

**1 BASIS OF PREPARATION**

DMGT plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 148.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

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

These financial statements have also been prepared in accordance with the accounting policies set out in the 2006 Annual Report and Accounts, as amended to introduce also the reducing balance method of amortisation of intangible assets and presentation of derivatives as discussed below.

**Impact of new accounting standards**

At the date of authorisation of these financial statements, the following standards have been issued but not applied to the information in these financial statements, since they do not apply to this reporting period.

IFRS 7, Financial Instruments: Disclosures (effective for periods beginning on or after 1st January, 2009). IFRS 7 requires discussion of the significance of financial instruments for an entity's financial position and performance and 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. Adoption of this standard will not cause any change to the Group's results or financial position but will result in additional disclosures.

Amendment to IAS 1, Presentation of Financial Statements (effective for periods beginning on or after 1st January, 2007). The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment is not expected to change the presentation of the Group's financial statements significantly.

IFRS 8, Operating Segments (effective for periods beginning on or after 1st January, 2009). IFRS 8 sets out disclosure requirements concerning an entity's operating segments, products, services, geographical areas in which it operates and its major customers. IFRS 8 replaces IAS 14 Segmental Reporting. Adoption of this standard is not expected to change the disclosures already made in the Group's financial statements significantly.

Amendment to IAS 23, Borrowing Costs (effective for periods commencing on or after 1st January, 2009). This standard requires all borrowing costs which are directly attributable to an acquisition construction or production of a qualifying asset to form part of the cost of that asset. The Group does not expect a significant impact from this standard.

The following interpretations to international accounting standards have been issued which are applicable to the Group for the period ended 30th September, 2007. The adoption of these interpretations has had no impact on the Group's financial statements:

IFRIC 4, Determining Whether an Arrangement Contains a Lease (effective for periods beginning on or after 1st January, 2006);

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for periods beginning on or after 1st March, 2006);

IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1st May, 2006);

IFRIC 9, Reassessment of Embedded Derivatives (effective for periods beginning on or after 1st June, 2006); and

IFRIC 10, Interim Financial Reporting and Impairment (effective for periods beginning on or after 1st November, 2006).

The following interpretations have been issued which are not applicable to the Group since they are only effective for accounting periods beginning on or after 1st October, 2007 although the Group has followed the guidance in IFRIC 11 to account for share-based payments. The adoption of these interpretations is not expected to have any significant impact on the Group's financial statements.

IFRIC 11, IFRS 2, Group and Treasury Share Transactions (effective for periods beginning on or after 1st March, 2007);

IFRIC 12, Service Concession Agreements (effective for periods beginning on or after 1st January, 2008);

IFRIC 13, Customer Loyalty Programmes (effective for periods beginning on or after 1st July, 2008); and

IFRIC 14, The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for periods beginning on or after 1st January, 2008).

**Other changes**

In light of the IASB's decision to revisit IAS 1, Presentation of Financial Statements, in respect of the presentation of derivatives in the balance sheet, the Group has reclassified its derivative financial assets and liabilities as at 1st October, 2006 from current to long term where the maturity of these contracts is greater than twelve months from the balance sheet date. This has resulted in an increase in non-current assets amounting to £12.4 million and an increase in non-current liabilities amounting to £2.9 million together with a decrease in current assets amounting to £12.4 million and a decrease in current liabilities amounting to £2.9 million.

In the prior year the income statement heading "Profit before net finance costs and tax" was named "Profit from operations". This change was made for clarification purposes for the users of the Group's financial statements.

**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 cost basis, except for the revaluation of 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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, other than non-current assets and liabilities of disposal groups which are recognised at fair value less costs to sell. Where an adjustment to fair values relating to previously held interests (including interests which were equity accounted under IAS 28 Investments in associates) is required on achieving control, this is accounted for as an adjustment directly in equity.

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. Where control is achieved in more than one exchange transaction, goodwill is calculated separately for each transaction based on the cost of each transaction and the appropriate share of the acquiree's net assets based on net fair values at the time of each transaction.

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.

### Purchase and sale of shares in a controlled entity

Where the Group's interest in a controlled entity increases no adjustments are recorded to the fair values of the assets already held on the balance sheet. The Group calculates the goodwill arising as the difference between the cost of the additional interest acquired and the increase in the Group's interest in the fair value of the subsidiary's net assets at the date of the exchange transaction. Any difference between the cost of the additional interest, goodwill arising and the existing carrying value of the minority share of net assets is adjusted directly in equity.

Where the Group's interest in a controlled entity decreases, which does not result in a change of control, the Group increases the minority interest's share of net assets by the book value of the share of net assets disposed of. Any profit or loss on disposal of the share of net assets to the minority interest is calculated by reference to the consideration received, the book value of the share of net assets disposed and a proportion of any relevant goodwill in the balance sheet relating to the subsidiary.

### 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.

As 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 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 associate, 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 and intangible assets, acquired 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 tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rates on the balance sheet date.

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 amount 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.

#### Impairment of goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment 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-rated 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

### 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 the asset can be separately identified, it is probable the asset will generate future economic benefits, the development cost can be measured reliably, the project is technically feasible and the project will be completed with a view to sell or use the asset. Additionally, guidance in Standing Interpretations Committee (SIC) 32 has been applied in accounting for internally developed website development costs.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives, when the asset is available for use, and are reported net of impairment losses. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is 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 reducing balance or 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 databases	3 – 20 years
Customer relationships	3 – 20 years
Computer software	3 – 5 years

### 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.

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.

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, over 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 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.

### 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. For valuation purposes the Group uses the Average Cost (AVCO) method in the Newspaper divisions and the First In First Out (FIFO) method in the remaining divisions.

### Pre-publication costs

Pre-publication costs represent direct costs incurred in the development of titles prior to their publication. These costs are recognised as assets on the balance sheet to the extent that future economic benefit is virtually certain and 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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, including revenue from Information Services, is recognised over the period of the subscription or contract. Publishing and circulation revenue is recognised on issue of publication or report. Advertising is recognised on issue of publication, over the period of the online campaign, or date of broadcast. Contract print revenue is recognised on completion of the print contract. Exhibitions, Training and Events revenues are recognised over the period of the event.

### Operating profit before share of results of joint ventures and associates

The Group discloses as operating profit, profit before share of results from associates and joint ventures, other gains and losses, investment income and finance costs. The Directors believe that this measure is useful to readers as it shows the results of the Group's operations before contribution from joint ventures and associates and because it excludes one-off gains and losses on disposal of businesses, properties and similar items of a non-recurring nature.

### Other gains and losses

Other gains and losses comprise profit or loss on sale of trading investments, profit or loss on sale of property, plant and equipment, impairment of available-for-sale assets, profit or loss on sale of businesses and profit or loss on sale of joint ventures and associates.

### 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.

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 and are translated at the closing rate. Goodwill which arose pre-transition to IFRS is held at historic cost.

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

Unless capitalised as required by IAS 23, all borrowing costs are recognised in the income statement in the period in which they are incurred. Finance charges, including any premiums to be paid on settlement or redemption and direct issue costs and discounts related to borrowings, are accounted for on an accruals basis and charged 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 elected to recognise all cumulative actuarial gains and losses in the pension schemes operated by the Group at the date of transition to IFRS.

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.

**2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

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.

In assessing whether to recognise a surplus the Group has regard to the principles set out in IFRIC 14.

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**

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.

Current tax assets and liabilities are offset and stated net in the balance sheet 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.

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.

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 relate to income taxes levied by the same taxation authority and the Group intends to settle its current 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.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to settle on a net basis, or realise the asset and liability simultaneously and where the Group intends to net settle.

**Financial assets****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.

## 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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 33 to 35 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.

Derivative financial instruments are measured at fair value at the date the derivatives are entered into 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 hedged item 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 in the translation reserve. 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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains and losses reported in the income statement.

### Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 concerning the amounts recognised in the consolidated financial statements.

#### Acquisitions and intangible assets

The Group's accounting policy on the acquisition of subsidiaries is to allocate purchase consideration to the 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 significant estimates and assumptions, including assumptions with respect to cash flows and unprovided liabilities and commitments, particularly in respect to tax, are often used. The Group recognises intangible assets acquired as part of a business combination at fair values at the date of the acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future cash flows generated by the assets and the selection of an appropriate discount rate. Additionally, management must estimate the expected useful economic lives of intangible assets and charge amortisation on these assets accordingly.

#### 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 and the discount rate. At 30th September, 2007 the discounted present value of these acquisition option commitments is £40.6 million (2006 £32.7 million).

#### Deferred consideration

Estimates are required in respect of the amount of deferred contingent consideration, which is determined according to formulae agreed at the time of the business combination, and normally related to the future earnings of the acquired business. The Directors review the amount of contingent consideration likely to become payable at each balance date, the major assumption being the level of future profits of the acquired business. At 30th September, 2007 the Group has outstanding deferred consideration payable amounting to £55.9 million (2006 £81.1 million).

Deferred consideration is discounted to its fair value in accordance with IFRS 3 and IAS 37. The difference between the fair value of these liabilities and the actual amounts payable is charged to the income statement as notional finance costs.

#### 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 cashflows 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 £1,480.1 million (2006 £1,124.9 million) after an impairment loss of £52.7 million (2006 £59.2 million) recognised during the year.

#### Adjusted profits and exceptional items

The Group presents adjusted earnings by making adjustments for costs and profits which management believe to be exceptional in nature by virtue of their size or incidence including tax items. Such items would include one off gains and losses on disposal of businesses, properties and similar items of a non-recurring nature together with reorganisation costs and similar charges, impairment and other profit affecting adjustments to goodwill. See note 11 for a reconciliation of profit before tax to adjusted profit.

#### 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 39. 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. See note 39 for further detail.

#### 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 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.

#### Retirement benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations prepared by the Group's actuaries. This involves making certain assumptions concerning discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the income statement and the amounts of actuarial gains and losses recognised in the statement of recognised income and expense. The carrying amount of the retirement benefit obligation at 30th September, 2007 was a surplus of £80.6 million (2006 deficit £151.3 million). Further details are given in note 32.

### 3 SEGMENTAL INFORMATION

#### By activity

The Group's business activities are currently split into six operating divisions – national newspapers, local media, business information, Euromoney Institutional Investor (Euromoney), 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.

	2007 Total £m	2007 Discontinued operations £m	2007 Inter-segment £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Inter-segment £m	2006 Continuing £m
National newspapers and related activities	1,060.5	–	(74.3)	986.2	992.9	–	(37.9)	955.0
Local media	450.7	–	(3.6)	447.1	466.7	–	(11.9)	454.8
Business information	293.3	–	(0.6)	292.7	345.8	–	(0.7)	345.1
Euromoney	310.2	(5.0)	–	305.2	220.5	–	–	220.5
Exhibitions and related activities	164.1	–	–	164.1	163.2	–	–	163.2
Radio	39.8	–	–	39.8	37.4	–	–	37.4
	2,318.6	(5.0)	(78.5)	2,235.1	2,226.5	–	(50.5)	2,176.0

Inter-segment sales are charged at prevailing market prices other than the sale of newsprint from national newspapers to the local newspaper division which is at cost. The amount of newsprint sold during the period amounted to £36.6 million (2006 £39.0 million).

In the prior year revenue of business information comprised £255.6 million from business-to-business information and £89.5 million from Study Group.

Group's revenue is further analysed as follows:

	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
Sale of goods	658.6	–	658.6	601.9	–	601.9
Rendering of services	1,581.5	(5.0)	1,576.5	1,574.1	–	1,574.1
	2,240.1	(5.0)	2,235.1	2,176.0	–	2,176.0

The Group includes circulation and subscriptions revenue within Sales of goods. Revenue from investment income is shown in note 7.

3 SEGMENTAL INFORMATION CONTINUED

Operating profit/(loss) from continuing operations before share of joint ventures and associates result is analysed by segment as follows:

	2007 Before exceptional operating costs and amortisation of goodwill and intangible assets £m	2007 Exceptional operating costs £m	2007 Impairment of goodwill and intangible assets £m	2007 Amortisation of intangible assets £m	2007 Total £m
Operating profit/(loss)					
National newspapers and related activities	83.3	(13.3)	(24.1)	(28.8)	17.1
Local media	92.5	(6.0)	(5.2)	(11.0)	70.3
Business information	70.6	-	(3.6)	(8.0)	59.0
Euromoney	68.4	(5.9)	-	(17.8)	44.7
Exhibitions and related activities	27.0	(2.9)	(19.8)	(7.5)	(3.2)
Radio	(3.7)	-	-	(9.1)	(12.8)
Unallocated central costs	(15.7)	-	-	-	(15.7)
	322.4	(28.1)	(52.7)	(82.2)	159.4

Operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets within the national newspapers division comprised £76.1 million from newspapers, £11.2 million from digital offset by a loss of £4.0 million from television.

Included within unallocated central costs is a credit of £1.9 million which adjusts the pensions charge recorded in each operating segment from a cash rate to an actuarial accrual rate in accordance with IAS 19.

The Group's exceptional operating costs comprised local media restructuring costs totalling £6.0 million, together with reorganisation costs of £13.3 million within national newspapers and related activities, £5.9 million within Euromoney and £2.9 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 £113.4 million and contribution to Group profit attributable to equity holders of the parent would have been £9.5 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.

Operating profit/(loss) from continuing operations before share of joint ventures and associates result is analysed by segment as follows:

	2006 Before exceptional operating costs and amortisation 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
Operating profit/(loss)					
National newspapers and related activities	99.5	(5.8)	(19.2)	(16.6)	57.9
Local media	88.9	(31.9)	(1.0)	(8.6)	47.4
Business information	68.0	(0.6)	-	(6.6)	60.8
Euromoney	39.1	-	(0.4)	(2.3)	36.4
Exhibitions and related activities	24.4	(2.8)	(16.2)	(6.1)	(0.7)
Radio	(4.9)	-	(22.4)	(10.4)	(37.7)
Unallocated central costs	(14.6)	-	-	-	(14.6)
	300.4	(41.1)	(59.2)	(50.6)	149.5

In 2006 operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets within the national newspapers division comprised £86.1 million from newspapers, £13.2 from digital and £0.2 from television.

### 3 SEGMENTAL INFORMATION CONTINUED

Operating profit from continuing operations before exceptional operating costs and amortisation and goodwill and impairment of intangible assets within the business information 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 £2.0 million which adjusts the pensions charge recorded in each operating segment from a cash rate to an actuarial accrual rate in accordance with IAS 19.

The Group's exceptional operating costs comprised local media 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 £2.8 million within exhibitions and related activities.

Operating profit before share of results of joint ventures and associates is analysed by segment as follows:

	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
National newspapers and related activities	17.1	–	17.1	57.9	–	57.9
Local media	70.3	–	70.3	47.4	–	47.4
Business information	62.6	–	62.6	60.8	–	60.8
Euromoney	45.5	(0.8)	44.7	36.4	–	36.4
Exhibitions and related activities	(3.2)	–	(3.2)	(0.7)	–	(0.7)
Radio	(16.4)	–	(16.4)	(37.7)	–	(37.7)
Unallocated central costs	(15.7)	–	(15.7)	(14.6)	–	(14.6)
	160.2	(0.8)	159.4	149.5	–	149.5

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

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	(52.9)	(35.8)
Local media	(16.2)	(9.6)
Business information	(11.6)	(6.6)
Euromoney	(17.8)	(2.7)
Exhibitions and related activities	(27.3)	(22.3)
Radio	(9.1)	(32.8)
	(134.9)	(109.8)

Included in the impairment charge is a reduction of £3.6 million in the business information division and £0.8 million in the national newspapers and related activities division in the carrying value of goodwill on recognition of deferred tax assets for pre-acquisition losses (note 17).

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

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	–	(1.2)
Local media	0.3	–
Business information	–	0.6
Euromoney	–	0.5
Exhibitions and related activities	0.4	0.4
Radio	0.5	–
	1.2	0.3

### 3 SEGMENTAL INFORMATION CONTINUED

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

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	(2.0)	0.6
Local media	–	(0.7)
Business information	2.1	0.4
Euromoney	0.2	0.7
Exhibitions and related activities	0.3	4.3
	0.6	5.3

Other gains and losses are analysed by segment as follows:

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	4.5	1.0
Local media	2.1	106.0
Business information	0.8	66.6
Euromoney	6.7	0.6
Exhibitions and related activities	1.7	0.2
Radio	0.6	–
Group operations	19.3	14.2
	35.7	188.6

Investment revenues are analysed by segment as follows:

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	0.9	1.1
Local media	0.6	0.5
Business information	0.3	0.8
Euromoney	2.9	0.6
Exhibitions and related activities	0.5	0.2
Radio	0.4	0.1
Group operations	1.4	3.8
	7.0	7.1

Finance costs are analysed by segment as follows:

	2007 Total and continuing £m	2006 Total and continuing £m
National newspapers and related activities	(0.8)	(1.4)
Business information	(0.6)	(1.1)
Euromoney	(1.3)	(4.7)
Exhibitions and related activities	–	(0.1)
Radio	–	(0.7)
Unallocated central costs	(59.1)	(31.3)
	(61.8)	(39.3)

3 SEGMENTAL INFORMATION CONTINUED

Profit before tax is analysed by segment as follows:

	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
National newspapers and related activities	19.6	–	19.6	55.5	–	55.5
Local media	73.3	–	73.3	155.7	–	155.7
Business information	65.2	–	65.2	128.1	–	128.1
Euromoney	54.0	(0.8)	53.2	34.1	–	34.1
Exhibitions and related activities	(0.3)	–	(0.3)	4.3	–	4.3
Radio	(14.9)	–	(14.9)	(38.3)	–	(38.3)
Unallocated central costs	(54.0)	–	(54.0)	(27.9)	–	(27.9)
	142.9	(0.8)	142.1	311.5	–	311.5

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

	Total assets 2007 £m	Total liabilities 2007 £m	Total net assets/ (liabilities) 2007 £m
National newspapers and related activities	724.2	(321.2)	403.0
Local media	450.5	(122.7)	327.8
Business information	471.1	(154.0)	317.1
Euromoney	511.3	(237.4)	273.9
Exhibitions and related activities	274.3	(105.9)	168.4
Radio	201.5	(7.3)	194.2
Unallocated pension assets/(liabilities)	82.0	(1.4)	80.6
Group operations	72.8	(1,117.3)	(1,044.5)
	2,787.7	(2,067.2)	720.5

	Total assets 2006 £m	Total liabilities 2006 £m	Total net assets/ (liabilities) 2006 £m
National newspapers and related activities	697.8	(329.5)	368.3
Local media	473.8	(90.7)	383.1
Business information	401.2	(117.6)	283.6
Euromoney	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)
	2,350.0	(1,874.7)	475.3

### 3 SEGMENTAL INFORMATION CONTINUED

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

	Impairment 2007 £m	Impairment 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
National newspapers and related activities	12.1	19.3	2.7	74.6	129.8	146.0
Local media	5.2	–	33.8	3.0	138.3	111.0
Business information	3.6	–	39.7	64.0	268.6	237.9
Euromoney	–	0.4	200.7	9.3	253.1	68.3
Exhibitions and related activities	19.6	15.4	0.4	10.8	97.6	112.3
	<b>40.5</b>	<b>35.1</b>	<b>277.3</b>	<b>161.7</b>	<b>887.4</b>	<b>675.5</b>

Included in the impairment charge is a reduction in the carrying value of goodwill of £3.6 million in the business information division and £0.8 million in the national newspapers and related activities division on recognition of deferred tax assets for pre-acquisition losses (note 17).

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

	Amortisation 2007 £m	Amortisation 2006 £m	Impairment 2007 £m	Impairment 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
National newspapers and related activities	28.8	16.6	12.0	–	15.3	88.1	86.6	110.3
Local media	11.0	8.6	–	1.0	45.5	19.5	86.8	54.5
Business information	8.0	6.6	–	–	31.2	38.5	71.2	52.1
Euromoney	17.8	2.3	–	–	145.1	0.4	139.6	15.3
Exhibitions and related activities	7.5	6.1	0.2	0.8	–	44.6	57.7	69.8
Radio	9.1	10.4	–	22.3	–	–	150.8	147.4
	<b>82.2</b>	<b>50.6</b>	<b>12.2</b>	<b>24.1</b>	<b>237.1</b>	<b>191.1</b>	<b>592.7</b>	<b>449.4</b>

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

	Impairment 2007 £m	Impairment 2006 £m	Depreciation 2007 £m	Depreciation 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
National newspapers and related activities	6.0	–	24.9	23.1	40.9	79.0	295.7	230.8
Local media	–	–	19.1	32.2	12.7	24.4	135.2	225.1
Business information	–	–	7.0	7.4	10.4	9.5	22.9	20.1
Euromoney	–	–	2.9	2.9	7.9	5.8	20.9	14.7
Exhibitions and related activities	–	–	1.7	1.6	1.7	0.3	5.2	5.4
Radio	–	–	2.2	2.2	0.6	1.9	15.3	15.7
Group operations	–	–	1.2	1.2	–	–	25.5	1.9
	<b>6.0</b>	<b>–</b>	<b>59.0</b>	<b>70.6</b>	<b>74.2</b>	<b>120.9</b>	<b>520.7</b>	<b>513.7</b>

### 3 SEGMENTAL INFORMATION CONTINUED

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.

	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
UK	1,660.9	(5.0)	1,655.9	1,627.0	–	1,627.0
Rest of Europe	58.9	–	58.9	62.2	–	62.2
North America	404.5	–	404.5	361.1	–	361.1
Australia	52.1	–	52.1	84.1	–	84.1
Rest of the World	63.7	–	63.7	41.6	–	41.6
	2,240.1	(5.0)	2,235.1	2,176.0	–	2,176.0

Operating profit/(loss) before share of results of joint ventures and associates is analysed by geographical area as follows:

	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
UK	86.5	(0.8)	85.7	122.0	–	122.0
Rest of Europe	6.8	–	6.8	2.0	–	2.0
North America	73.7	–	73.7	55.2	–	55.2
Australia	(20.3)	–	(20.3)	(38.2)	–	(38.2)
Rest of the World	13.5	–	13.5	8.5	–	8.5
	160.2	(0.8)	159.4	149.5	–	149.5

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

	2007 Total and continuing £m	2006 Total and continuing £m
UK	–	0.6
Rest of Europe	0.3	(1.3)
North America	0.4	1.0
Australia	0.5	–
	1.2	0.3

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

	2007 Total and continuing £m	2006 Total and continuing £m
UK	(1.6)	1.9
North America	1.8	3.4
Rest of the World	0.4	–
	0.6	5.3

3 SEGMENTAL INFORMATION CONTINUED

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

	Total assets 2007 £m	Total liabilities 2007 £m	Total net assets/ (liabilities) 2007 £m
UK	1,544.6	(1,554.1)	(9.5)
Rest of Europe	90.1	(33.1)	57.0
North America	845.0	(409.1)	435.9
Australia	211.6	(12.5)	199.1
Rest of the World	96.4	(58.4)	38.0
	<b>2,787.7</b>	<b>(2,067.2)</b>	<b>720.5</b>

	Total assets 2006 £m	Total liabilities 2006 £m	Total net assets/ (liabilities) 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
	<b>2,350.0</b>	<b>(1,874.7)</b>	<b>475.3</b>

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

	Impairment 2007 £m	Impairment 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
UK	18.6	21.4	120.5	77.1	376.8	297.2
Rest of Europe	-	-	5.6	0.4	33.1	27.5
North America	13.6	10.3	141.1	76.8	434.9	310.5
Australia	8.3	3.4	-	0.2	2.5	10.8
Rest of the World	-	-	10.1	7.2	40.1	29.5
	<b>40.5</b>	<b>35.1</b>	<b>277.3</b>	<b>161.7</b>	<b>887.4</b>	<b>675.5</b>

Included within the goodwill impairment charge in 2007 of £40.5 million is a reduction in goodwill of £4.4 million relating to the recognition of a deferred tax asset for pre-acquisition losses of Genscape Inc of £3.6 million and Primelocation of £0.8 million.

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

	Amortisation 2007 £m	Amortisation 2006 £m	Impairment 2007 £m	Impairment 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
UK	48.1	26.9	12.0	1.3	122.5	97.5	223.4	163.6
Rest of Europe	1.8	1.1	-	-	6.1	11.8	17.4	11.5
North America	21.0	11.3	0.2	0.4	102.1	74.4	187.9	117.8
Australia	9.3	10.6	-	22.4	0.2	0.2	151.1	147.4
Rest of the World	2.0	0.7	-	-	6.2	7.2	12.9	9.1
	<b>82.2</b>	<b>50.6</b>	<b>12.2</b>	<b>24.1</b>	<b>237.1</b>	<b>191.1</b>	<b>592.7</b>	<b>449.4</b>

### 3 SEGMENTAL INFORMATION CONTINUED

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

	Impairment 2007 £m	Impairment 2006 £m	Depreciation 2007 £m	Depreciation 2006 £m	Additions 2007 £m	Additions 2006 £m	Closing net book value 2007 £m	Closing net book value 2006 £m
UK	6.0	–	47.5	59.7	59.7	91.4	470.0	466.6
Rest of Europe	–	–	2.0	1.5	1.9	5.7	9.0	8.7
North America	–	–	6.2	6.0	10.1	8.1	21.3	18.4
Australia	–	–	2.5	2.8	0.8	3.1	15.9	16.3
Rest of the World	–	–	0.8	0.6	1.7	1.0	4.5	3.7
	6.0	–	59.0	70.6	74.2	109.3	520.7	513.7

Operating profit is further analysed as follows:

	Note	2007 Total £m	2007 Discontinued operations £m	2007 Continuing £m	2006 Total £m	2006 Discontinued operations £m	2006 Continuing £m
Revenue		2,240.1	(5.0)	2,235.1	2,176.0	–	2,176.0
Decrease in stocks of finished goods and work in progress		(2.1)	–	(2.1)	(1.9)	–	(1.9)
Raw materials and consumables		(283.7)	–	(283.7)	(283.4)	–	(283.4)
Inventories recognised as an expense in the period		(285.8)	–	(285.8)	(285.3)	–	(285.3)
Distribution and transportation costs		(90.2)	–	(90.2)	(90.1)	–	(90.1)
Promotion and marketing costs		(173.1)	–	(173.1)	(146.5)	–	(146.5)
Staff costs	4	(683.1)	1.8	(681.3)	(652.0)	–	(652.0)
Depreciation of property, plant and equipment	19	(59.0)	–	(59.0)	(70.6)	–	(70.6)
Impairment of property, plant and equipment	19	(6.0)	–	(6.0)	–	–	–
Amortisation of intangible assets	18	(82.2)	–	(82.2)	(50.6)	–	(50.6)
Impairment of goodwill and intangible assets	17, 18	(52.7)	–	(52.7)	(59.2)	–	(59.2)
Rental of property		(19.5)	–	(19.5)	(28.4)	–	(28.4)
Other property costs		(44.2)	0.2	(44.0)	(35.3)	–	(35.3)
Rental of plant and equipment		(6.9)	–	(6.9)	(6.4)	–	(6.4)
Foreign exchange translation differences		1.6	–	1.6	0.1	–	0.1
Venue and delegate costs		(55.1)	–	(55.1)	(48.7)	–	(48.7)
Editorial and production costs		(71.0)	0.8	(70.2)	(69.5)	–	(69.5)
Commissions payable		(59.2)	1.2	(58.0)	(52.0)	–	(52.0)
Other expenses		(393.5)	0.2	(393.3)	(432.0)	–	(432.0)
		160.2	(0.8)	159.4	149.5	–	149.5

In the prior period the Group included distribution and transportation costs, promotion and marketing costs, venue and delegate costs, editorial and production costs, other property costs and commissions payable within other external charges. These have been analysed separately to give users a better understanding of the nature of the costs incurred by the Group. The balance of items included within other external charges have now been included within the heading 'Other expenses' together with items previously classified as other operating charges.

### 3 SEGMENTAL INFORMATION CONTINUED

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

	2007 £m	2006 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.3	0.3
The audit of the Company's subsidiaries pursuant to legislation	2.4	2.0
Total audit fees	2.7	2.3
Other services pursuant to legislation	0.1	0.1
Transaction support services	0.4	3.0
Tax services	0.6	1.2
Other services	2.2	3.3
Total non-audit fees	3.3	7.6
	6.0	9.9

Fees payable to the Company's auditors and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

### 4 EMPLOYEES

	2007 Number	2006 Number
Average number of persons employed by the Group by activity including Directors:		
National newspapers and related activities	4,447	3,871
Local media	5,618	6,871
Business information	2,995	4,115
Euromoney	2,332	1,754
Exhibitions and related activities	851	816
Radio	507	500
Group operations	89	85
	16,839	18,012

	Note	2007 £m	2006 £m
Total staff costs comprised:			
Wages and salaries		581.3	557.6
Share-based payments	39	18.1	11.6
Social security costs		50.8	48.4
Pension costs		31.1	34.4
		681.3	652.0

## 5 SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES

	2007 £m	2006 £m
Share of profits before finance costs and tax from joint ventures	2.4	2.2
Share of profits before finance costs and tax from associates	3.6	6.5
Share of associates' other gains and losses	0.6	-
Before amortisation, impairment of goodwill, interest and tax	6.6	8.7
Share of amortisation of intangibles of joint ventures	(0.7)	(0.9)
Share of amortisation of intangibles of associates	(3.2)	-
Impairment of goodwill of associates	-	(0.6)
Share of associates' interest receivable	0.1	0.2
Share of joint ventures' tax	(0.5)	(1.0)
Share of associates' tax	(0.5)	(0.8)
	1.8	5.6
Share of results from operations of joint ventures	1.2	0.3
Share of results from operations of associates	0.6	5.3
	1.8	5.6

## 6 OTHER GAINS AND LOSSES

	Note	2007 £m	2006 £m
Profit on sale of trading investments		0.7	17.0
Profit on sale of tangible fixed assets		1.2	9.0
Impairment of available-for-sale assets	21	-	(13.0)
Profit on sale of businesses	16	15.2	174.8
Recycled impairment loss of GCap Media plc	36	(24.4)	-
Profit on deemed part disposal of Euromoney		42.4	-
Profit on sale and deemed disposal of joint ventures and associates		0.6	0.8
		35.7	188.6

The profit on sale of businesses mainly comprises £11.6 million profit on sale of Buy and Sell by the national newspapers division together with £1.8 million profit on sale of Raven Fox by Euromoney. No tax is due on the sale of Buy and Sell due to the availability of a statutory exemption. A tax charge of £0.2 million arose on the sale of Raven Fox after utilisation of capital losses brought forward and a charge of £1.9 million on the sale of Med Ad.

The profit on deemed part disposal of Euromoney arose following Euromoney's issue of £65.0 million new share capital to the shareholders of Metal Bulletin plc (note 15), thereby reducing the Group's interest in Euromoney.

In the prior year 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 Limited. The profit on sale of trading investments occurred on the disposal of shares in Reuters Group plc.

## 7 INVESTMENT INCOME

	2007 £m	2006 £m
Dividend income		
Available-for-sale investments		
Reuters Group plc	-	0.5
The Press Association Limited	0.2	0.4
AMI	0.3	-
GCap Media plc	1.0	2.3
Interest receivable		
Short-term deposits	5.5	3.9
	7.0	7.1

## 8 FINANCE COSTS

	Note	2007 £m	2006 £m
Interest payable on loans and bonds		(67.4)	(61.5)
Interest payable on finance leases		–	(0.1)
Change in fair value of derivatives not designated for hedge accounting		(0.3)	0.4
Premium on repurchase of bonds		(2.6)	–
Tax equalisation swap income		15.6	27.7
Foreign exchange loss on intra-group financing		(4.7)	(2.2)
Premium on purchase of options		(3.4)	–
Change in fair value of acquisition put options		3.8	(0.9)
Change in fair value of derivative hedge of bond		(3.0)	(2.3)
Change in fair value of hedged portion of bond		3.0	2.3
Finance charge on discounting of deferred consideration	33	(2.8)	(2.7)
		<b>(61.8)</b>	<b>(39.3)</b>

Tax equalisation swap income includes £10.3 million of foreign exchange losses on hedges of intra-group financing (2006 Gain £17.1 million). This foreign exchange loss is excluded from adjusted profit as an equal and opposite credit (2006 charge) is excluded from the adjusted tax charge. In addition the foreign exchange loss on intra-group financing, premium on repurchase of bonds and the change in fair value of acquisition put options are also excluded from adjusted profits (note 11).

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.

## 9 TAX

	2007 £m	2006 £m
The charge on the profit for the year consists of:		
UK		
Corporation tax at 30% (2006 30%)	(41.9)	(65.2)
Adjustments in respect of prior year	29.4	11.6
	<b>(12.5)</b>	<b>(53.6)</b>
Overseas taxation		
Corporation taxes	(18.8)	(11.4)
Adjustments in respect of prior year	0.2	(2.8)
<b>Total current taxation</b>	<b>(31.1)</b>	<b>(67.8)</b>
Deferred tax		
Origination and reversals of timing differences	13.7	2.3
Adjustments in respect of prior year	(2.9)	5.5
<b>Total deferred tax</b>	<b>10.8</b>	<b>7.8</b>
	<b>(20.3)</b>	<b>(60.0)</b>

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. As such the Group does not report to management a segmental analysis of the tax charge in the income statement. The tax charge is reviewed and measured on a Group total basis only.

A current tax credit of £0.3 million (2006 charge £0.3 million) was charged directly to equity (note 36).

## 9 TAX CONTINUED

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below:

	2007 £m	2006 £m
Profit on ordinary activities before tax	142.1	311.5
Tax on profit on ordinary activities at the standard rate of 30%	(42.6)	(93.5)
Effect of:		
Expenses not deductible for tax purposes:		
Amortisation of intangible assets	(8.5)	(9.7)
Impairment of goodwill and intangible assets	(9.7)	(17.7)
Other expenses not deductible for tax purposes	(6.6)	(24.2)
Additional items deductible for tax purposes	14.7	0.5
Recognition of previously unrecognised deferred tax assets	2.9	19.3
Non-taxable income	0.4	1.1
Effect of overseas tax rates	(2.5)	(0.5)
Effect of associates tax	0.5	1.8
Tax losses unrelieved	(6.1)	(5.9)
Write off/disposal of subsidiaries	11.2	54.5
Adjustment in respect of prior years	26.7	14.3
Other	(0.7)	-
Total tax charge on the profit for the year	(20.3)	(60.0)

The underlying tax on profits before amortisation and impairment of goodwill and intangible assets, and non-recurring items amounted to £75.9 million (2006 £62.0 million) and the resulting rate is 26.3% (2006 23.9%). There was a tax credit of £55.6 million (2006 £2.0 million) relating to exceptional and non-recurring items in the current and prior years. This included a credit of £27.4 million (2006 £14.0 million) following the agreement of certain prior year open issues with the UK HM Revenue and Customs, a credit of £10.3 million (2006 charge of £20.9 million on foreign exchange gains) in respect of tax on foreign exchange losses, a credit of £14.0 million on amortisation (2006 £8.4 million), a credit of £1.8 million (2006 £1.2 million) on fixed asset write downs, a credit of £4.8 million (2006 £7.4 million) on operating costs, and a charge of £2.7 million (2006 £8.1 million) on the sale of subsidiaries.

The net prior year credit of £26.7 million (2006 £14.3 million) arose largely from the agreement of certain prior year open issues with the UK HM Revenue & Customs and a reassessment of the level of tax provisions required.

A credit of £10.3 million relating to tax on foreign exchange losses (2006 charge of £17.1 million on foreign exchange gains) has been treated as exceptional as it is hedged by foreign exchange losses of £10.3 million (2006 gains of £17.1 million) on tax equalisation swaps included within finance costs (see note 8).

## 10 DIVIDENDS PAID

	2007 Pence per share	£m	2006 Pence per share	£m
Amounts recognisable as distributions to equity holders in the period				
Ordinary shares – final dividend for the year ended 1st October, 2006	9.00	1.8	8.25	1.6
'A' Ordinary Non-Voting shares – final dividend for the year ended 1st October, 2006	9.00	33.2	8.25	30.9
		35.0		32.5
Ordinary shares – interim dividend for the year ended 30th September, 2007	4.45	0.9	4.05	0.9
'A' Ordinary Non-Voting shares – interim dividend for the year ended 1st April, 2007	4.45	16.7	4.05	15.2
		17.6		16.1
	13.45	52.6	12.30	48.6

The Board has declared a final dividend of 9.90 p per 'A' Ordinary Non-Voting share (2006 9.00p) which will absorb an estimated £38.5 million of shareholders' funds for which no liability has been recognised in these financial statements. It will be paid on 8th February, 2008 to shareholders on the register at the close of business on 30th November, 2007.

11 ADJUSTED PROFIT (BEFORE EXCEPTIONAL OPERATING COSTS, AMORTISATION AND IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS, OTHER GAINS AND LOSSES AND EXCEPTIONAL FINANCING COSTS, AFTER TAXATION AND MINORITY INTERESTS)

	Note	2007 £m	2006 £m
Profit before tax – continuing		142.1	311.5
Profit before tax – discontinued	25	0.8	–
Add back:			
Amortisation of intangible assets in Group and in joint ventures and associates	3, 5	86.0	51.5
Impairment of goodwill and intangible assets in Group and in associates	3, 5	52.7	59.8
Exceptional operating costs	3	28.1	41.1
Other gains and losses:			
Profit on sale of trading investments	6	(0.7)	(17.0)
Profit on sale of tangible fixed assets	6	(1.2)	(9.0)
Profit on sale of businesses	6	(15.2)	(174.8)
Profit on deemed part disposal of Euromoney	6	(42.4)	–
Profit on sale and deemed disposal of joint ventures and associates	6	(0.6)	(0.8)
Share of associates other gains and losses	5	(0.6)	–
Impairment of available-for-sale assets	6	–	13.0
Recycle impairment loss of GCap Media plc	6	24.4	–
Finance costs:			
Foreign exchange losses/(gains) on tax equalisation swaps and associated intra-group balances	8	15.0	(15.6)
Change in fair value of put options	8	(3.8)	–
Premium on repurchase of bonds	8	2.6	–
Taxation:			
Share of taxation in joint ventures and associates	5	1.0	–
Profit before exceptional operating costs, amortisation and impairment of goodwill and intangible assets and taxation		288.2	259.7
Taxation charge	9	(75.9)	(62.0)
Interest of minority shareholders		(19.8)	(14.8)
Adjusted profit after tax		192.5	182.9

The adjusted minority share of profits for the year of £19.8 million (2006 £14.8 million) is stated after eliminating a credit of £4.5 million (2006 £3.1 million), being the minority share of exceptional items.

## 12 EARNINGS PER SHARE

Basic earnings per share of 27.3p (2006 60.8p) and diluted earnings per share of 27.1p (2006 60.7p) are calculated, in accordance with IAS 33 Earnings per share, on Group profit for the financial year of £107.0 million (2006 £239.8 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 49.3p (2006 46.4p) 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 £192.5 million (2006 £182.9 million), as set out in note 11 above, and on the basic weighted average number of ordinary shares in issue during the year.

	2007 pence per share	2006 pence per share
Basic earnings per share from continuing operations	27.3	60.8
Basic earnings per share from discontinued operations	0.1	-
Basic earnings per share from continuing and discontinued operations	27.4	60.8
Adjustments:		
Amortisation of intangible assets in Group profit from operations and in joint ventures and associates	22.0	13.1
Impairment of goodwill and intangible assets	13.5	15.2
Exceptional operating costs	7.2	10.4
Other gains and losses:		
Profit on sale of trading investments	(0.2)	(6.6)
Profit on sale of tangible fixed assets	(0.3)	(44.3)
Profit on sale of businesses	(3.9)	-
Profit on deemed part disposal of Euromoney	(10.9)	-
Profit on sale and deemed disposal of joint ventures and associates	(0.2)	(0.2)
Share of associates other gains and losses	(0.2)	-
Impairment of available-for-sale assets	-	3.3
Recycle impairment loss of of GCap Media plc	6.3	-
Finance costs:		
Foreign exchange losses/(gains) on tax equalisation swaps and associated intra-group balances	3.9	(4.0)
Change in fair value of put options	(1.0)	-
Premium on repurchase of bonds	0.7	-
Taxation:		
Share of taxation in joint ventures and associates	0.3	-
Taxation on exceptional operating items	(14.2)	(0.5)
Interest of minority shareholders	(1.1)	(0.8)
Adjusted earnings per share (before exceptional operating costs, amortisation and impairment of goodwill and intangible assets, other gains and losses and exceptional financing costs after taxation and minority interests)	49.3	46.4

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

	2007 No. million	2006 No. million
Weighted average number of shares		
Number of ordinary shares in issue	396.6	401.6
Shares held in Treasury	(6.3)	(7.2)
Basic earnings per share denominator	390.3	394.4
Effect of dilutive share options	0.7	0.9
Dilutive earnings per share denominator	391.0	395.3