities are measured using the projected unit credit method and discounted at a rate reflecting current yields on high quality corporate bonds having regard to the duration of the liability profiles of the schemes.

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the balance sheet. Actuarial gains and losses arising in the year are taken to the statement of recognised income and expense. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations as appropriate.

The values attributed to the plan liabilities are assessed in accordance with the advice of independent qualified actuaries.

Since the assets and liabilities of the Group's defined benefit plans cannot be allocated to individual entities on a fair and reasonable basis, the scheme's assets and liabilities are not attributed to reporting segments and the pension charge in each segment represents the contributions payable for the period.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

**Taxation**

Income tax expense represents the sum of the current tax payable and deferred tax for the year.

The current tax payable or recoverable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using the UK and foreign tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Goodwill arising on business combinations also includes amounts corresponding to deferred tax liabilities recognised in respect of acquired intangible assets. A deferred tax liability is recognised to the extent that the fair value of the assets for accounting purposes exceeds the value of those assets for tax purposes and will form part of the associated goodwill on acquisition.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Continued

**2 Significant accounting policies continued**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date, and is not discounted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority or on the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

**Financial instruments**

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Under IFRS 1, the Group has taken the option to defer the implementation of IAS 32 and IAS 39 to the year ended 1st October, 2006. Therefore financial instruments for the year ended 2nd October, 2005 have not been restated and are accounted for and presented in accordance with previous UK GAAP.

**UK GAAP – Accounting policies for financial instruments**

Under UK GAAP, the Group used various derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. These included currency swaps, forward foreign currency contracts, interest rate swaps, interest rate caps and interest rate floors. The Group considered its derivative financial instruments to be hedges and matches them with the relevant hedged item. Cash flows relating to these derivative financial transactions were netted against hedged transactions in the cash flow statement within net cash inflow from operating activities, or returns on investment and servicing of finance, or disclosed within financing, as appropriate.

Where forward foreign exchange contracts or cross currency swaps are used to hedge borrowings, the borrowings hedged are translated at the year end at the exchange rate implicit within the respective derivative. Any exchange differences arising are taken to the profit and loss account to match the accounting treatment of exchange gains or losses on the borrowings.

Where forward foreign exchange contracts are used to hedge future revenues or costs, the gain or loss is not recognised until the revenues arise or the costs are incurred.

Payments or receipts on interest rate swaps, caps or floors were accrued within net finance costs. Arrangement fees on bonds were amortised over the estimated life of the bonds.

**IFRS – Accounting policies for financial instruments**

The following accounting policies were applied by the Group from implementation of IAS 32 and IAS 39 at 3rd October, 2005.

**Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**Trade payables**

Trade payables are not interest bearing and are stated at their nominal value.

The Group has no significant long-term trade receivables or trade payables.

**Available for sale investments**

Investments and financial assets are recognised and de-recognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are measured at fair value, including transaction costs.

Investments are classified as either held-for-trading or available-for-sale. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. The fair value of listed securities is determined based on quoted market prices, and of unlisted securities on management's estimate of fair value determined by discounting future cash flows to net present value using market interest rates prevailing at the year end.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, short-term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

**Capital market and bank borrowings**

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to net proceeds at inception), and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a fair value hedge. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowing.

**Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

**Derivative financial instruments and hedge accounting**

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is governed by the Group's policies, which are set out on pages 30 and 31 of the Financial and Treasury Review and approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Continued

**2 Significant accounting policies continued**

Derivative financial instruments are initially measured at fair value and are subsequently re-measured to fair value at each reporting date. The fair value is determined by using market data and the use of established estimation techniques such as discounted cashflow and option valuation models. The Group designates certain derivatives as:

- (i) Hedges of the change of fair value of recognised assets and liabilities ("fair value hedges"); or
- (ii) Hedges of highly probable forecast transactions ("cash flow hedges"); or
- (iii) Hedges of net investment in foreign operations ("net investment hedges")

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges or cash flow hedges are recognised in equity. To qualify for hedge accounting, the hedging relationship must be expected to be effective, be designated and documented at its inception and throughout the life of the hedge relationship.

When the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, hedge accounting is discontinued. The net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period when the net investment is sold or when the hedged cash flow is no longer expected to occur.

**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, to the extent the hedge is effective. The ineffective portion is recognised immediately in the income statement.

**Cash flow hedges**

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If a hedged firm commitment or forecast transaction results in the recognition of a non financial asset or liability, then, at the time that the asset or liability is recognised, the associated gains and losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

**Net investment hedges**

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on foreign currency borrowings and derivative financial instruments that are designated as hedging net investments in foreign operations are recognised in equity to the

extent that the hedging relationship is effective. Any ineffectiveness is recognised immediately in the income statement of the period. Gains and losses accumulated in the translation reserve are included in the income statement on disposal of the foreign operation.

**Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

**Share-based payments**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using a binomial pricing model which is calibrated using a Black-Scholes framework. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The Group has applied the requirements of IFRS 2 Share-based Payments to all equity instruments granted but not fully vested at 4th October, 2004 the date of transition to IFRS. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7th November, 2002.

**Critical accounting judgements and key sources of estimation uncertainty**

In addition to the judgement taken by management in selecting and applying the accounting policies set out above, management has made the following judgements that have the effect on the amounts recognised in the consolidated financial statements.

**Acquisitions**

The Group's accounting policy on the acquisition of subsidiaries is to allocate purchase consideration over the net fair value of identifiable assets, liabilities and contingent liabilities acquired with any excess consideration representing goodwill. In determining the fair value of assets, liabilities and contingent liabilities acquired the use of significant estimates and assumptions, including assumptions with respect to cash flows and unprovided liabilities and commitments, particularly in respect to tax, is often involved.

**Acquisition option commitments**

The Group is party to a number of put and call options over the remaining minority interests in some of its subsidiaries. IAS 39 requires the discounted present value of these acquisition option commitments to be recognised as a liability on the balance sheet with a corresponding decrease in reserves. The discounts are unwound as a notional interest charge to the income statement. Key areas of judgement in calculating the discounted present value of the options are the expected future cash flows and earnings of the business, the period remaining until the option is exercised and the discount rate. At 1st October, 2006 the discounted present value of these acquisition option commitments is £32.7 million.

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**2 Significant accounting policies continued****Impairment of goodwill and intangible assets**

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and compare the net present value of these cash flows using a suitable discount rate to determine if any impairment has occurred. A key area of judgement is deciding the long-term growth rate of the applicable businesses and the discount rate applied to those cash flows. The carrying amount of goodwill and intangible assets at the balance sheet date was £1,124.9 million after an impairment loss of £59.1 million recognised during the year.

**Operating profit**

The Group discloses as operating profit, profit before investment revenue, other gains and losses and finance costs.

**Adjusted profits and exceptional items**

The Group presents adjusted earnings by making adjustments for costs and revenues which management believe to be exceptional in nature by virtue of their size or incidence and by adding back amortisation and impairment of goodwill and intangible assets.

**Share-based payments**

The Group makes share-based payments to certain employees. These payments are measured at their estimated fair value at the date of grant, calculated using an appropriate option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the number of shares that will eventually vest. The key assumptions used in calculating the fair value of the options are the discount rate, the Group's share price volatility, dividend yield, risk free rate of return, and expected option lives; these are set out in note 38. Management regularly perform a true-up of the estimate of the number of shares that are expected to vest, this is dependent on the anticipated number of leavers.

**Taxation**

Being a multinational Group with tax affairs in many geographic locations inherently leads to a highly complex tax structure which makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of legal processes. Such issues can take several years to resolve. The Group however takes a prudent view of unresolved issues, however the inherent uncertainty regarding these items means that the eventual resolution could differ significantly from the accounting estimates and therefore impact the Group's results and future cash flows.

**3 Segmental information****By activity**

The Group's business activities are currently split into six operating divisions – National newspapers, Regional newspapers, Business to business information and careers, Euromoney Institutional Investor, Exhibitions and Radio. These divisions are the basis on which the Group reports its primary segment information. Each segment includes its respective associated electronic products.

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

Information on the Group's acquisitions made during the year has been presented in aggregate since individually the amounts are immaterial.

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	910.0	21.0	–	931.0	940.7
Regional newspapers and related activities	460.2	2.8	15.8	478.8	520.1
Business to business information and careers	251.1	4.5	89.5	345.1	294.6
Euromoney Institutional Investor	220.5	–	–	220.5	194.9
Exhibitions and related activities	159.7	3.5	–	163.2	152.1
Radio	37.4	–	–	37.4	33.9
	2,038.9	31.8	105.3	2,176.0	2,136.3

Revenue of regional newspapers and related activities excludes intra-group revenue of £14.1 million (2005 £17.1 million).

Following internal reorganisation to manage all of the Group's national brands together, revenues from national newspapers have been restated to include television of £51.0 million (2005 £63.2 million), which was previously reported within broadcasting.

Revenue of business to business information and careers comprises £255.6 million (2005 £201.8 million) from business to business information and £89.5 million (2005 £92.8 million) from Study Group.

Continued

**3 Segmental information continued**

Group's revenue is further analysed as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
Sale of goods	601.9	–	–	601.9	575.7
Rendering of services	1,437.0	31.8	105.3	1,574.1	1,560.6
	<b>2,038.9</b>	<b>31.8</b>	<b>105.3</b>	<b>2,176.0</b>	<b>2,136.3</b>

Operating profit/(loss) is analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Before exceptional operating costs and amortisation and impairment of goodwill and intangible assets £m	2006 Exceptional operating costs £m	2006 Impairment of goodwill and intangible assets £m	2006 Amortisation of intangible assets £m	2006 Total continuing £m
<b>Operating profit/(loss)</b>								
National newspapers and related activities	92.8	4.2	–	97.0	(5.8)	(19.2)	(16.6)	55.4
Regional newspapers and related activities	88.8	0.7	1.9	91.4	(31.9)	(1.0)	(8.6)	49.9
Business to business information and careers	62.3	1.5	4.2	68.0	(0.6)	–	(6.6)	60.8
Euromoney Institutional Investor	39.1	–	–	39.1	–	(0.4)	(2.3)	36.4
Exhibitions and related activities	23.5	0.9	–	24.4	(2.8)	(16.2)	(6.1)	(0.7)
Radio	(4.9)	–	–	(4.9)	–	(22.4)	(10.4)	(37.7)
Unallocated central costs	(14.6)	–	–	(14.6)	–	–	–	(14.6)
	<b>287.0</b>	<b>7.3</b>	<b>6.1</b>	<b>300.4</b>	<b>(41.1)</b>	<b>(59.2)</b>	<b>(50.6)</b>	<b>149.5</b>
Less: exceptional operating costs	(41.1)	–	–	(41.1)				
Less: amortisation and impairment of goodwill and intangible assets	(98.3)	(9.7)	(1.8)	(109.8)				
	<b>147.6</b>	<b>(2.4)</b>	<b>4.3</b>	<b>149.5</b>				

Operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets within the national newspapers division comprised £83.6 million from newspapers, £13.2 million from digital and £0.2 million from television.

Operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets within the business to business information and careers division comprised £68.0 million from business to business information and £4.1 million from Study Group offset by unallocated central costs of £4.1 million.

Included within unallocated central costs is a credit of £1.8 million which adjusts the pensions charge recorded in each operating segment from a cash rate to actuarial accrual rate in accordance with IAS 19.

The Group's exceptional operating costs comprised regional newspapers and related activities restructuring and strategic review costs totalling £31.9 million, together with reorganisation costs of £5.8 million within national newspapers and related activities, £0.6 million in business to business information and careers and £2.8 million within exhibitions and related activities.

If all acquisitions had been completed on the first day of the financial year, contribution to Group revenues for the year would have been £73.0 million and contribution to Group profit attributable to equity holders of the parent would have been £10.3 million. This information takes into account the amortisation of acquired intangible assets for a full year, together with related income tax effects but excludes any pre-acquisition finance costs and should not be viewed as indicative of the results of operations that would have occurred if the acquisitions had actually been completed on the first day of the financial year.

Continued

**3 Segmental information continued**

Operating profit/(loss) is analysed by segment as follows:

	2005 Before exceptional operating costs and amortisation and impairment of goodwill and intangible assets £m	2005 Exceptional operating costs £m	2005 Impairment of goodwill and intangible assets £m	2005 Amortisation of intangible assets £m	2005 Total continuing £m
<b>Operating profit/(loss)</b>					
National newspapers and related activities	95.9	(3.5)	–	(5.9)	86.5
Regional newspapers and related activities	100.3	(10.4)	(3.5)	(7.9)	78.5
Business to business information and careers	44.5	–	–	(3.6)	40.9
Euromoney Institutional Investor	38.1	–	–	(2.0)	36.1
Exhibitions and related activities	24.1	–	(1.8)	(2.5)	19.8
Radio	(0.4)	–	–	(6.8)	(7.2)
Unallocated central costs	(19.1)	–	–	–	(19.1)
	283.4	(13.9)	(5.3)	(28.7)	235.5

Following an internal reorganisation, operating profit from operations before exceptional operating costs and amortisation and impairment of goodwill and intangible assets of national newspapers has been restated to include £2.2 million from television, which was previously reported within broadcasting. The result for the division includes £5.5 million from digital.

Operating profit from operations before exceptional operating costs and amortisation and impairment of goodwill and intangible assets within the business to business information and careers division comprised £45.9 million from business to business information and £2.5 million from Study Group offset by unallocated central costs of £3.9 million.

The Group's exceptional operating costs comprised reorganisation costs of £13.9 million including the closure of a press and the write off of press equipment of £4.4 million.

Operating profit is analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	57.9	(2.5)	–	55.4	86.5
Regional newspapers and related activities	48.5	–	1.4	49.9	78.5
Business to business information and careers	58.1	(0.2)	2.9	60.8	40.9
Euromoney Institutional Investor	36.4	–	–	36.4	36.0
Exhibitions and related activities	(1.0)	0.3	–	(0.7)	19.9
Radio	(37.7)	–	–	(37.7)	(7.2)
Unallocated central costs	(14.6)	–	–	(14.6)	(19.1)
	147.6	(2.4)	4.3	149.5	235.5

Amortisation and impairment of goodwill and intangible assets are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	(29.1)	(6.7)	–	(35.8)	(5.9)
Regional newspapers and related activities	(8.4)	(0.7)	(0.5)	(9.6)	(11.4)
Business to business information and careers	(3.6)	(1.7)	(1.3)	(6.6)	(3.6)
Euromoney Institutional Investor	(2.7)	–	–	(2.7)	(2.0)
Exhibitions and related activities	(21.7)	(0.6)	–	(22.3)	(4.3)
Radio	(32.8)	–	–	(32.8)	(6.8)
	(98.3)	(9.7)	(1.8)	(109.8)	(34.0)

Continued

**3 Segmental information continued**

Group's share of results of joint ventures are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	(1.2)	–	–	(1.2)	0.2
Regional newspapers and related activities	–	–	–	–	–
Business to business information and careers	0.6	–	–	0.6	–
Euromoney Institutional Investor	0.5	–	–	0.5	0.1
Exhibitions and related activities	0.4	–	–	0.4	(0.2)
Radio	–	–	–	–	(0.1)
Group operations	–	–	–	–	–
	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>0.3</b>	<b>–</b>

Group's share of results of associates are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	0.6	–	–	0.6	(3.9)
Regional newspapers and related activities	(0.7)	–	–	(0.7)	(2.0)
Business to business information and careers	0.4	–	–	0.4	0.3
Euromoney Institutional Investor	0.7	–	–	0.7	0.5
Exhibitions and related activities	4.3	–	–	4.3	5.3
Radio	–	–	–	–	(2.5)
	<b>5.3</b>	<b>–</b>	<b>–</b>	<b>5.3</b>	<b>(2.3)</b>

Other gains and losses are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	–	–	1.0	1.0	3.6
Regional newspapers and related activities	(0.7)	–	106.7	106.0	0.2
Business to business information and careers	(5.4)	–	72.0	66.6	0.2
Euromoney Institutional Investor	0.6	–	–	0.6	(0.3)
Exhibitions and related activities	0.2	–	–	0.2	0.9
Radio	–	–	–	–	1.1
Group operations	14.2	–	–	14.2	9.8
	<b>8.9</b>	<b>–</b>	<b>179.7</b>	<b>188.6</b>	<b>15.5</b>

Continued

**3 Segmental information continued**

Investment revenues are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	1.1	–	–	1.1	1.4
Regional newspapers and related activities	0.5	–	–	0.5	0.3
Business to business information and careers	0.7	–	0.1	0.8	0.8
Euromoney Institutional Investor	0.6	–	–	0.6	0.3
Exhibitions and related activities	0.2	–	–	0.2	0.4
Radio	0.1	–	–	0.1	0.1
Group operations	3.8	–	–	3.8	3.4
	7.0	–	0.1	7.1	6.7

Finance costs are analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	(1.4)	–	–	(1.4)	(1.1)
Regional newspapers and related activities	–	–	–	–	(0.5)
Business to business information and careers	(1.0)	(0.1)	–	(1.1)	(1.8)
Euromoney Institutional Investor	(4.7)	–	–	(4.7)	(2.7)
Exhibitions and related activities	(0.1)	–	–	(0.1)	(0.1)
Radio	(0.7)	–	–	(0.7)	(0.7)
Unallocated central costs	(31.3)	–	–	(31.3)	(53.2)
	(39.2)	(0.1)	–	(39.3)	(60.1)

Profit before tax is analysed by segment as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
National newspapers and related activities	58.3	(2.3)	(0.5)	55.5	81.0
Regional newspapers and related activities	151.2	–	4.5	155.7	73.6
Business to business information and careers	134.8	(2.0)	(4.7)	128.1	40.2
Euromoney Institutional Investor	34.1	–	–	34.1	34.1
Exhibitions and related activities	4.4	(0.1)	–	4.3	26.2
Radio	(38.3)	–	–	(38.3)	(8.6)
Unallocated central costs	(27.9)	–	–	(27.9)	(51.2)
	316.6	(4.4)	(0.7)	311.5	195.3

Continued

**3 Segmental information continued**

Operating profit is further analysed as follows:

	Note	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
Revenue		2,038.9	31.8	105.3	2,176.0	2,136.3
Decrease in stocks of finished goods and work in progress		(1.9)	–	–	(1.9)	(1.2)
Raw materials and consumables		(283.0)	–	(0.4)	(283.4)	(275.0)
Other external charges		(398.1)	(9.6)	(37.5)	(445.2)	(418.4)
Staff costs	4	(606.8)	(7.4)	(37.8)	(652.0)	(651.5)
Depreciation of tangible fixed assets	19	(67.2)	(1.0)	(2.4)	(70.6)	(71.1)
Amortisation of intangible assets	18	(39.1)	(9.7)	(1.8)	(50.6)	(28.7)
Impairment of goodwill and intangible assets	17, 18	(59.2)	–	–	(59.2)	(5.3)
Rental of property		(21.6)	(0.3)	(6.5)	(28.4)	(28.8)
Rental of plant and equipment		(5.8)	–	(0.6)	(6.4)	(6.0)
Foreign exchange translation differences		0.1	–	–	0.1	1.9
Other operating charges		(399.1)	(6.1)	(13.8)	(419.0)	(412.5)
Non-exceptional loss on sale of property, plant and equipment		–	–	–	–	(0.3)
Auditors' remuneration for the Group audit		(2.0)	(0.1)	(0.2)	(2.3)	(1.9)
Group auditors' fees for other services		(7.6)	–	–	(7.6)	(2.0)
		147.6	(2.4)	4.3	149.5	235.5

The total remuneration of the Group's auditors, Deloitte &amp; Touche LLP, and its affiliates is analysed as follows:

	2006 £m	2005 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.3	0.2
Fees payable to the Company's auditors and their associates for other services to the Group	2.0	1.7
Total audit fees	2.3	1.9
Corporate finance	3.0	0.5
Tax services	1.2	0.6
Other services	3.4	0.9
Total non-audit fees	7.6	2.0
	9.9	3.9

Continued

**3 Segmental information continued**

Group's net assets are analysed by segment as follows:

	Total assets 2006 £m	Total liabilities 2006 £m	Total net assets 2006 £m
National newspapers and related activities	697.8	(329.5)	368.3
Regional newspapers and related activities	473.8	(90.7)	383.1
Business to business information and careers	401.2	(117.6)	283.6
Euromoney Institutional Investor	220.8	(206.0)	14.8
Exhibitions and related activities	297.2	(123.9)	173.3
Radio	190.2	(19.7)	170.5
Unallocated pension liabilities	–	(151.3)	(151.3)
Group operations	69.0	(836.0)	(767.0)
	<b>2,350.0</b>	<b>(1,874.7)</b>	<b>475.3</b>

	Total assets 2005 £m	Total liabilities 2005 £m	Total net assets 2005 £m
National newspapers and related activities	481.8	(242.2)	239.6
Regional newspapers and related activities	466.8	(161.2)	305.6
Business to business information and careers	371.6	(209.3)	162.3
Euromoney Institutional Investor	167.3	(167.4)	(0.1)
Exhibitions and related activities	269.5	(90.8)	178.7
Radio	241.3	(17.9)	223.4
Unallocated pension liabilities	–	(178.7)	(178.7)
Group operations	176.2	(753.5)	(577.3)
	<b>2,174.5</b>	<b>(1,821.0)</b>	<b>353.5</b>

Impairment charge, additions and closing net book value of goodwill are analysed by segment as follows:

	Impairment 2006 £m	Impairment 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
National newspapers and related activities	19.3	–	74.6	35.2	146.0	90.5
Regional newspapers and related activities	–	0.9	3.0	1.1	111.0	108.3
Business to business information and careers	–	–	64.0	40.6	237.9	177.9
Euromoney Institutional Investor	0.4	–	9.3	7.3	68.3	66.9
Exhibitions and related activities	15.4	1.8	10.8	19.0	112.3	116.5
Radio	–	–	–	–	–	–
	<b>35.1</b>	<b>2.7</b>	<b>161.7</b>	<b>103.2</b>	<b>675.5</b>	<b>560.1</b>

Continued

**3 Segmental information continued**

Amortisation and impairment charges, additions and closing net book value of intangible assets are analysed by segment as follows:

	Amortisation 2006 £m	Amortisation 2005 £m	Impairment 2006 £m	Impairment 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
National newspapers and related activities	16.6	5.9	–	–	88.1	4.3	110.3	37.8
Regional newspapers and related activities	8.6	7.9	1.0	2.6	19.5	–	54.5	53.8
Business to business information and careers	6.6	3.6	–	–	38.5	–	52.1	22.0
Euromoney Institutional Investor	2.3	2.0	–	–	0.4	–	15.3	14.6
Exhibitions and related activities	6.1	2.5	0.8	–	44.6	0.3	69.8	34.5
Radio	10.4	6.8	22.3	–	–	–	147.4	193.4
	<b>50.6</b>	<b>28.7</b>	<b>24.1</b>	<b>2.6</b>	<b>191.1</b>	<b>4.6</b>	<b>449.4</b>	<b>356.1</b>

Depreciation charge, additions and closing net book value of property, plant and equipment are analysed by segment as follows:

	Depreciation 2006 £m	Depreciation 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
National newspapers and related activities	23.1	26.1	79.0	40.4	219.7	185.2
Regional newspapers and related activities	32.2	32.4	24.4	44.1	225.1	247.9
Business to business information and careers	7.4	7.7	9.5	9.7	20.1	32.1
Euromoney Institutional Investor	2.9	1.7	5.8	5.4	14.7	10.7
Exhibitions and related activities	1.6	1.8	0.3	2.9	5.4	6.6
Radio	2.2	1.4	1.9	7.6	15.7	17.3
Group operations	1.2	–	–	–	1.9	1.0
	<b>70.6</b>	<b>71.1</b>	<b>120.9</b>	<b>110.1</b>	<b>502.6</b>	<b>500.8</b>

**By geographical area**

The majority of the Group's operations are located in the United Kingdom, the rest of Europe, North America and Australia.

The geographic analysis below is based on the location of companies in that region. Export sales and related profits are included in the areas from which those sales are made. Revenue in each geographical market in which customers are located is not disclosed as there is no material difference between the two.

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	Total continuing 2006 £m	Total continuing 2005 £m
UK	1,548.9	20.0	58.1	1,627.0	1,659.9
Rest of Europe	59.4	2.8	–	62.2	55.4
North America	339.7	8.0	13.4	361.1	312.4
Australia	50.3	–	33.8	84.1	81.6
Rest of the World	40.6	1.0	–	41.6	27.0
	<b>2,038.9</b>	<b>31.8</b>	<b>105.3</b>	<b>2,176.0</b>	<b>2,136.3</b>

Continued

**3 Segmental information continued**

Operating profit/(loss) is analysed by geographical area as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
UK	126.0	(2.2)	(1.8)	122.0	181.3
Rest of Europe	2.0	-	-	2.0	(0.6)
North America	54.6	(0.2)	0.8	55.2	51.6
Australia	(43.5)	-	5.3	(38.2)	3.2
Rest of the World	8.5	-	-	8.5	-
	147.6	(2.4)	4.3	149.5	235.5

Group's share of results of joint ventures is analysed by geographical area as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
UK	0.6	-	-	0.6	0.2
Rest of Europe	(1.3)	-	-	(1.3)	-
North America	1.0	-	-	1.0	(0.1)
Australia	-	-	-	-	(0.1)
Rest of the World	-	-	-	-	-
	0.3	-	-	0.3	-

Group's share of results of associates is analysed by geographical area as follows:

	2006 Excluding acquisitions and disposals £m	2006 Acquisitions £m	2006 Disposals £m	2006 Total continuing £m	2005 Total continuing £m
UK	1.9	-	-	1.9	(4.2)
Rest of Europe	-	-	-	-	(2.0)
North America	3.4	-	-	3.4	5.9
Australia	-	-	-	-	-
Rest of the World	-	-	-	-	(2.0)
	5.3	-	-	5.3	(2.3)

Group's net assets are analysed by geographical area as follows:

	Total assets 2006 £m	Total liabilities 2006 £m	Total net assets 2006 £m
UK	1,369.4	(1,482.0)	(112.6)
Rest of Europe	76.6	(17.1)	59.5
North America	616.0	(297.8)	318.2
Australia	206.5	(12.0)	194.5
Rest of the World	81.5	(65.8)	15.7
	2,350.0	(1,874.7)	475.3

Continued

## 3 Segmental information continued

	Total assets 2005 £m	Total liabilities 2005 £m	Total net assets 2005 £m
UK	1,326.2	(1,457.8)	(131.6)
Rest of Europe	67.3	(21.2)	46.1
North America	485.4	(288.0)	197.4
Australia	246.5	(47.2)	199.3
Rest of the World	49.1	(6.8)	42.3
	2,174.5	(1,821.0)	353.5

Impairment charge, additions and closing net book value of goodwill are analysed by geographical area as follows:

	Impairment 2006 £m	Impairment 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
UK	21.4	0.9	77.1	51.3	297.2	277.7
Rest of Europe	–	–	0.4	0.3	27.5	33.4
North America	10.3	1.8	76.8	51.6	310.5	238.7
Australia	3.4	–	0.2	–	10.8	–
Rest of the World	–	–	7.2	–	29.5	10.3
	35.1	2.7	161.7	103.2	675.5	560.1

Amortisation and impairment charges, additions and closing net book value of intangible assets are analysed by geographical area as follows:

	Amortisation 2006 £m	Amortisation 2005 £m	Impairment 2006 £m	Impairment 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
UK	26.9	16.0	1.3	2.6	97.5	4.3	163.6	101.3
Rest of Europe	1.1	0.4	–	–	11.8	–	11.5	1.5
North America	11.3	5.4	0.4	–	74.4	0.3	117.8	59.8
Australia	10.6	6.9	22.4	–	0.2	–	147.4	193.5
Rest of the World	0.7	–	–	–	7.2	–	9.1	–
	50.6	28.7	24.1	2.6	191.1	4.6	449.4	356.1

Depreciation charge, additions and closing net book value of property, plant and equipment are analysed by geographical area as follows:

	Depreciation 2006 £m	Depreciation 2005 £m	Additions 2006 £m	Additions 2005 £m	Closing net book value 2006 £m	Closing net book value 2005 £m
UK	59.7	61.0	103.0	91.0	455.5	450.8
Rest of Europe	1.5	1.2	5.7	1.7	8.7	5.0
North America	6.0	5.4	8.1	7.2	18.4	20.0
Australia	2.8	2.5	3.1	9.0	16.3	20.6
Rest of the World	0.6	1.0	1.0	1.2	3.7	4.4
	70.6	71.1	120.9	110.1	502.6	500.8

Continued

**4 Employees**

	2006 Number	2005 Number
Average number of persons employed by the Group by activity including Directors:		
National newspapers and related activities	3,871	3,684
Regional newspapers and related activities	6,871	8,013
Business to business information and careers	4,115	3,898
Euromoney Institutional Investor	1,754	1,604
Exhibitions and related activities	816	812
Radio	500	486
Group operations	85	89
	<b>18,012</b>	<b>18,586</b>

	2006 £m	2005 £m
Total staff costs comprised:		
Wages and salaries	569.2	561.8
Social security costs	48.4	47.9
Pension costs	34.4	41.8
	<b>652.0</b>	<b>651.5</b>

**5 Share of results of joint ventures and associates**

	2006 £m	2005 £m
Share of profits from operations of joint ventures	2.2	2.6
Share of profits from operations of associates	6.5	6.0
Before amortisation, impairment of goodwill, interest and tax	8.7	8.6
Share of amortisation of goodwill of joint ventures	(0.9)	(1.0)
Share of amortisation of goodwill of associates	-	(1.1)
Impairment of goodwill of associates	(0.6)	(2.5)
Amortisation of goodwill of associates	-	(2.1)
Share of joint ventures' interest payable	-	(0.8)
Share of associates' interest payable	-	(0.5)
Share of associates' interest receivable	0.2	0.1
Share of joint ventures' tax	(1.0)	(1.5)
Share of associates' tax	(0.8)	(0.8)
Share of associates' loss on sale of businesses	-	(0.7)
	<b>5.6</b>	<b>(2.3)</b>
Share of results from operations of joint ventures	0.3	-
Share of results from operations of associates	5.3	(1.6)
Share of associates' loss on sale of businesses	-	(0.7)
	<b>5.6</b>	<b>(2.3)</b>

Continued

**6 Other gains and losses**

	Note	2006 £m	2005 £m
Profit on sale of fixed asset investments		<b>17.0</b>	9.9
Profit on sale of tangible fixed assets		<b>9.0</b>	1.0
Impairment of available for sale assets	21	<b>(13.0)</b>	(2.5)
Profit on sale of businesses	16	<b>174.8</b>	0.1
Profit on sale and deemed disposal of joint ventures and associates		<b>0.8</b>	7.0
		<b>188.6</b>	15.5

The profit on sale of businesses mainly comprises £106.7 million profit on sale of Aberdeen Journals Limited and £68.1 million profit on sale of Study Group International Limited.

The profit on sale of fixed asset investments occurred on the disposal of shares in Reuters Group plc.

**7 Investment revenue**

	2006 £m	2005 £m
Available for sale investments		
Reuters Group plc	<b>0.5</b>	0.8
The Press Association Limited	<b>0.4</b>	0.4
Trading investments		
GCap Media plc	<b>2.3</b>	1.4
Interest receivable from short-term deposits	<b>3.9</b>	4.1
	<b>7.1</b>	6.7

**8 Finance costs**

	Note	2006 £m	2005 £m
Interest payable on loans and bonds		<b>(61.5)</b>	(63.5)
Interest payable on finance leases		<b>(0.1)</b>	(2.0)
Change in fair value of derivatives not designated for hedge accounting		<b>0.4</b>	-
Tax equalisation swap income		<b>25.5</b>	8.7
Change in fair value of put options		<b>(0.9)</b>	-
Change in fair value of derivative hedge of bond		<b>(2.3)</b>	-
Change in fair value of hedged portion of bond		<b>2.3</b>	-
Finance charge on discounting of deferred consideration	32	<b>(2.7)</b>	(3.3)
		<b>(39.3)</b>	(60.1)

Tax equalisation swap income includes £27.0 million (2005 £8.7 million) of income from hedges of tax on intra-group financing, of which £17.1 million (2005 loss £2.2 million) is in relation to foreign exchange gains. This foreign exchange element is equal to tax payable on the gains on the intra-group financing (see note 9). Exchange losses on intra-group financing are £1.5 million (2005 £Nil).

The finance charge on the discounting of deferred consideration arose from the requirement under IFRS 3 Business Combinations to discount deferred consideration back to current values.

Continued

**9 Tax**

	2006 £m	2005 £m
The charge on the profit for the year consists of:		
UK		
Corporation tax at 30% (2005 30%)	(65.2)	(52.3)
Adjustments in respect of prior year	11.6	3.8
	<b>(53.6)</b>	<b>(48.5)</b>
Overseas taxation		
Corporation taxes	(11.4)	(4.7)
Adjustments in respect of prior year	(2.8)	–
Total current taxation	<b>(67.8)</b>	<b>(53.2)</b>
Deferred tax		
Origination and reversals of timing differences	2.3	8.0
Adjustments in respect of prior year	5.5	5.3
	<b>(60.0)</b>	<b>(39.9)</b>

Current tax of £0.3 million (2005 credit £4.8 million) was charged directly to equity.

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are explained below:

	2006 £m	2005 £m
Profit on ordinary activities before tax	311.5	195.3
Tax on profit on ordinary activities at the standard rate of 30%	(93.5)	(58.6)
Effect of:		
Expenses not deductible for tax purposes:		
Amortisation of intangible assets	(9.7)	(4.8)
Impairment of goodwill and intangible assets	(17.7)	(1.2)
Other expenses not deductible for tax purposes	(24.2)	(5.9)
Additional items deductible for tax purposes	0.5	0.9
Recognition of previously unrecognised deferred tax assets	19.3	9.6
Non taxable income	1.1	0.8
Effect of overseas tax rates	(0.5)	(0.3)
Effect of associates tax	1.8	(1.8)
Tax losses unrelieved	(5.9)	(3.4)
Write off/disposal of subsidiaries	54.5	14.2
Prior year tax charge	14.3	9.1
Other	–	1.5
Total tax charge on the profit for the year	<b>(60.0)</b>	<b>(39.9)</b>

The underlying tax on profits before amortisation and impairment of goodwill and intangible assets, and non recurring items amounted to £62.0 million (2005 £52.4 million) and the resulting rate is 23.9% (2005 22.1%). There was a tax credit of £2.0 million (2005 £12.5 million) relating to exceptional and non recurring items in the current and prior years. This included a credit of £14.0 million (2005 £2.3 million) following the agreement of certain prior year open issues with the UK HM Revenue and Customs, a credit of £Nil (2005 £1.5 million) in respect of reduced provisions for certain prior year open issues and a charge of £20.9 million (2005 £2.2 million) in respect of tax on foreign exchange gains, a credit of £8.4 million on amortisation (2005 £6.1 million), a credit of £1.2 million (2005 £Nil) on fixed asset write downs, a credit of £7.4 million (2005 £4.2 million) on operating costs and a charge of £8.1 million (2005 £Nil) on the sale of subsidiaries.

The net prior year credit of £14.3 million (2005 £9.1 million) arose largely from the agreement of certain prior year open issues with the UK HM Revenue and Customs and a reassessment of the level of tax provisions required.

A charge of £17.1 million (2005 credit £2.2 million) relating to tax on foreign exchange gains has been treated as exceptional as it is hedged by foreign exchange gains of £17.1 million (2005 loss £2.2 million) on tax equalisation swaps included within finance costs (see note 8).

Continued

10 Dividends paid

	2006 Pence per share	£m	2005 Pence per share	£m
Amounts recognisable as distributions to equity holders in the period				
Ordinary shares – final dividend for the year ended 2nd October, 2005	8.25	1.6	7.55	1.5
'A' Ordinary Non-Voting shares – final dividend for the year ended 2nd October, 2005	8.25	30.9	7.55	28.5
		32.5		30.0
Ordinary shares – interim dividend for the year ended 1st October, 2006	4.05	0.9	3.75	0.8
'A' Ordinary Non-Voting shares – interim dividend for the year ended 1st October, 2006	4.05	15.2	3.75	14.1
		16.1		14.9
	12.30	48.6	11.30	44.9

The Board has declared a final dividend of 9p per Ordinary/'A' Ordinary Non-Voting share (2005 8.25p) which will absorb an estimated £35.3 million of shareholders' funds which has not been recognised in these financial statements. It will be paid on 9th February, 2007 to shareholders on the register at the close of business on 1st December, 2006.

11 Earnings per share

Basic earnings per share of 60.8p (2005 35.9p) are calculated, in accordance with IAS 33 Earnings per Share, on Group profit for the financial year of £239.8 million (2005 £142.1 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 46.4p (2005 43.2p) are calculated on profit before exceptional operating costs, amortisation and impairment of goodwill and intangible assets, after charging the taxation and minority interests associated with those profits, of £182.9 million (2005 £171.0 million), as set out in Note 12 below, and on the basic weighted average number of ordinary shares in issue during the year.

	2006 Pence per share	2005 Pence per share
Basic earnings per share	60.8	35.9
Adjustments:		
Amortisation of intangible assets in Group profit from operations and in joint ventures and associates	13.1	8.3
Impairment of goodwill and intangible assets	15.2	2.0
Exceptional operating costs	10.4	3.6
Profit on sale of fixed assets	(6.6)	(2.8)
Profit on sale of businesses	(44.3)	–
Loss/(profit) on sale and deemed disposal of joint ventures and associates	0.1	(1.8)
Share of associates' loss on sale of businesses	–	0.2
Impairment of available for sale assets	3.0	0.6
Foreign exchange element of tax equalisation swap	(4.0)	0.6
Taxation on exceptional operating items	(0.5)	(3.2)
Interest of minority shareholders	(0.8)	(0.2)
<b>Adjusted earnings per share (before exceptional operating costs, amortisation and impairment of goodwill and intangible assets)</b>	<b>46.4</b>	<b>43.2</b>

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

	2006 No. million	2005 No. million
Weighted average number of shares		
Number of ordinary shares in issue	401.6	401.3
Shares held in Treasury	(7.2)	(5.2)
<b>Basic earnings per share denominator</b>	<b>394.4</b>	<b>396.1</b>
Effect of dilutive share options	0.9	0.6
<b>Dilutive earnings per share denominator</b>	<b>395.3</b>	<b>396.7</b>

Continued

**12 Adjusted profit (before exceptional operating costs, amortisation and impairment of goodwill and intangible assets, after taxation and minority interests)**

	Note	2006 £m	2005 £m
Profit before tax		<b>311.5</b>	195.3
Add back:			
Amortisation of intangible assets in Group and in joint ventures	3, 5	<b>51.5</b>	32.9
Impairment of goodwill and intangible assets in Group and in associates	3, 5	<b>59.8</b>	7.8
Exceptional operating costs	3	<b>41.1</b>	13.9
Profit on sale of fixed assets	6	<b>(26.0)</b>	(10.9)
Profit on sale of businesses	6	<b>(174.8)</b>	(0.1)
Profit on sale and decreased disposal of joint ventures and associates	6	<b>(0.8)</b>	(7.0)
Share of associates' loss on sale of businesses		<b>-</b>	0.7
Impairment of available for sale assets	6	<b>13.0</b>	2.5
Tax equalisation swap (foreign exchange element)		<b>(15.6)</b>	2.2
<b>Profit before exceptional operating costs, amortisation and impairment of goodwill and intangible assets and taxation</b>		<b>259.7</b>	237.3
Taxation charge	9	<b>(62.0)</b>	(52.4)
Interest of minority shareholders		<b>(14.8)</b>	(13.9)
<b>Adjusted profit before tax</b>		<b>182.9</b>	171.0

The adjusted minority charge for the year of £14.8 million (2005 £13.9 million) is stated after eliminating a credit of £3.1 million (2005 £0.6 million), being the minority share of exceptional items.