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DMGT.CO.UK
YOU HAVE ACCESS TO MORE INFORMATION ON OUR WEBSITE:
DMGT'S CORPORATE WEBSITE HAS ACHIEVED AN 'AAA' ACCESSIBILITY RATING IN INDEPENDENT TESTS, THE HIGHEST LEVEL ACHIEVABLE. IT IS INDEPENDENTLY REGARDED AS ONE OF THE BEST-PROGRAMMED SITES IN THE FTSE 350 INDEX.

DMGT.CO.UK

ABOUT DMGT
dmgt.co.uk/aboutdmgt

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DMGT Fact File

CORPORATE STRUCTURE
dmgt.co.uk/corporatestructure

Associated Newspapers
Northcliffe Newspapers Group
DMG Information
Euromoney
dmg world media
DMG Radio

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Daily Mail and General Trust plc Annual Report and Accounts 1st October, 2006

DMGT Daily Mail and General Trust plc
Annual Report and Accounts 1st October, 2006

INTRODUCTION

WITH SEVEN OF OUR BUSINESSES INVOLVED IN THE AFTERMATH OF A HURRICANE IN SOME WAY, DMGT IS CREATING A HUGE IMPACT IN SOME SURPRISING PLACES.*

YES WE DO NEWS, BUT THAT'S NOT SURPRISING.

WHAT MIGHT BE SURPRISING IS THE BREADTH AND DIVERSITY OF OUR BUSINESS PORTFOLIO AND JUST HOW WELL THIS IS BALANCING OUR TRADITIONAL NEWSPAPER BUSINESS.

*THE SEVEN COMPANIES INVOLVED IN THE AFTERMATH OF A HURRICANE ARE ...
DAILY MAIL (REPORTING), DMG WORLD MEDIA (NEW ORLEANS HOME SHOW), DMG RADIO (BROADCAST REPORTING), RMS (RISK MODELLING AND EVENT ANALYSIS FOR INSURANCE CLIENTS), EDR (ENVIRONMENTAL REPORTS), DOLPHIN (PROVISION OF HAZARDOUS CHEMICAL DATABASES TO THE RED CROSS), TREPP (ANALYSIS OF IMPACT ON COMMERCIAL PROPERTY BACKED BONDS).

CONTENTS

OUR BROAD AND DIVERSE RANGE OF MEDIA BUSINESSES
MAKE US A STRONGER GROUP.

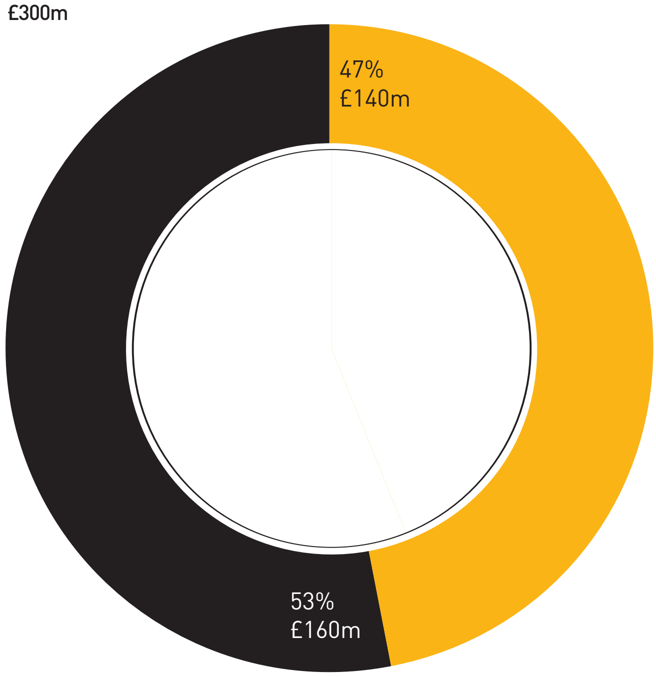
DIVISIONAL ACTIVITIES	ASSOCIATED NEWSPAPERS PAGE 16	NORTHCLIFFE NEWSPAPERS PAGE 20	DMG INFORMATION PAGE 23	EUROMONEY INSTITUTIONAL INVESTOR PAGE 25	DMG WORLD MEDIA PAGE 26	DMG RADIO PAGE 27
PERCENTAGE OF REVENUE	43% £931m	22% £479m	16% £345m	10% £221m	7% £163m	2% £37m
OVERVIEW	Associated Newspapers is a major national newspaper publisher which is also responsible for Teletext and for Associated Northcliffe Digital. Teletext provides commercial teletext services on all the ITV channels, Channel 4 and analogue five and operates Teletextholidays.co.uk, a leading travel website. Associated Northcliffe Digital reaches an estimated 25% of all UK internet users in the automotive, jobs, property, dating and personal finance online advertising markets.	Northcliffe Newspapers is one of the largest regional publishing groups in the UK. Operating from 17 publishing centres, Northcliffe publishes over 100 publications in the UK including 18 daily titles, 29 paid-for weeklies and over 60 free weekly newspapers. The portfolio has a weekly combined circulation of over eight million copies. Furthermore, Northcliffe's network of 30 local *thisis* websites attracted 2.1 million unique users with 32.1 million page impressions in September 2006. Other commercial activities include news retailing as well as international publishing interests in Hungary, Slovakia, Bulgaria, Romania and France.	DMG Information is the Group's information publishing division, providing business-to-business information to the property, insurance, financial, geo-spatial, chemical information and energy trading markets. It also provides graduate and educational recruitment information and services. The US accounts for the majority of revenues with the UK, France, Germany, Japan, India and Australia representing the other significant geographic markets.	Euromoney is a leading international business-to-business media group, focused primarily on the international finance sector. It publishes more than 100 magazines, newsletters and journals. It also runs an extensive portfolio of conferences, seminars and training courses and is a leading provider of electronic information and data covering international finance and emerging markets. On 5th October, 2006, Euromoney completed the acquisition of Metal Bulletin plc for £230 million, its largest acquisition to date.	DMG world media is a leading international exhibition and publishing company that produces more than 300 trade exhibitions, consumer shows and fairs. The company also publishes 45 related magazines, directories and market reports. DMG world media's operation includes more than 30 offices across the United States, Canada, the United Kingdom, France, the United Arab Emirates, China, Australia and New Zealand, and additional exhibitions in countries such as Switzerland, Germany, Poland, Morocco, Egypt, India, Japan, Malaysia, Singapore, Indonesia, Brazil and Venezuela.	DMG Radio Australia holds ten radio licences, including the national Nova FM network of stations in Sydney, Melbourne, Brisbane, Adelaide and Perth and the Vega FM stations in Sydney and Melbourne.
EMPLOYEES AT YEAR END	3,835	6,350 **UK** 5,549 **Overseas** 801	2,620	1,801	813	530
PRINCIPAL BRANDS	• Daily Mail • The Mail on Sunday • Evening Standard • Metro • London Lite • Loot • Teletext • Allegran • Carsource • Find a Property • Jobsite • Primelocation • Simply Switch • This is London • This is Money	• Evening Post (Bristol) • Derby Evening Telegraph • Essex Chronicle • Hull Daily Mail • Leicester Mercury • Nottingham Evening Post • The Sentinel (Stoke-on-Trent) • South Wales Evening Post • West Briton (Cornwall) • Western Gazette (Somerset) • Kisalfold (Gyor, Hungary)	• Risk Management Solutions • Environmental Data Resources • Landmark Information Group • Property Portfolio & Research • Trepp • Lewtan Technologies • Sanborn • Genscape • Hobsons • Dolphin	• Euromoney • Institutional Investor • ISI Emerging Markets • Petroleum Economist • Euroweek • Asiamoney • Latin Finance • Metal Bulletin • BCA	• Daily Mail Ideal Home Show (UK) • Index and Big 5 (Dubai) • Global Petroleum Show (Canada) • California Gift Show (US) • Surf Expo (US) • Palm Beach Classic (US) • Gastech (Abu Dhabi 2006) • Ad:tech (US, UK, Asia)	• Nova 969 (Sydney) • Nova 100 (Melbourne) • Nova 1069 (Brisbane) • Nova 919 (Adelaide) • Nova 937 (Perth – Joint venture) • Vega 953 (Sydney) • Vega 915 (Melbourne) • Five AA (Adelaide) • Brisbane 97.3 (Joint venture) • Star 1045 (Central Coast)
HEAD OFFICE	Northcliffe House 2 Derry Street London W8 5TT England Tel 020 7938 6000	Northcliffe House 2 Derry Street London W8 5TT England Tel 020 7938 6000	3 Stamford Landing Suite 400, 46 Southfield Avenue Stamford, Connecticut CT 06902, USA Tel 001 203 973 2940	Nestor House Playhouse Yard London EC4V 5EX England Tel 020 7779 8888	Suite 255 1100 Larkspur Landing Circle Larkspur California 94939, USA Tel 001 415 464 8500	Level 5 75 Hindmarsh Square Adelaide SA 5000 Australia Tel 00 618 8419 5000

Designed and produced by salterbaxter Printed by Fulmar Colour Printing Photography by Paul King and Nikki English

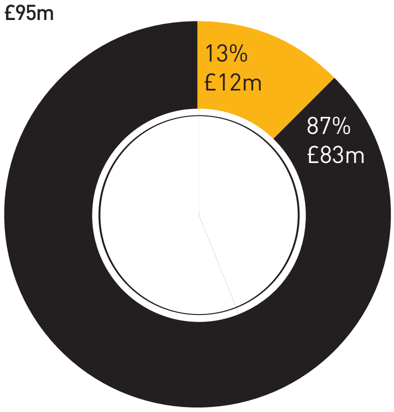
THE GROUP'S BUSINESSES, OTHER THAN ITS PRINT NEWSPAPER TITLES, NOW MAKE UP AROUND 47% OF THE GROUP'S OPERATING PROFIT.*

- PRINT NEWSPAPER TITLES
- OTHER BUSINESSES

OPERATING PROFIT* 2006
£300m



OPERATING PROFIT* 1996
£95m



25%

THE PERCENTAGE OF UK INTERNET USERS REACHED BY ASSOCIATED NORTHCLIFFE DIGITAL'S WEBSITES

SIX

DMGT CONSISTS OF SIX DIFFERENT, THRIVING DIVISIONS

78%

RMS MODELS USED BY TWENTY FOUR OF LLOYDS OF LONDON'S MANAGING AGENTS – ALMOST 78% OF THE TOTAL LLOYDS MARKET CAPACITY

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

FINANCIAL HIGHLIGHTS

REVENUE

£2,176m

2006	£2,176m
2005	£2,136m

ADJUSTED PROFIT BEFORE TAX*

£260m

2006	£260m
2005	£237m

ADJUSTED OPERATING PROFIT*

£300m

2006	£300m
2005	£283m

STATUTORY PROFIT BEFORE TAX

£311m

2006	£311m
2005	£195m

ADJUSTED EARNINGS PER SHARE*

46.4p

2006	46.4p
2005	43.2p

DIVIDEND PER SHARE

13.05p

2006	13.05p
2005	12.00p

* (before amortisation and impairment of intangible assets and exceptional items; see consolidated income statement on page 56 and reconciliation in note 12 to the Accounts).

All references to prior year numbers are to figures prepared under International Financial Reporting Standards (IFRS).

DMGT WORLDWIDE

DMGT EMPLOYS AROUND 16,000 PEOPLE ALL OVER THE WORLD

UK & EUROPE

ASIA & AUSTRALASIA

NORTH & SOUTH AMERICA

WE ARE WELL POSITIONED FOR DEVELOPMENTS IN THE MEDIA LANDSCAPE.

THE VISCOUNT ROTHERMERE
CHAIRMAN

I AM PLEASED TO REPORT ANOTHER RECORD PROFIT FOR THE GROUP DESPITE SOME DIFFICULT ADVERTISING MARKETS AND CLAIMS THAT TRADITIONAL MEDIA WERE LOSING THEIR PLACE IN THE WORLD.

We owe much to the strength of our titles and brands, as well as to our investments in newer media sectors. Adjusted profit* before tax, calculated in accordance with International Accounting Standards for the first time, rose by 9% to £260 million. Revenues were up 2% to £2,176 million.

The best part of this rise was due to another sparkling performance by DMG Information. All its companies increased their profits and see good opportunities to expand further. We entered another market through the acquisition of Genscape, the world's only provider of real-time data on power generation, and sold Study Group for a good price.

DMG Information's quality of earnings from largely subscription businesses is high – Risk Management Solutions entered the new financial year with more revenue booked for the new year than it achieved last year.

Euromoney Institutional Investor benefited from buoyant financial markets. An incentive scheme has restricted reported profit growth, but has galvanised Euromoney into generating greater organic growth. Its recent acquisition of Metal Bulletin is the largest external acquisition that the DMGT Group has ever made. We expect it to be quickly integrated.

DMG World Media and DMG Radio Australia both had a difficult year, affected by downturns in consumer advertising. Both had bright spots, with strongly growing exhibitions in the Middle East and in the recently created technology sector. The latest Nova stations in Adelaide and particularly Brisbane have performed well since launch. Both divisions should increase their return on our investments in the next year.

Associated Newspapers had to cope with the competitive national newspaper market, as well as with an advertising downturn. The circulation performances have improved as the year progressed and we have once more significantly outperformed the rest of Fleet Street. Advertising, too, has seen some improvement recently, doubtless partly as a result of the papers' circulation strength. While Metro continues to thrive, the Evening Standard has faced two new free competitors, one of them our own London Lite. The Standard is London's quality newspaper and this makes it remarkably resilient.

Northcliffe has had a year of upheaval. We reviewed the business early in 2006 and concluded that shareholders would do better if we retained the business, rather than sell it. Since then, we have been implementing our plan to increase shareholder value, including regionalising the management structure and developing digital operations linked to the newspapers. We sold our Aberdeen titles for an excellent price. I have recently visited many of the centres and have been most impressed by the positive attitude in Northcliffe, despite all this change.

I had the pleasure in May of opening our new building in Szeged, in southern Hungary. We are developing a solid business there, in Slovakia and in neighbouring countries.

I make no apology for talking again this year about the internet. It is having a fundamental effect on all media businesses and we must continue to invest in it. We have created Associated Northcliffe Digital to take advantage of the outstanding opportunities that the internet offers, both to expand our print titles and in its own right. We have invested more than £150 million to create one of the UK's largest online consumer networks covering jobs, property, personal finance, travel, motors and dating. This investment is already giving us a good return and we shall continue to invest in this area.

The Board will lose the wise counsel of Frank Lowy from the end of the AGM. Frank's is a remarkable success story and he has been an excellent adviser both to my father and to me. With the approval of shareholders, we will welcome Nicholas Berry, whose broad experience of media and investment will be valuable to the Board.

I have already complimented the employees of Northcliffe. I extend this to all our employees who have produced such a resilient trading performance this year. We are well positioned for developments in the media landscape and our titles and people will enable us to continue to prosper.

ROTHERMERE

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).


ON AVERAGE, THERE IS AN APPLICATION MADE ON NHS JOBS EVERY 21 SECONDS
Safari File Edit View History Bookmarks Window Help
http://www.jobs.nhs.uk/
Jobs
Join the team and make a difference
Log in
Email Address
Password
Forgotten your password?
Register for an account
Following essential maintenance work, this site is now fully available again.
With over 4,500 jobs listed on any day, this official NHS site is the main place to find jobs in the NHS

JOBSITE HELPS NHS SAVE MILLIONS

DELIVERING AN EFFICIENT E-RECRUITMENT SERVICE

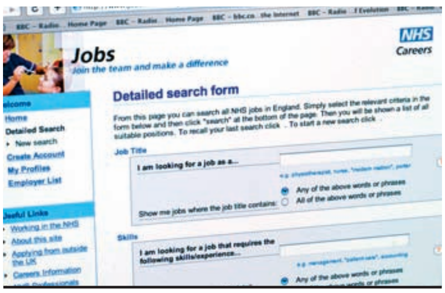
Now in its third year, the NHS Jobs e-recruitment service has helped NHS organisations in England save money and improve their recruitment processes. Savings have been identified in advertising, administration and temporary staffing with reductions in the time to fill posts.

NHS Jobs is provided by Jobsite as a service to the NHS, working with Methods Consulting and NHS Employers. It was developed by Jobsite from its own highly rated job-board technology, in what has been described as one of the most successful IT projects in the NHS, delivered on time and within budget.

The service enables job advertising on one of the most visited recruitment websites in the UK, with over one million visits each month. Online applications, application sifting and management, recruiter-applicant messaging, reference collection, shortlisting and powerful reporting are all included in the easy to use web-based service.

A spokesman from one of the NHS Trusts said "As a result of the implementation of NHS Jobs, the recruitment function of the trust has been reviewed, and processes have been put in place to narrow the risk of poor recruitment. The monies saved have been used as part of the trust's financial savings plan to assist in working towards a break-even financial position at year end."

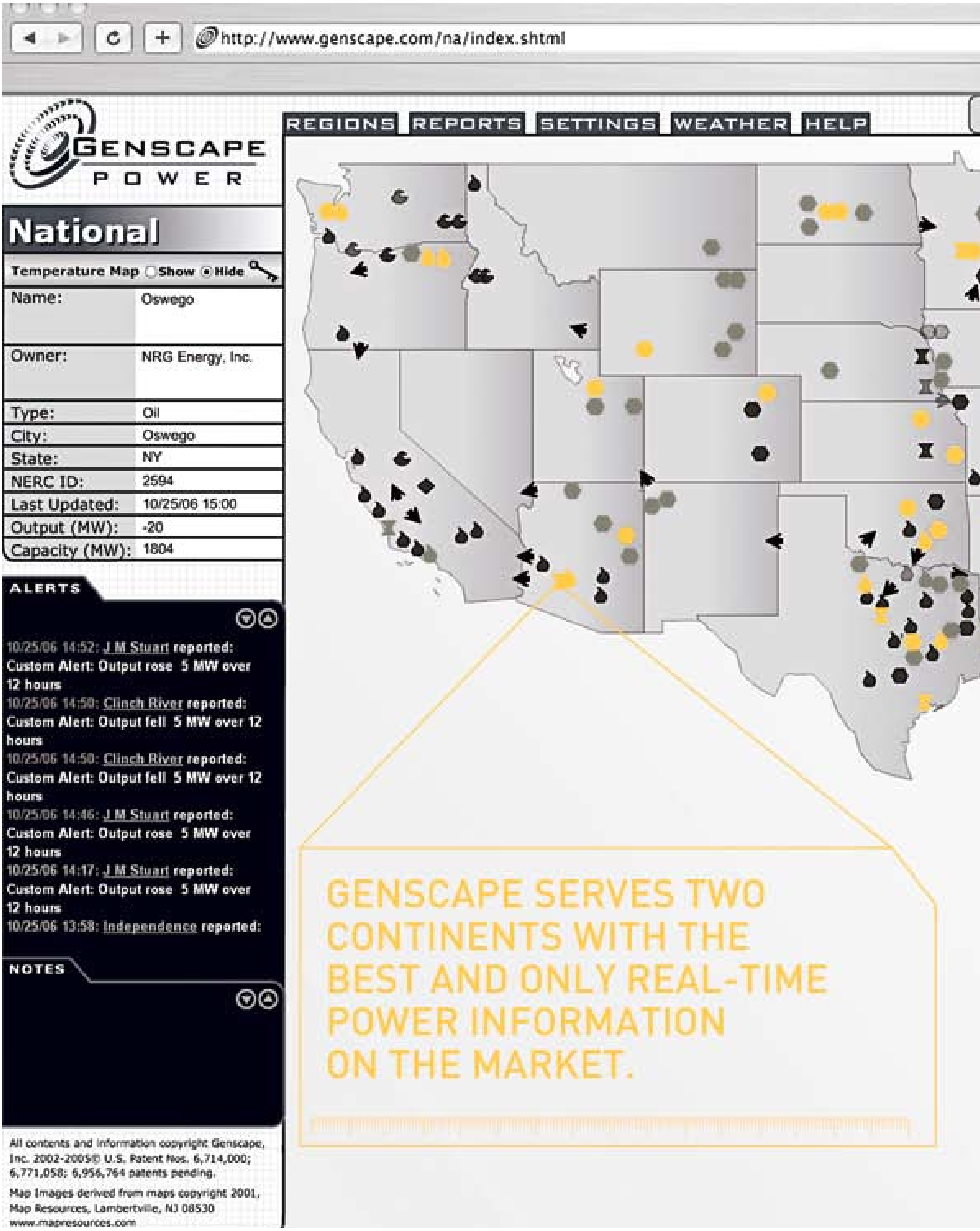
SINCE 1995, JOBSITE HAS BROUGHT INTERNET RECRUITMENT TO THE WHOLE OF THE UK JOB MARKET.

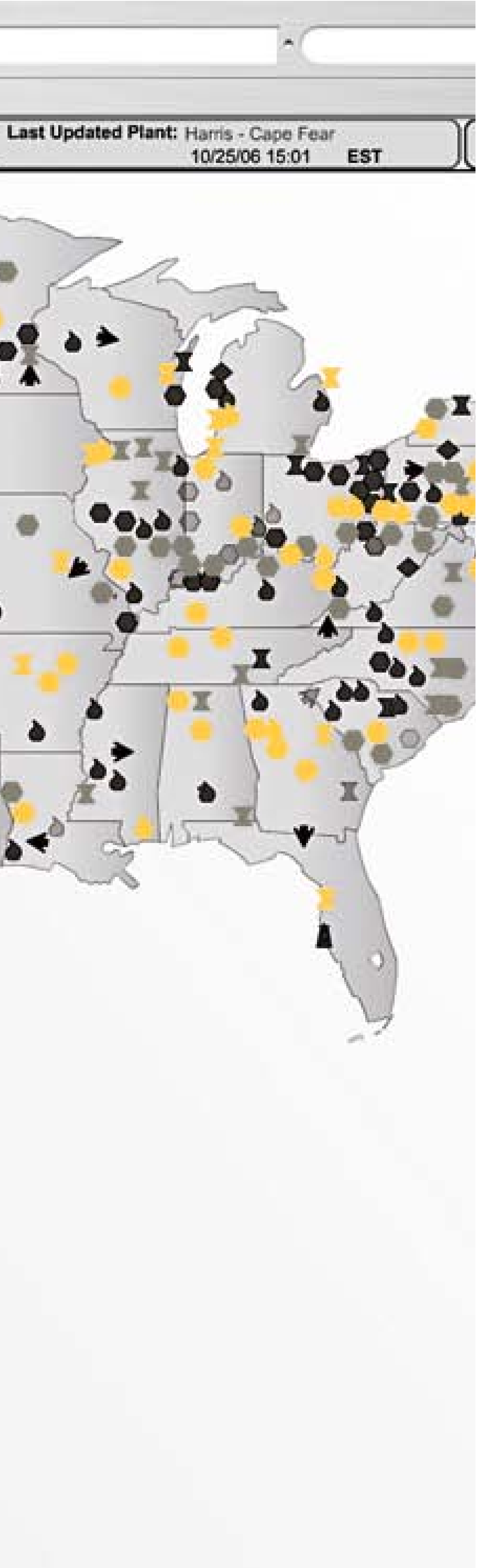


IN A RECENT SURVEY, A THIRD OF NHS TRUSTS AND OTHER NHS ORGANISATIONS USING NHS JOBS SAID THEY HAD SAVED OVER £6 MILLION OVER SIX MONTHS.

"THIS WAS THE FIRST TIME I HAD APPLIED FOR A POST USING E-RECRUITMENT AND FOUND THIS SITE REALLY USER-FRIENDLY. I WAS SUCCESSFUL IN MY APPLICATION."

JOBSITE JOBSEEKER


http://www.genscape.com/na/index.shtml
GENSCAPE
POWER
REGIONS
REPORTS
SETTINGS
WEATHER
HELP
National
Temperature Map Show Hide
Name: Oswego
Owner: NRG Energy, Inc.
Type: Oil
City: Oswego
State: NY
NERC ID: 2594
Last Updated: 10/25/06 15:00
Output (MW): -20
Capacity (MW): 1804
ALERTS
10/25/06 14:52: J M Stuart reported: Custom Alert: Output rose 5 MW over 12 hours
10/25/06 14:50: Clinch River reported: Custom Alert: Output fell 5 MW over 12 hours
10/25/06 14:50: Clinch River reported: Custom Alert: Output fell 5 MW over 12 hours
10/25/06 14:46: J M Stuart reported: Custom Alert: Output rose 5 MW over 12 hours
10/25/06 14:17: J M Stuart reported: Custom Alert: Output rose 5 MW over 12 hours
10/25/06 13:58: Independence reported:
NOTES
All contents and information copyright Genscape, Inc. 2002-2005© U.S. Patent Nos. 6,714,000; 6,771,058; 6,956,764 patents pending.
Map Images derived from maps copyright 2001, Map Resources, Lambertville, NJ 08530 www.mapresources.com
GENSCAPE SERVES TWO CONTINENTS WITH THE BEST AND ONLY REAL-TIME POWER INFORMATION ON THE MARKET.



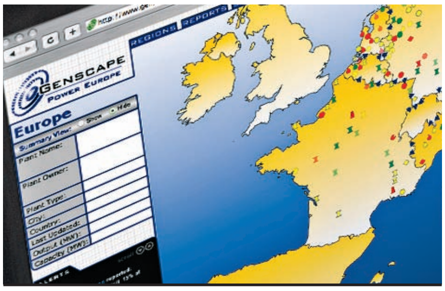
BREAKTHROUGH TECHNOLOGIES

WE ARE EXPANDING INTO NEW SECTORS WITH OUR NEW ACQUISITION, GENSCAPE.

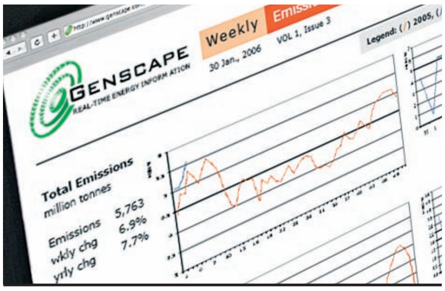
Genscape was founded in 1999 to serve the energy market's need for better information. Genscape introduced its power monitoring technology in 2001, with the company's network developing rapidly since then to cover more than 400 power plants and power transmission pathways across the US and continental Europe.

While continuing to grow the power monitoring networks, the company's recent expansion plans have included the development of monitoring technologies for additional energy markets such as natural gas and oil, and the creation of a publications division which provides important fundamental information for energy-related markets such as coal, emissions and natural gas.

In addition to extending its reach into new energy commodities and products, Genscape is also aggressively approaching new market opportunities in Japan, Australia and South America.



ONCE PROVEN, GENSCAPE'S MONITORING TECHNOLOGY CAN BE INSTALLED IN NEW MARKETS AROUND THE GLOBE. IN 2006, GENSCAPE ADDED COVERAGE IN ITALY AND THE CZECH REPUBLIC AND LOOKS TO EXPAND INTO SPAIN AND JAPAN IN 2007.



GENSCAPE'S CORE DATA CAN BE USED TO DEVELOP PRODUCTS FOR ADDITIONAL ENERGY MARKETS, SUCH AS NATURAL GAS, COAL AND EMISSIONS.

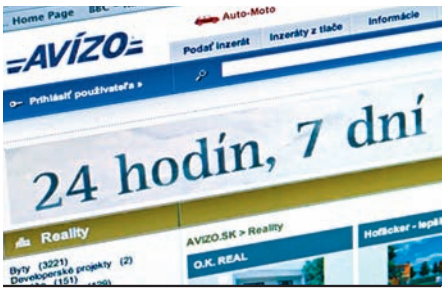
90 SECS

GENSCAPE CAN SEND POWER ALERTS TO SUBSCRIBERS' DESKTOPS WITHIN 90 SECONDS.

BIG NEWS IN SLOVAKIA

A BROAD PUBLISHING AND ONLINE PORTFOLIO

FOR BREAKFAST – SLOVAKIA'S LEADING QUALITY DAILY NEWSPAPER.



MÁM AUTÁ, MÁM DOMY – I NEED A CAR, I NEED A NEW HOME: AVIZO HAS THE ANSWER...

A little more than two-and-a-half years ago, DMGT had no footprint in Slovakia. Now, it is one of the top two publishers, based on circulation. £22 million has been invested since 2004.

The remarkable rise of the Slovakian operation began on 1st January, 2004, with the acquisition of 60% of Avizo, the leading daily classified newspaper in Slovakia. A staff of just 22 generate revenue of £1.5 million. Five months later, the remaining 40% share was bought.

On 1st January, 2005, City Express was acquired, including two fortnightly titles. Auto Burza (a motors classified product) and Burza Nehnutel'nosti (property paper). Employees numbered 20, and the three titles were producing revenue of £0.6 million.

By last year, the combined Slovakian staff had risen to almost 100, with revenue of £3 million, and more acquisitions were on the way. In November 2005, profesia.sk, a job website, was acquired. The founder – Dalibor Jakus – remains, heading a fast growing business. The website has 89% brand recognition and a 26% market share of all Slovakia's digital resources: indeed, half of all money spent on jobs advertising in the market, regardless of media, goes to profesia. The business model for profesia.sk is being exported to Hungary.

And in August 2006, Pravda, Slovakia's leading quality daily newspaper, and the second best selling title in the country, was acquired. Its daily circulation is 78,000 copies.

35%

OUR WEBSITES AND NEWSPAPERS REACH 35% OF THE WHOLE POPULATION OF SLOVAKIA EVERY WEEK.


PUBLISHER
OF THE
LARGEST
QUALITY DAILY
IN SLOVAKIA

OUR STRATEGY OF INVESTING FOR THE LONG-TERM FUTURE TO GENERATE A PREMIUM RETURN FOR SHAREHOLDERS HAS RESULTED IN ANOTHER RECORD YEAR.

CHARLES SINCLAIR
CHIEF EXECUTIVE

OUR STRATEGY FOR FUTURE SUCCESS FOCUSES ON THREE KEY AREAS:

1. INVESTING IN OUR NEWSPAPER AND PURE PLAY DIGITAL BUSINESSES
2. CONTINUING TO GROW OUR OTHER MEDIA BUSINESSES WITH STRONG LEADERSHIP POSITIONS
3. RUNNING OUR BUSINESSES FASTER

Introduction
This Business Review is addressed to the members of the Company. It is framed, having in mind the principles and guidelines for Operating and Financial Reviews published by the UK Accounting Standards Board in January 2006. It describes the main operational and financial factors underpinning the development, performance and position of the Group as well as those likely to affect performance over the coming year.

This Chief Executive's Review sets out the nature, objectives and strategy of the Group, together with the principal risks and uncertainties we face. It is followed on pages 16 to 27 by a business review of the development and performance of each of our operating divisions. A Financial and Treasury Review is given on pages 28 to 31.

DMGT's philosophy
DMGT's practice over many years has been to take advantage of its shareholding structure to invest for the long term in order to generate value for its shareholders. Control by a founding family is a model which has been demonstrated to serve the media industry well over time. We are prepared to have a long timeframe to investment maturity and realisation, provided the business in question is progressing well, meeting milestones and creating value.

Nature of the business
DMGT is a multiple media business, as illustrated at the front of this Annual Report, operating in different markets, each within its particular competitive and regulatory environments. Operational responsibility is devolved to our six divisions, whose boards the executive Directors chair. We operate with a light touch from the centre, relieving line management of overhead activities that do not contribute at the operating level. DMGT's objectives are embedded into the thinking of each of our divisional management teams.

Strategy
The Group's objective is to be the owner of high quality sustainable media properties, reflected in premium commercial positions, thereby generating a premium return for shareholders. Over the past decade the strategy has been to extend the Group's media activities so as to reduce its dependence on UK newspapers, which are heavily dependent on advertising and, due to their strong market positions, much regulated.

The Group's newspapers remain highly profitable and we have continued to invest in

THE RECENT ACQUISITION OF METAL BULLETIN BY EUROMONEY WILL STEP UP ITS PERFORMANCE.

THE DAILY MAIL HAS CONTINUED TO INCREASE ITS MARKET SHARE.

them in order to maintain their market-leading positions. The stability of these businesses has underpinned the manner in which we have built a re-balanced Group: by deployment of capital most successfully in DMG Information, recently in Euromoney Institutional Investor through its acquisition of Metal Bulletin and in dmg world media and DMG Radio. As a consequence, an increased percentage of the Group's revenues is generated from streams other than advertising, principally subscriptions and events. A significant part of the asset base is now outside the UK; the Group's exposure to regulation has been greatly reduced; and it is close to passing a significant milestone of a half of operating profits* being derived other than from newspapers.

Over the last few years, it has become clear that the Group needs to be run faster as the pace of change in business has grown, particularly the threat to traditional media forms from new technologies. This has been evidenced by the loss of classified advertising at the Evening Standard and by the decline of profits at Teletext due to structural changes in its market.

Last year we undertook a review of Northcliffe Newspapers which identified the potential for further restructuring of its UK business in addition to that already being undertaken as part of its Aim Higher programme. The powerful market position occupied by Northcliffe's businesses in their regional locations meant that they were unlikely to grow faster than their local economies. Since we saw the prospect of limited long-term revenue growth, a choice lay between retaining and running Northcliffe harder for profit and selling it. Hence the strategic review was announced in November 2005 when we invited third party offers for the business, while continuing to develop our own plans for it, in order to establish whether greater shareholder value could be achieved from a sale than from a transformation of the business within DMGT.

Our view of the future for Northcliffe improved during the review, while a number of factors, not least trading at the time, conspired against obtaining a full sale price. In February the Board committed itself to retaining the business since we believe that Northcliffe has an excellent future as an integrated provider of local media services. It is positioned to provide its local and national customers with the information and advertising they seek through a range of media channels and brands. In particular, the combination of print and online will provide a differentiated product range that will be unequalled in its local markets. Northcliffe has been restructured into six regional divisions, each headed by a regional managing director, with local managing directors focused on raising revenues in local markets. The size of the central support functions has been reduced. A joint digital division, Associated Northcliffe Digital (AND), has been established to drive digital revenue.

Management of the printing operations of Associated and Northcliffe has been integrated and other shared services including accounting, procurement, marketing, fleet and human resources are being investigated. We do not intend to combine the editorial, sales or circulation functions.

Northcliffe has demonstrated its ability to reduce costs and is well placed to achieve an annual cost reduction target of £45 million by the end of September 2007. Over the next year, it will concentrate on revenue growth and defending its newspaper circulations.

The continuing underlying value of our regional newspapers was demonstrated in April with the sale of Aberdeen Journals at a multiple significantly higher than that implied by offers received for the whole of Northcliffe.

At Associated Newspapers, we have continued to invest in editorial quality and the graph on page 17 demonstrates the extent to which the Mail titles maintained their circulations and continued to increase their market share, aided by successful promotions. In Ireland, we are now focused on extending the circulation for both Mail titles.

A strategic challenge to be addressed is Associated's relatively low margins which have a material impact on the Group's overall margins. Costs are being reduced through the creation of shared services with Northcliffe and, over time, the cost base of our national newspapers is adjusting to a lower level of revenue growth due to the likely migration online of display and classified revenues at varying speeds. Our objective is to meet this challenge without losing the powerful advertising response from an engaged readership, given that the Mail titles have a most envied position in the UK market and that Associated are efficient producers of high quality publications, not low cost producers like some others. Online, companion websites to the newspapers have been built and are being re-integrated into the editorial process.

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

ONE ELEMENT OF THE GROUP'S STRATEGY IS TO DEFEND AND EXTEND ITS ADVERTISING BASE THROUGH THE ONLINE MARKET.

£155m

THE AMOUNT INVESTED BY ASSOCIATED IN PURE PLAY DIGITAL BUSINESSES.

£68m

PROFIT MADE BY DMG INFORMATION THIS YEAR.

In London, the objective is to restore the Evening Standard to profitability in the medium term and we have launched a new free newspaper, London Lite, aimed at a different consumer market, as explained on page 16. Associated's track record of thinking freshly about its titles, and creating new titles, as with Metro some years ago, or adapting old ones in response to market developments, remains undiminished.

We intend to defend the Group's advertising base and to extend it, regardless of format. Accordingly our strategy at Associated Northcliffe Digital (AND) has involved making investments to increase its exposure to areas of the online advertising market pertinent to Associated Newspapers, being jobs, property, personal finance, motors and dating. Building a presence in the online travel advertising market is being addressed by Teletext. In total, Associated has invested £155 million in pure play digital businesses since 2004 with the objective of being the number one or two player in each chosen market. AND now has annualised revenues approaching £90 million and we look forward to strong profit growth from this new division. Its initial development is now largely complete and further acquisitions are likely to be of a smaller in-fill nature.

Our other divisions, built over the years, have also undergone an internal review. At DMG Information we have invested approximately £420 million since 1996 (net of disposals). This year the business made a record £68 million operating profit* and the growth in its profits from a standing start in 1998, illustrated on page 23, is a credit to its tried and tested management team in the US. They intend to grow the business further both by increasing revenue expenditure on product development over the coming year and by re-investment of its cash flow in acquisitions over the next few years.

Euromoney Institutional Investor's acquisition of Metal Bulletin in October 2006 will step up its performance which is already being driven by the motivating impact of its Capital Appreciation Plan on senior management. We expect above average growth over the immediate future, provided financial markets remain benign. The acquisition was funded partly by the issue of new shares by Euromoney such that DMGT's interest has been diluted from 69% to 61%. We regard Euromoney as a core business and do not intend our holding to be reduced further.

We have invested approximately £400 million in dmg world media since 1995. It has suffered this year from a decline in revenues from its consumer shows in the UK, US and Australasia, which comprise just over a third of the business. As a consequence, our strategy is to grow the business through aggregating acquisitions and launches in the stronger business to business sectors and faster growing markets. Recent acquisitions have been concentrated on the higher growth oil and gas portfolio and technology sectors.

Net investment in DMG Radio Australia since its creation in 1996 has totalled £200 million. The business was established with a plan to build a national metropolitan FM broadcasting network through the Australian government's licence auction process with the intention of delivering an above average return on investment. This last year has been difficult due to the simultaneous launch – and subsequent relaunch – of the new Vega stations and completion of the Nova network. Nevertheless, our Australian radio management remain highly concentrated on the task before them.

Having acquired Metal Bulletin the Group's net debt has risen since the year end to around £900 million. This will preclude major acquisitions in the short term until that acquisition has been successfully integrated, and our prudent debt ratios fully re-established.

Resources
The Group's main resources are its brands, its people, its reputation and the market-leading position of its major businesses.

Principal risks and uncertainties
The principal risks and uncertainties the Group faces vary across the different businesses and are the focus of the Risk Committee which I chair. These risks are identified in a Group Risk Register. The materiality of each risk is assessed against a framework to determine its significance and likelihood of occurrence. The Risk Register is used to determine the agenda and activity of the Risk Committee. The most material risks identified in the Risk Register, together with the steps taken to mitigate them, are described below. The operation of the Risk Committee is described on page 39.

The geographic spread and diverse portfolio of businesses within the Group helps to reduce the impact of many of the risks identified below. Certain of these risks are interdependent and should not be considered in isolation.

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

LIKE THE DAILY MAIL, THE MAIL ON SUNDAY HAS MAINTAINED ITS CIRCULATION THROUGH ITS HIGH QUALITY.

The impact of technological and market changes on our competitive advantage

Our businesses operate in highly competitive environments that can be subject to rapid change. Our products and services, and their means of delivery, are affected by technological innovations, changing legislation, competitor activity or changing customer behaviour. A structural change in the advertising market, resulting in significant advertising moving away from our traditional products to the internet, could significantly affect our results.

We have developed an internet strategy for each of our main segments of advertising revenue. We have a decentralised autonomous culture that encourages an entrepreneurial approach to the development of new opportunities in response to these threats and we must continue to invest and adapt to remain competitive. Our strategy of diversification and willingness to take a long-term view helps us to react to these challenges and opportunities.

Pension scheme shortfalls

We operate defined benefit schemes for our newspaper divisions and certain senior executives. Reported earnings may be adversely affected by changes in our pension costs and funding requirements due to lower than expected investment returns, changes in demographics and higher life expectancy. These risks are being worked on with the scheme trustees to agree an appropriate funding approach and an asset allocation strategy designed to reduce and diversify the risk inherent in the investment portfolios. These measures are in addition to the introduction last year of a two-tier benefit structure in the defined benefit schemes, providing greater employee choice with increased member contributions in the top tier. These actions, together with the operation of defined contribution pension plans in all other divisions and overseas, have helped to reduce pension liabilities and control the pension costs incurred by the Group.

Currency risk

Currency exchange rate fluctuations have an impact on the Group's reported earnings. Over 40% of the Group's operating profits are generated from revenues invoiced in US dollars. The impact of currency rate fluctuations is partly offset by the levels of US dollar debt incurred. The policies and procedures in place to manage these risks are discussed in the Financial and Treasury Review on page 30.

Impact of a major disaster or outbreak of disease

Any disaster, such as a geopolitical event or a pandemic, such as avian flu, which significantly affects the wider environment or infrastructure in a sector where the Group has material operations could adversely affect the Group. Although plans and procedures are in place to manage the impact of such risks, the event might affect our ability to produce and deliver our products, or reduce the demand for them. The importance of travel to many of our event businesses increases the sensitivity of our results to such incidents that may affect confidence in travel to specific destinations.

Acquisition risk

As well as launching and building new businesses, an integral part of our success has, and will continue to be, the acquisition of businesses that complement our existing products or expand the scope of our expertise into new markets. A number of risks are inherent within any strategy to acquire. The Group generally acquires businesses with a high potential for growth in related markets. This results in the majority of acquisitions considered being smaller add-on acquisitions, which reduces the size of the risk of each acquisition to the Group. The Metal Bulletin acquisition is the Group's first acquisition over £100 million since 1988.

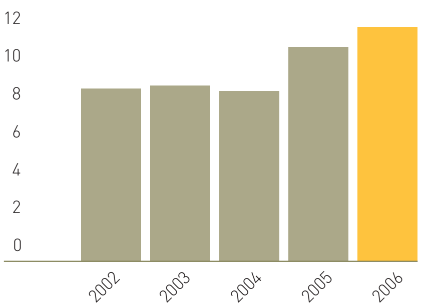
Exposure to changes in the economy and customer spending patterns

General economic conditions and the financial health of our customers affect the performance of all of our businesses to some degree. A significant proportion of our revenue is derived from advertising spending which has historically been cyclical, with companies spending less on advertising in times of economic slowdown. Our commitment to investment in our core brands and products helps us to reduce the effect of these fluctuations by maintaining the strength of our products in their markets.

Dependence on information technology and the integrity of data

All of our businesses are dependent on technology to some degree. Disruption to our information technology infrastructure or breaches in our data security systems could adversely affect our businesses and damage our reputation. This could arise from loss of service from third parties, operational failures, or sabotage (including virus and hacker attacks). The information security and business continuity risks and mitigating controls vary for our different businesses and so responsibility rests with

CO$_2$ EFFICIENCY
NEWSPRINT OUTPUT (TONNES)/CO$_2$ EMISSIONS FROM ENERGY



CO$_2$ EFFICIENCY HAS IMPROVED AGAIN, REFLECTING FURTHER PROGRESS FROM THE CLOSURE OF A NUMBER OF LESS EFFICIENT PRINT CENTRES AND CONTINUED EFFORTS TO REDUCE ENERGY CONSUMPTION.

each of the divisional management teams. Both of these risks were a focus of the Risk Committee during the year. Assessments were completed to understand the effectiveness of the mitigating controls in each area and to highlight any areas for improvement.

Price volatility of newsprint

Newsprint represents a significant proportion of our costs within the Newspaper divisions. Newsprint prices are subject to volatility arising from variations in supply and demand. Whilst generally these variations are not large and therefore not significant to the Group, there have been periods historically where the impact to the Group was material and a repeat of such events cannot be ruled out.

Reliance on key management and staff

In order to pursue our strategy, we are reliant on key management and staff across all our businesses. We cannot predict with certainty that we will enjoy continued success in our recruitment and retention of high quality management and creative talent.

Share price performance

Over time our strong historic operating performance has been recognised by the market, as can be seen from the graphs on pages 15 and 48. The price of our widely traded 'A' Ordinary Non-Voting shares is now higher than five years ago, during which period it has experienced a turbulent time due largely to the weakness of UK advertising markets. We still appear to be valued mainly as a UK newspaper stock, despite only half of our profits coming from that source. Over the last year, the share price received a temporary hike on market expectations of the sale of Northcliffe at a premium price and it fell over the summer as the market fled from "traditional media". As a result DMGT came out of the FTSE 100 share index. In recent months it has risen on market perceptions of an improvement in UK advertising conditions. Share performance remains important to us as a measure that our strategy and balance are understood and recognised by the market.

Capital structure

The Company has not made a capital call on its shareholders for over seventy years. Capital growth is provided by long-term debt and by retained earnings. DMGT's policy is to seek to increase the dividend each year by 5% to 7% in real terms, within reason regardless of the results, as long as we continue to have confidence in the strength of our businesses. As shown on page 15, the compound dividend growth over the last ten years is 10% in nominal terms.

In March, we announced our intention, following the disposal of Aberdeen Journals, an expected reduction in capital expenditure and the significant cost reductions being achieved at Northcliffe, to start a share buy-back programme of 'A' shares under the general authority approved at the AGM in February 2006. In the first twelve months, the Board's intention is to return approximately £50 million to shareholders. So far we have acquired 3.5 million shares for a total of £21.5 million which are held as Treasury shares. DMGT is effectively giving a 4% yield to its shareholders by a combination of this buy-back and its annual dividend.

Relationships with stakeholders, other than shareholders

Environmental, employee, social and community issues are taken seriously by the Company, as set out in the Corporate Responsibility Report on pages 32 to 34. DMGT also has a dedicated Corporate Responsibility section on its website which is updated regularly. The Board has policies on the environment and on equal opportunities for employees, as well as on whistleblowing and health and safety. All of these policies are established and set out on the DMGT extranet.

DMGT and the environment

We recognise that our businesses have an impact on the environment through our printing operations, offices, transport and other business activities. We are committed to ensuring that where practical any adverse impact on the environment from our activities will be minimised. The major environmental impacts arise in our printing operations where we focus on newsprint, energy, CO$_2$, water and ink efficiencies. We have gathered the data over each of the last five years in order to monitor each of these impacts, and graphs illustrating them are set out on our website. The overall trend is positive. For example, as shown in the graph (left), CO$_2$ efficiency improved again this year due in part to the closure of a number of less efficient print centres, but also to our continued efforts to reduce energy consumption through measures implemented at a number of sites.

DMGT and our employees

Our record on retention of staff remains good, aided by our autonomous culture and by our provision of the appropriate form of pension provision to all our employees. In this regard, DMGT has kept open its final salary pension schemes in the UK newspaper divisions where people tend to stay with us for a long time and where the average age is higher. In the other divisions, which are more international and where employees are generally younger, we believe defined contribution pension plans are more appropriate.

The number of employees has fallen from 18,214 at the beginning of the year to 16,033 at the end, a reduction of 12%. Of this reduction, 2,050 was due to the sale of Study Group and of Aberdeen Journals. The number of employees within Northcliffe fell by a further 900 (14%) as a consequence of its reorganisation programme.

Trends and factors likely to affect the outlook

The new financial year has started well with signs of a gentle recovery in some sectors of the national advertising market, with our national titles producing strong circulation results in an ever competitive market. Whilst Northcliffe is not yet seeing much improvement in advertising conditions, continued falls in revenues are being offset by cost reductions. We expect DMG Information to maintain its strong underlying revenue growth, albeit with profit growth possibly tempered a little this year by investment in new products, and for AND to have another growth year. Pre-tax profits should also benefit from Euromoney's continuing organic growth and from its acquisition of Metal Bulletin.

Overall the Board is cautiously optimistic of achieving another year of progress.

CHARLES SINCLAIR
CHIEF EXECUTIVE

-12%

THE NUMBER OF EMPLOYEES FELL BY 12% DUE TO DISPOSALS AND NORTHCLIFFE'S REORGANISATION.

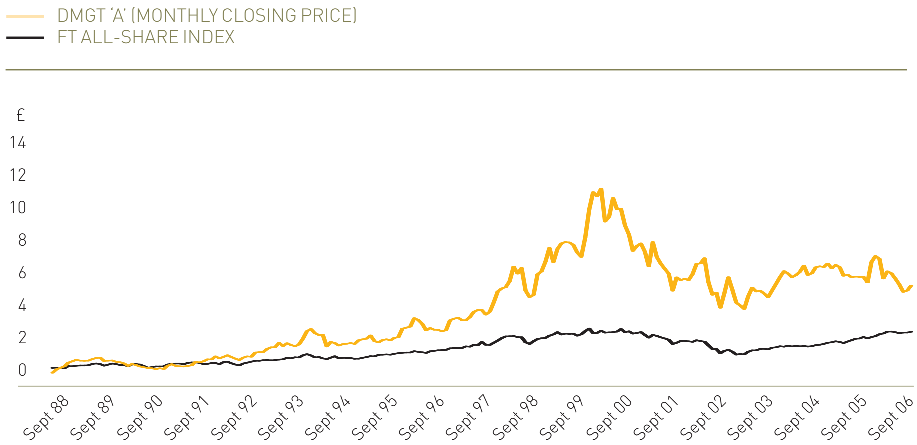
+169%

OUR RELATIVE SHARE PRICE PERFORMANCE SINCE 1988.

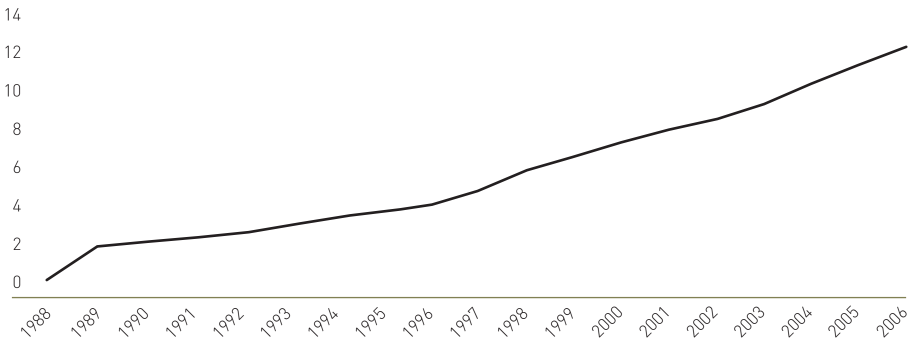
+10%

COMPOUND DIVIDEND GROWTH OVER THE LAST TEN YEARS.

PERFORMANCE OF DMGT 'A' PRICE SINCE 30TH SEPTEMBER, 1988 AND OF FT ALL-SHARE INDEX RELATIVE TO ITS VALUE AT THAT DATE



DMGT DIVIDEND HISTORY FOR THE PERIOD 1988 – 2006 (PENCE)



ASSOCIATED NEWSPAPERS

ASSOCIATED NEWSPAPERS ACHIEVED RECORD PROFITS* FOR THE THIRD SUCCESSIVE YEAR.

KEVIN BEATTY
MANAGING DIRECTOR (LEFT)
LORD ROTHERMERE
CHAIRMAN (CENTRE)
PAUL DACRE
EDITOR-IN-CHIEF (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£931m

(2005: £941m)

OPERATING PROFIT*

£97m

(2005: £96m)

OPERATING MARGIN*

10%

(2005: 10%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

THE PRINTING PLANT AT DIDCOT, PART OF THE NEWLY INTEGRATED HARMSWORTH PRINTING.

This excludes Teletext which became part of the division at the start of the year. This robust result was particularly satisfying as it was achieved despite a further sharp decline in the print advertising market, a newsprint price increase again well ahead of inflation and the launch costs of a new free title, London Lite. It resulted from close attention to costs, particularly at the Evening Standard, and from growth in profits from digital activities. Total costs were £11 million lower than last year, despite spending £7 million more on newsprint.

The Daily Mail average daily circulation of 2,376,000 was down by only 0.4%, despite a 5p Monday to Friday cover price increase in April. This compared favourably to an overall decline in the national daily newspaper market of 2.8%, resulting in the Daily Mail increasing its market share to 19.7%, a rise of 0.5% and the highest market share growth of any national newspaper. During February a new Irish edition was successfully launched, resulting in a sixfold increase in sales in the Republic of Ireland.

The Mail on Sunday circulation averaged 2,312,000, just 1.7% down year on year in an overall market which fell by 4.5%. This small year on year decline was as a result of the first six months, as circulation increased year on year from April to September by 16,000 copies to 2,320,000. Market share grew strongly once again, by 0.5% to a record 17.2%. Live, a lifestyle magazine aimed at men, replaced Night & Day in October and a significant investment was made in the paper quality of YOU magazine. The UK cover price was increased by 10p in September, with no immediate impact on circulation. A new Irish edition was launched on 24th September, incorporating Ireland on Sunday, and circulation figures have so far been very encouraging. Prior to this change Ireland on Sunday once again improved its trading performance and circulation finished the year strongly, up 6,000 copies on last year.

Within the context of a much larger and more complex London afternoon newspaper market, the Evening Standard ceased publishing its free edition, Standard Lite, on 23rd August. It also increased its cover price by 10p to 50p on 29th August, thus differentiating its quality editorial content from the London Lite and the other free afternoon newspaper whose editorial products are targeted at a more populous market. The average circulation for the year, excluding Standard Lite, was 321,000, representing a decline year on year of 7.8%. Substantial cost reductions were again realised during the year. Thisislondon.co.uk was successfully relaunched in August and has subsequently enjoyed a significant increase in the number of unique UK users.

Metro continued to expand its activities during the year, both at home and abroad. In the UK, distribution grew by 5.7%, to an average of over 1,060,000 copies daily and profits* were up 10%. In Ireland, Metro Dublin was launched in a joint venture with the Irish Times and Metro International and is currently distributing 55,000 copies per day. In Dubai, Metro acquired 60% of Catchpole Communications FZ LLC, which provides sales, circulation and management services to 7DAYS, an English language free newspaper similar to Metro. In August, London Lite was launched, adding to Associated's substantial presence in the free daily newspaper market. Distributed by merchandisers, rather than via public transport outlets, trading performance has so far been ahead of expectation and an audited circulation of nearly 360,000 was recorded in September.

Loot had another challenging year, with advertising down 20% and circulation revenue down 21%. Although disappointing, this was to a great extent in line with the

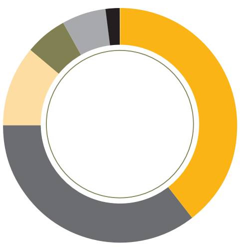
LONDON LITE, A FREE AFTERNOON NEWSPAPER AIMED AT 'URBANITES', WAS LAUNCHED IN AUGUST.

ASSOCIATED NEWSPAPERS
ANALYSIS OF REVENUE (£ MILLION)

	2006	2005
CIRCULATION	**374**	367
ADVERTISING – DISPLAY	**332**	346
ADVERTISING – CLASSIFIED	**104**	114
OTHER	**15**	24
DIGITAL	**55**	27
TELEVISION	**51**	63
	931	941

2006 ANALYSIS OF REVENUE (%)

- PRINT CIRCULATION 40%
- ADVERTISING – DISPLAY 36%
- ADVERTISING – CLASSIFIED 11%
- DIGITAL 6%
- TELEVISION 5%
- OTHER 2%



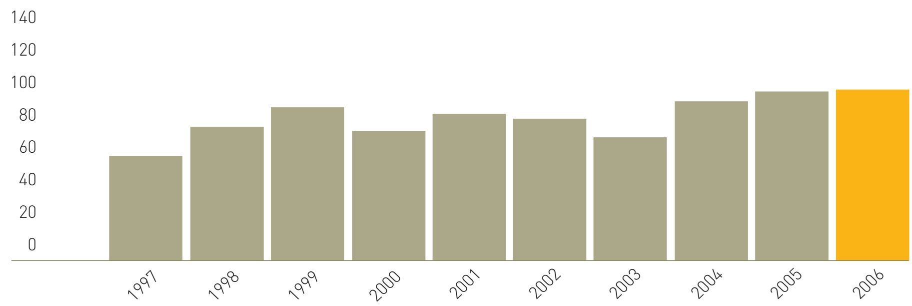
FACT:
METRO IS THE 4TH LARGEST MONDAY TO FRIDAY NEWSPAPER.

market. The website, Loot.com achieved 15% revenue growth and operating costs were reduced year on year by 12%. The company has undertaken a reorganisation and restructure in order to position the business better in a competitive and challenging marketplace. It is expected to return to profit* growth next year.

Teletext saw a 19% decline in overall revenues compared to last year, which was in line with expectations. This reflects the ongoing impact of the structural shift taking place in the television market with the rising household penetration of digital television and the consequent changes in consumer usage in advance of analogue switch-off. The cost base had been reduced in anticipation and, as a result, Teletext remained modestly in profit. Against this background the company has continued to pursue its strategy of developing services across the different distribution platforms of digital television, the internet and mobile devices as part of maintaining market position in key sectors such as Holidays advertising and establishing a basis for developing new business streams. Therefore, whilst analogue-based revenues have reduced by 30% during the course of the year, those from the developing digital activities have increased by 60%. Teletext is already the leading text service on Freeview, ahead of both the BBC and Sky and digital television audiences now account for nearly a third of Teletext's total weekly audience. During the year Teletext took full responsibility for the development of Associated's online travel properties, which currently include the teletextholidays.co.uk and thisistravel.co.uk websites. As part of its strategy to develop the business base beyond its current association with the late package market, the division acquired Villarenters, an internet company specialising in villa accommodation.

Across Associated, print advertising revenues were down 6% to £436 million, with display advertising down 4% and classified down 9%. Metro bucked the trend by achieving an increase of 8.5%, year on year, and the Mail titles outperformed the wider newspaper advertising market.

ASSOCIATED NEWSPAPERS
GROWTH IN OPERATING PROFIT* OVER 10 YEARS (£ MILLION)

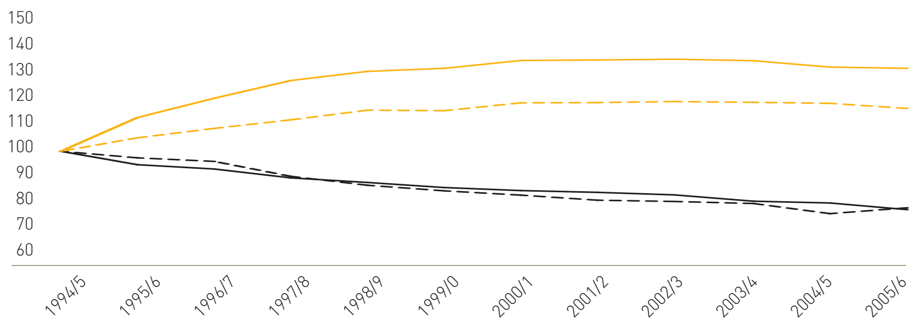


* Excluding Teletext

ASSOCIATED NEWSPAPERS
CIRCULATION PERFORMANCE VS THE MARKET TREND 1994/95–2005/06 (%)

DAILY MAIL +32.7%
THE MAIL ON SUNDAY +10.0%
OTHER DAILY NATIONALS -23.0%
OTHER SUNDAY NATIONALS -22.3%

Source ABC October – September
Index (1994/05=100)



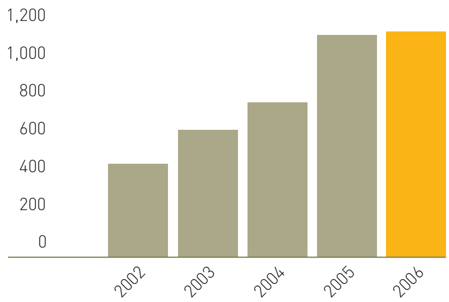
TELETEXT IS THE LEADING TEXT SERVICE ON FREEVIEW, AHEAD OF BOTH THE BBC AND SKY.

The Daily Mail was down 4.3%, with the Mail on Sunday down 6.0%, the Evening Standard down 15% and Loot was down 20%. Both Ireland on Sunday and Buy and Sell were up – by 4.5% and 15% respectively. By sector, retail advertising across the titles was up 7%, but there were falls in most other categories. Teletext, which became part of the Associated division at the start of the year, saw its television revenues fall by 22%, as the switch of advertisers from analogue to digital TV continued.

During the year Harmsworth Printing was created by merging Harmsworth Quays, the printing arm of Associated with The Northcliffe Press, which controlled the print centres of Northcliffe Newspapers. Going forward this new structure will optimise value for the Group by integrating production management, planning and utilisation of the printing plants nationwide.

The construction of the new site at Didcot and the enhancements at Surrey Quays are proceeding well and are on schedule to provide the newspaper titles with increased pagination and full colour by early 2008.

TELETEXT
MONTHLY VISITORS TO THE WEBSITE (000's)



ASSOCIATED NORTHCLIFFE DIGITAL (AND), WHICH CONSISTS OF THE DIGITAL OPERATIONS OF ASSOCIATED NEWSPAPERS AND NORTHCLIFFE NEWSPAPERS, WAS SET UP IN THE SPRING OF 2006 TO LEVERAGE GROUP ASSETS AND EXPAND ITS NETWORK OF SITES, AUDIENCES AND ADVERTISERS.

PRIMELOCATION ATTRACTS MORE THAN 1.5 MILLION VISITORS PER MONTH.

Expanding the digital operations of our newspaper titles is a high priority for the Group. Associated's digital operations grew significantly during the last year, both organically and by acquisition. In total, revenues doubled to £55 million; excluding acquisitions, growth was still a healthy 29%. The sites contributed an operating profit* of £13 million. Associated Northcliffe Digital (AND), which consists of the digital operations of Associated Newspapers and Northcliffe Newspapers, was set up in the spring of 2006 to leverage Group assets and expand its network of sites, audiences and advertisers. By the year-end the total AND network of sites (including acquisitions) reached an estimated 26% of the UK internet population. The respective digital results of Associated and Northcliffe are included within each of these divisions for the year under review.

The merged entity has extended its digital presence in recruitment and property, as well as entering into new sectors including dating, price comparison and motors. Run-rate annualised revenues for AND as a whole approached £90 million as the new financial year began with a current profit* margin of around 20%.

Recruitment: Jobsite, acquired in March 2004, continued to show strong growth, trading ahead of expectations. In line with its strategy, Jobsite acquired two recruitment advertising businesses that lead their field. The Appointment was acquired in July. The business incorporates the recruitment websites InRetail and RetailCareers, as well as the print recruitment magazine, The Appointment. ProductionBase, the market-leading subscription-based recruitment website focused on the UK entertainment production market, was acquired in May. The Jobsite network now serves ten niche sectors in addition to the national portal; in total reaching over 1.5 million unique users each month.

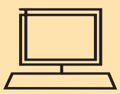
Property: AND's position in this market was substantially strengthened in January through the acquisition of Fastcrop plc, the owner of Primelocation, one of the UK's leading internet property advertising portals. Targeting top-end sales and letting

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

+63%

THE *THISIS* NETWORK OF SITES HAS SEEN A 63% INCREASE IN PAGE VIEWS YEAR ON YEAR.

ASSOCIATED NORTHCLIFFE DIGITAL: ENSURING THAT ASSOCIATED NEWSPAPERS ARE AT THE FOREFRONT OF DIGITAL TECHNOLOGY.



FACT:
ASSOCIATED NORTHCLIFFE DIGITAL WON THE PUBLISHER OF THE YEAR AWARD AT THE 2006 AOP ONLINE PUBLISHING AWARDS.

agents in the UK and overseas, the business has traded well since acquisition. Its high-profile TV advertising campaigns have been successful in recruiting new agents and driving users to the site. The AND property portfolio already includes Findaproperty, which is also trading ahead of expectations and successfully executing against its growth plan to build a customer base beyond its current heartland of London and South East England, where it is the market leader.

Utility Switching: August saw the acquisition of SimplySwitch, which allows consumers to compare available products in energy, home phone, mobile, broadband and credit cards, and then switch – online or on the phone – to services that best meet their needs or save them money. The business is rapidly building on its success in the energy and credit card markets by developing a wider set of categories for comparison, including personal loans and insurance.

Dating: In March, AND acquired Allegran, the leading online dating operator in the UK. Allegran operates two of the country's three most popular dating websites and four of the top 10, according to Hitwise. Through the brands Loopylove, Girlsdateforfree, Pocado, Datingforparents and Dreamsdiscovered, Allegran provides a suite of dating services tailored for single people of different age groups and from varying walks of life. Allegran is trading in line with expectations.

Motors: Data Media and Retail, the operator of online car classified sites including Carsource and an email marketing services division, was acquired in February and is growing well. This was followed in June by the acquisition of Autoexposure, a business providing motor dealers with publishing tools and advertising packages to enable them to market themselves on the web. The business is trading in line with expectations and further expansion is planned.

Newspaper companion sites and digital magazines: The group's news, information and entertainment-led sites, which operate at national, regional and local levels, have performed strongly. The Mail online delivered good growth in audiences and revenues and now reaches 6.5 million unique users each month, driven by a renewed focus on content and user interactivity. A redesign and strong cross-promotion by the Evening Standard helped secure a dramatic increase in audience size for ThisisLondon. The new Metro.co.uk site was also well received by its growing audience and advertisers.

Development of cross-media sales, offering advertisers combined print and online packages is moving forward with promising results at both national and local level.

AND finished the year with almost a hundred websites and positioned as one of the leading players in many digital advertising sectors. Its strength and success were recognised by the Association of Online Publishers, which voted it, Consumer Digital Publisher of the Year.

Outlook
The new financial year has started well, with some signs of a gentle recovery in the advertising market and our national newspapers producing strong circulation results in an ever competitive market. The London evening market will remain a real challenge in the coming year but, with its experience of the London market and free newspapers, Associated is confident it can maximise the potential of its two titles. As the digital division is expected to continue its strong profit growth, the outlook for the next twelve months is cautiously optimistic.

ASSOCIATED NORTHCLIFFE DIGITAL
KEY FACTS 2003 vs 2006

3 YEARS AGO	
SITES	5
REVENUE (£m p.a.)	6
MARGIN	negative
STAFF	100
ADVERTISERS	c.100
REACH (UK)	2m

TODAY	
SITES	85+
REVENUE (£m p.a.)	90**
MARGIN	c.20%*
STAFF	500+
ADVERTISERS	c.10,000
REACH (UK)	7.6m

* Before amortisation
** Run rate (annualised)

NORTHCLIFFE NEWSPAPERS

LIKE THE REST OF THE REGIONAL NEWSPAPER INDUSTRY, NORTHCLIFFE EXPERIENCED TOUGH TRADING CONDITIONS IN 2006. THERE WAS A CONTINUED FOCUS ON IMPROVING OUR UK OPERATING EFFICIENCY.

LORD ROTHERMERE
CHAIRMAN (LEFT)
MICHAEL PELOSI
MANAGING DIRECTOR (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£479m

(2005: £520m)

OPERATING PROFIT*

£91m

(2005: £100m)

OPERATING MARGIN*

19%

(2005: 19%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

2006 has been characterised by four major events: DMGT's invitation of third party offers for Northcliffe; the disposal in March of Aberdeen Journals for £132 million; a significant downturn in advertising, the worst since the advertising recession of the early 1990s; and, lastly, better than expected progress on the cost reduction programme. The first two matters are covered in the Chief Executive's Review on page 11 of this report. This review will focus on operational matters.

Excluding the results of Aberdeen Journals, Northcliffe Newspapers achieved operating profits* of £87 million, which were £5 million or 6% below last year. On a similar basis, revenues were down 5% to £460 million and UK advertising income fell by almost 8% or £24 million. Those categories most affected were recruitment, motors and retail, recording decreases of 16%, 17% and 6% respectively. The only bright spot was property advertising, which continued its strong run with growth of just over 6%. Other regional newspapers groups have reported similar trends during 2006.

As well as a cyclical downturn in advertising, which has hit the wider media industry, there have been a number of structural factors which have contributed to the 2006 shortfall. These include reduced public sector expenditure on recruitment following the pre-2005 general election boom; high numbers of overseas workers joining the UK workforce, making it easier for employers to fill vacancies; structural changes in motor dealerships and the high street; and migration of mainly motors and recruitment advertising to online websites. The financial impact of cyclical versus structural cannot be quantified.

Despite like-for-like UK publishing revenues falling by £31 million, profits* on this basis were only down £7 million due to a substantial reduction in Northcliffe's cost base. Throughout 2006, there was continued focus on improving Northcliffe's UK operating efficiency. This programme commenced in the summer of 2005 and, by September 2006, savings of £35 million had been realised, mainly from a reduction in headcount of over 1,000 people. Two printing plants were closed in Hull and Lincoln taking the total to four over a fifteen month period. Operationally, Northcliffe was regrouped into six regional divisions, each headed by a regional managing director. So far, the main benefit from this change has been further cost savings. In the coming financial year, we will focus on improved revenue generation through offering clients value added regional advertising packages.

The trend of fewer people buying our newspapers continued in 2006. However, based on extensive triennial research, Northcliffe's share in its markets has not diminished and the reach across a week from its portfolio of products has remained largely constant since 2003. This is of particular importance given the continuing media fragmentation.

Audited circulation of daily titles fell by 3.8% in the July to December 2005 ABC period and by 4.9% in the January to June 2006 ABC period. These figures, although disappointing, were ahead of the industry results. Further analysis shows that the decline is more pronounced on the larger metropolitan daily titles, a common feature across the industry. Northcliffe's portfolio of twenty four paid-for weekly titles underperformed against the rest of the regional press. Audited circulation fell by 3.1% and 4.5% respectively in the July to December 2005 and January to June 2006 ABC periods. Worst affected were our weeklies in Cornwall, despite continued investment in the presentation, content and promotion of the titles.

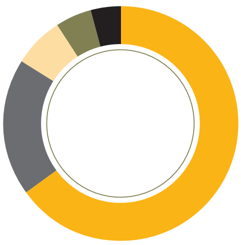
THE LEICESTER MERCURY BUILDING HAS RECENTLY BEEN RENOVATED.

NORTHCLIFFE NEWSPAPERS
REVENUE ANALYSIS (£ MILLION)

	2006	2005
ADVERTISING	**298**	319
CIRCULATION	**85**	85
NORTHCLIFFE RETAIL	**35**	34
CONTRACT PRINTING	**21**	23
OTHER	**21**	21
	460	482
ABERDEEN	**19**	38
	479	520

2006 REVENUE ANALYSIS (%)

- ADVERTISING 65%
- CIRCULATION 19%
- NORTHCLIFFE RETAIL 7%
- OTHER 5%
- CONTRACT PRINTING 4%



FACT:
25,000 FACE-TO-FACE RESEARCH INTERVIEWS WITHIN LOCAL MARKETS.

In 2006, we completed one of the largest pieces of market research within the industry, involving more than 25,000 face-to-face interviews, giving a 360 degree view of each local market, including our products, customers and competition.

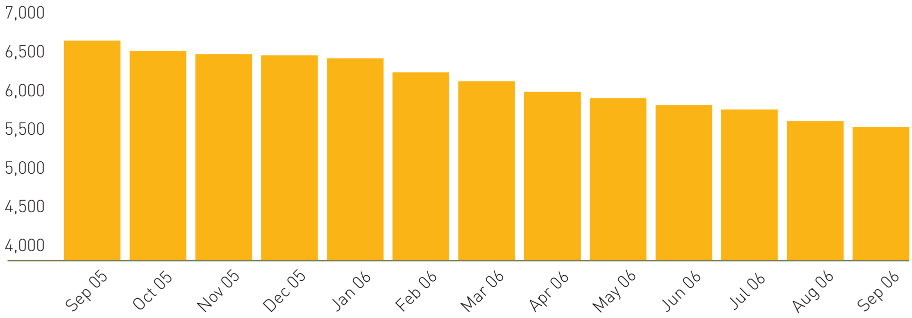
This research has shown that, overall, daily newspaper readership (including national titles) in Northcliffe's circulation areas has fallen; over the last three years the proportion of all adults reading on an average day has dropped from 68% to 59%. However, although Average Issue Readership has declined for all national and local titles, the Northcliffe share of the daily newspaper market has increased. The research also highlighted that weekly reach of the paid-for titles declined more slowly than average daily readership. Readers continue to be more selective, primarily because of the interest in days containing recruitment, motors and property advertising. Importantly, the combined weekly reach of all products both in print and online has been consistent over the past three years in most regions, which confirms that some readers are switching to other products in the portfolio, mainly the digital sites.

The research has given all our publishing businesses a dynamic overview of their local marketplaces. Work is now in progress to act upon the research findings locally and to guide local publishing plans.

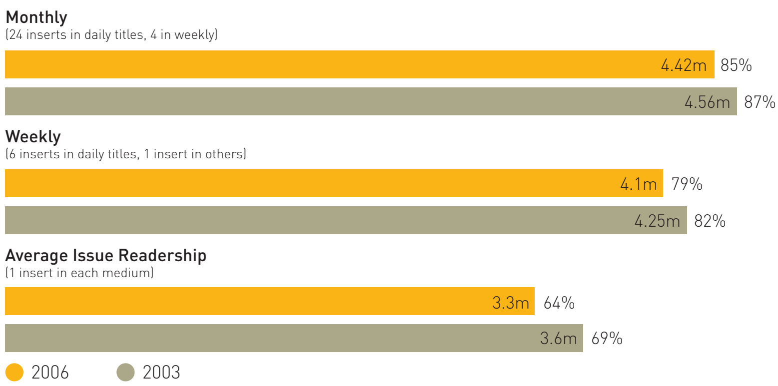
2006 heralded an even greater focus on digital publishing through the creation of AND. Northcliffe's portfolio of *Thisis* websites now have access to the resources of DMGT's pure play digital businesses which will improve Northcliffe's digital services to its readers and advertisers. Already, its local jobs and motors digital platforms are being provided by Jobsite and Carsource.

A culture change and empowerment programme is underway in all editorial departments, enabling journalists to take full responsibility for website content. Editors will be able to make their digital decisions to a digital agenda, redefining the

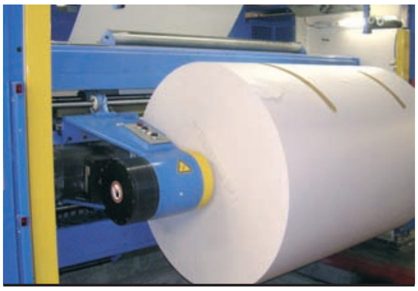
NORTHCLIFFE NEWSPAPERS
UK HEADCOUNT (EXCLUDING ABERDEEN)



TOTAL NORTHCLIFFE DAILY CENTRE PORTFOLIO REACH 2006 (%)



Source: TNS Media 2006
Base: Adults 15+ in NNG Daily titles' 10% Areas (8% area in Bath) (14,369)



THE NORTHCLIFFE PRESS MERGED WITH HARMSWORTH QUAYS TO CREATE HARMSWORTH PRINTING.

publishing cycle entirely and breaking stories online before in-print.

Fully integrated multi-media newsrooms for all Northcliffe's titles will be in operation by the spring of 2007, many incorporating industry-leading video journalism.

Over the past twelve months, Northcliffe's digital activities have grown substantially with the number of unique users of its sites climbing 32% to just over two million per month. Page views are also up by 39% to 32 million. Digital revenues in 2006 exceeded £7.7 million and we are confident of further significant progress in 2007.

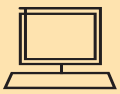
The international division continues to make encouraging progress. Operating profits* were up 19% to £5.1 million helped by a full year's contribution from acquisitions in Slovakia. The market leading Slovakian jobs board, profesia.sk, acquired in November 2005, performed much better than expected and has now expanded into Hungary through a newly created website, workania.hu. In July, our Szeged based publisher relocated to new office facilities. The project will continue into 2007 with the planned installation of a new press. This will help position the business to take advantage of regional economic development. During the latter part of the 2006 financial year, further acquisitions were made including Pravda, Slovakia's leading quality national newspaper, and 50% of Hungary's leading motors website, hasznaltauto.hu.

+19%

PROFITS IN THE INTERNATIONAL DIVISION WERE UP BY 19%.

Outlook

Northcliffe remains cautious about the outlook for advertising. Whilst recent recruitment advertising trends since the year end have been more encouraging, with year on year declines down to below 5%, as yet the trend for all other major print categories, except property, shows little sign of improvement. Digital revenues continue to expand encouragingly. Achieved annualised cost savings have now risen to £40 million which are currently offsetting revenue declines in full. It is still too early to predict when the downturn in the advertising cycle will bottom out.

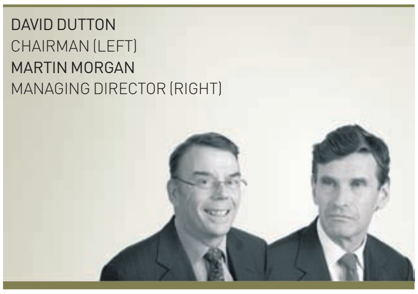


FACT:
NORTHCLIFFE NOW OPERATES IN SEVEN EUROPEAN COUNTRIES.

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

DMG INFORMATION

DMG INFORMATION HAD AN EXCELLENT YEAR WITH UNDERLYING REVENUES (EXCLUDING THE IMPACT OF ACQUISITIONS) INCREASING BY 22%, OPERATING PROFIT* INCREASING BY 53% AND OPERATING PROFIT* MARGIN IMPROVING TO 20%.



DAVID DUTTON
CHAIRMAN (LEFT)
MARTIN MORGAN
MANAGING DIRECTOR (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£345m

(2005: £295m)

OPERATING PROFIT*

£68m

(2005: £45m)

OPERATING MARGIN*

20%

(2005: 15%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

Operating profit* from DMGI's financial and insurance division rose by £14 million or 70% to £33 million on revenue up 27% to £100 million. Risk Management Solutions (RMS) continued its record of strong growth, based on the increasing demand for sophisticated modelling of catastrophes and of other perils by the insurance sector. During the year RMS successfully released its most comprehensive product upgrade to date, including new versions of its core US earthquake and hurricane models, with the latter incorporating the latest science and data from the highly active 2005 US hurricane season. New advisory and analytical services were also successfully introduced. RMSI, our Indian-based geographic information services company, achieved record revenues, and during the year was transferred back under RMS management, in order to play a key role in RMS's plan to grow its data services business for the insurance industry.

Our financial information companies, Trepp and Lewtan, had excellent years. The level of new issuance in the commercial mortgage-backed securities market, served by Trepp, reached record levels which assisted Trepp in continuing its excellent growth record whilst Lewtan's growth included expansion of its European offerings for the whole asset-backed securities market and in its products serving issuers.

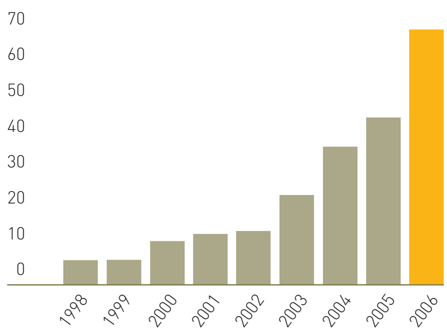
Operating profit* from the property division rose by £5 million or 22% to £27 million on revenue up 19% to £92 million. Landmark Information Group enjoyed an excellent year. A resurgent UK home property market saw transaction volumes increase by approximately 20% and was coupled with further growth in sales of electronic mapping and environmental reports to participants in the commercial property market. Shortly after the year end a product to serve the Dutch home property market was launched.

Environmental Data Resources, operating in the US, experienced less favourable market conditions, with the volume of transactions remaining flat year on year. EDR was still able to grow satisfactorily by further expanding its products to commercial property lenders and made progress into establishing a market for home environmental reports.

EDR™

ENVIRONMENTAL DATA RESOURCES IS A LEADING PROVIDER OF INFORMATION USED IN COMMERCIAL PROPERTY DUE DILIGENCE.

DMG INFORMATION
OPERATING PROFIT* (£ MILLION)



TREPP'S INDUSTRY STANDARD INFORMATION AND ANALYTICS PLATFORM CONTINUES TO SUPPORT FIXED INCOME TRADERS AND INVESTORS IN A CMBS MARKET WHERE VOLUMES EXCEEDED US$240 BILLION GLOBALLY IN 2006.

LANDMARK HAS SOLD OVER 1,000,000 ENVIROSEARCH RESIDENTIAL REPORTS SINCE IT LAUNCHED THE SERVICE TO LAWYERS, CONVEYANCERS AND PROPERTY PROFESSIONALS IN 2000. THE FIGURE REFLECTS A RAPID GROWTH IN DEMAND FOR ENVIRONMENTAL REPORTS TO THE EXTENT THAT LANDMARK NOW SELLS NEARLY 2,000 REPORTS TO THE LEGAL PROFESSION EVERY DAY.

FACT:
ALL DMGI COMPANIES DELIVER THE INFORMATION THEY PROVIDE ELECTRONICALLY.

Property & Portfolio Research had a good year, increasing the number of US cities covered by its property research services and launching coverage of major European cities.

Operating profit* from our other business-to-business companies rose by £3.5 million or 80% to £8 million on revenue up 36% to £64 million. This included Genscape, the market leading provider of real-time energy generation and transmission information to North American and European markets. Genscape has met all expectations since its acquisition in May, and continues to expand its product offering.

For the second year revenues at Sanborn grew sharply with a number of large state and Federal contracts being won. Dolphin continued to make reasonable progress in developing hazardous chemical inventory management products, setting the stage for higher growth in 2007.

Hobsons had another excellent year delivering a substantially increased profit. The driver of growth was primarily the US business which offers publishing and technology recruitment solutions to US colleges but the Australian business also grew strongly and there was a pleasing upturn in Germany after several difficult years.

Study Group traded substantially up on last year and was successfully sold in September for £75 million.

Outlook
The prospects for DMGI remain encouraging. The businesses are identifying opportunities to expand organically and, while this may result in some additional short-term revenue investment, it augurs well for their longer-term growth prospects.

* Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

EUROMONEY INSTITUTIONAL INVESTOR

REVENUE INCREASED BY 13% TO £221 MILLION, DRIVEN BY STRONG ORGANIC GROWTH ACROSS ALL EUROMONEY DIVISIONS.


PADRAIC FALLON
CHAIRMAN (LEFT)
RICHARD ENSOR
MANAGING DIRECTOR (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£221m

(2005: £195m)

OPERATING PROFIT*

£39m

(2005: £38m)

OPERATING MARGIN*

18%

(2005: 20%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

FACT:
IN OCTOBER 2006, EUROMONEY ACQUIRED METAL BULLETIN PLC. THIS ACQUISITION IS CONSISTENT WITH ITS LONG-TERM STRATEGY.

Euromoney achieved a record operating profit*, despite an increase of £3 million in the charge for its management incentive scheme, the CAP. Excluding this charge, operating profit* rose 11%, although this itself includes the impact of some detrimental timing differences arising from the timing of conferences. Allowing for these, underlying growth in operating profit* was 20%.

Consistent with management's strategy, most of the growth in operating profit* has been generated organically. The performance of the print subscription titles has been particularly pleasing, with subscriber numbers, subscription rates and renewal rates all ahead of the previous year. Each of the group's divisions increased profits.

Financial publishing grew most in absolute terms, with operating profits* up by 17%, as a result of strong growth in both advertising and subscription revenues. Nearly all titles increased profits: Euromoney magazine had an impressive year, achieving 17% growth in advertising revenues and publishing its biggest IMF issue for ten years.

Business Publishing had a good year with operating profits* increasing by 25%. Encouragingly, this was a broad-based improvement: the US energy publications delivered record profits; the legal titles benefited from strong growth in subscription and advertising revenues; and the transport and telecoms titles sharply increased profits by diversifying away from advertising into new revenue streams.

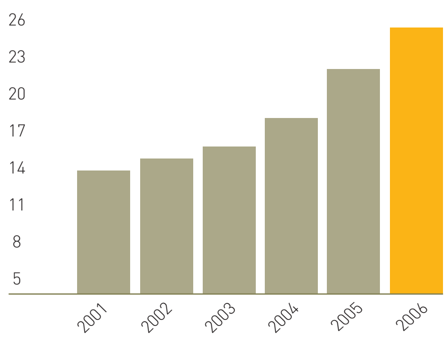
Operating profits* from Conferences and Seminars increased by 23% on an underlying basis, continuing the excellent growth record achieved over the past five years. The continued interest in alternative assets has supported revenue and profit growth, and most of the businesses achieved an increase in both the number of events held and the average revenue per event. II Memberships had an excellent year. IMN continued to grow through the launch of successful new events for the securitisation and real estate markets.

The Training businesses delivered a 13% increase in operating profits*, due mainly to the volume of courses offered and an increase in the average yield.

Operating profits* from Databases and Information Services improved by 38%. CEIC, consolidated from April, is proving an excellent addition to ISI, the emerging markets information provider where revenue growth maintained its momentum, with a client retention rate in excess of 90%. The number of ISI customers, products and data providers all increased during the year.

Outlook
Euromoney has benefited from a healthy financial environment in 2006, and any marked reversal in the performance of financial markets in 2007 will present challenges. However, its strategy has been to diversify its revenues while investing in the quality of its products and services to ensure competitive advantage irrespective of the trading environment. The new year has started well, although the first quarter is Euromoney's least significant in profit terms. The focus will be on the integration of the Metal Bulletin businesses.

EUROMONEY INSTITUTIONAL INVESTOR
ISI REVENUE (US$ MILLION)



DMG WORLD MEDIA

DMG WORLD MEDIA SAW STRONG GROWTH FROM ITS B2B BUSINESS, PARTICULARLY FROM ITS TECHNOLOGY SECTOR AND THE MIDDLE EAST WHICH, TOGETHER WITH NON-ANNUAL EVENTS, OFFSET THE WEAKNESS IN ITS CONSUMER OPERATIONS.

CHARLES SINCLAIR
CHAIRMAN (LEFT)
MIKE COOKE
MANAGING DIRECTOR (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£163m

(2005: £152m)

OPERATING PROFIT*

£24m

(2005: £24m)

OPERATING MARGIN*

15%

(2005: 16%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

BIG 5 – DUBAI, UAE.

Dmg world media's revenue rose by 7%, but its operating profit* was up by only 1%. Whilst its business-to-business shows thrived, its two largest business sectors (Consumer and Gift) had a tough year. This was despite 2006 being a high year in its cycle of events with the biennial Global Petroleum Show taking place in Calgary and the reporting of an Index show in Dubai with none the previous year.

Consumer shows, which comprise just over a third of our business, struggled with profits* falling by 20% due to slower high street spending and weakening consumer confidence. This was a trend across the UK, North America and Australia, although inevitably the impact on the London Ideal Home Show was most significant.

Once again our business in Dubai grew strongly; in particular its two newer shows in the region – Hotel and Office – both produced strong results. The Big 5 construction show and Index, a commercial interior design show, continue to be two of the largest three shows staged in the Middle East. Both have also been launched in India this year.

The Technology sector overall grew impressively, fuelled by the substantial growth of ad:tech, dmg world media's interactive advertising and technology series of conferences and exhibitions. In addition, we resumed ownership of the ad:tech shows in London and Shanghai (previously organised under licence) and launched shows in Hamburg, Singapore and Sydney for 2007. In 2006, we also acquired Evanta, a US-based business producing twelve Chief Information Officer Executive Summits in the major North American markets.

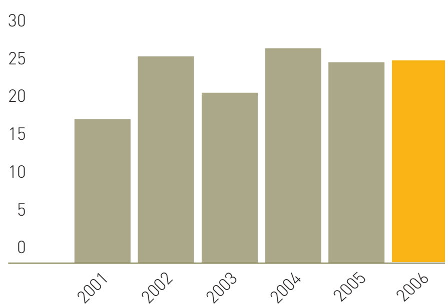
The Oil and Gas sector remains a steady performer for dmg world media as the 2006 Global Petroleum Show reported strong sales and attendance. We strengthened our business with the acquisition of the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC). Already the largest Oil & Gas show in the Middle East, ADIPEC will have the potential to grow with the completion of the Abu Dhabi International Exhibition Centre in 2008.

FACT:
ON AVERAGE, THERE ARE MORE THAN TWO DMG WORLD MEDIA EVENTS TAKING PLACE SOMEWHERE IN THE WORLD ON EVERY DAY OF THE YEAR.

Outlook

2007 should see a stronger performance from dmg world media's North American consumer show sector and its Australasian business as they capitalise upon the benefits of restructuring which took place in the year. The market for our UK consumer shows continues to look tough. The Technology and Oil and Gas sectors will report continued growth as the financial impact of their 2006 acquisitions will be reflected in forthcoming results.

DMG WORLD MEDIA
GROWTH IN OPERATING PROFIT*(£ MILLION)



DMG RADIO

DMG RADIO AUSTRALIA MADE AN OPERATING LOSS* OF £4.9 MILLION, A FALL OF £4.5 MILLION ON REVENUE WHICH WAS UP 10% TO £37 MILLION.

PETER WILLIAMS
CHAIRMAN (LEFT)
PAUL THOMPSON
MANAGING DIRECTOR (RIGHT)

FINANCIAL HIGHLIGHTS

REVENUE

£37m

(2005: £34m)

OPERATING LOSS*

£-5m

(2005: £-0.4m)

OPERATING MARGIN*

-13%

(2005: -1%)

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets).

All references to prior year numbers are to figures prepared under IFRS.

FACT:
FOLLOWING ITS ENORMOUSLY SUCCESSFUL LAUNCH IN 2005, NOVA BRISBANE 106.9 BECAME THE MARKET LEADER AND HAS BEEN THE NUMBER ONE STATION IN THE UNDER 40 DEMOGRAPHIC IN EVERY SURVEY SINCE.

2006 marked ten years of operation for DMG Radio Australia, a company which started with the purchase of an Adelaide talk radio station and a handful of regional stations and over this period transformed into a metropolitan radio company boasting the leading national network in the attractive Under 40 market. Whilst losses were expected on the newly launched Vega stations, this was a disappointing year in the context of the company's growth plan.

The key Nova Sydney station had a tough year, partly due to weakness in the Sydney advertising market. However, the completed Nova network was again the leading national network in its target audience of Under 40 in every survey this year, a position it has won in each survey held since the network's completion in April 2005. The network increased its profits over last year.

Nova Brisbane followed its spectacular 2005 launch by being the leading station for Listeners Under 40 in every survey since. After only six months on air, Nova Brisbane became the leading station in the market overall, and has subsequently been the leading station in the Brisbane market in every survey since April 2006. It moved into profit in this, its first full year of operations.

The new Vega FM stations in Sydney and Melbourne were relaunched in the year after the initial launches in August 2005 were unsuccessful. Recent survey results are more encouraging. Vega targets listeners aged 40-54, an audience complementary to that targeted by Nova, and provides the company with valuable access to advertisers outside of the Nova demographic in Australia's two largest markets.

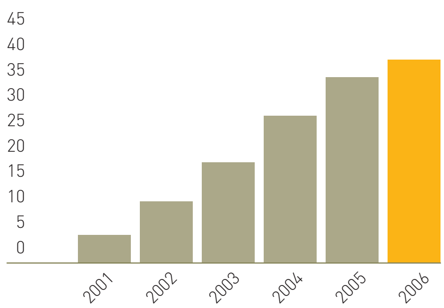
While Vega's first year contribution had a larger negative impact on the result than expected, 2007 revenues from Vega are expected to grow and its losses to fall.

DMG Radio Australia's Adelaide talk station, Five AA, continued upon its 2005 success and has been the Number One station in the all important breakfast shift in every survey of this year.

Outlook
For the first time in DMG Radio's history, there are no acquisitions or station launches on the horizon, and senior executives can focus solely on the execution of the stations' strategic plans. The first target is a return to profitability in the coming year.

THE NOVA NETWORK WAS THE LEADING NATIONAL NETWORK IN ITS TARGET AUDIENCE OF UNDER 40 IN EVERY SURVEY THIS YEAR, A POSITION IT HAS HELD SINCE ITS COMPLETION IN APRIL 2005.

DMG RADIO
METROPOLITAN REVENUE (£ MILLION)



THE PURPOSE OF THIS REVIEW IS TO OUTLINE KEY ASPECTS OF THE GROUP'S PERFORMANCE OVER THE LAST YEAR AND OF ITS FINANCIAL POSITION.

PETER WILLIAMS
FINANCE DIRECTOR

KEY FIGURES

UNDERLYING REVENUE GREW BY 2%

+2%

OPERATING PROFIT* GREW BY 6%

+6%

EARNINGS PER SHARE* GREW BY 7%

+7%

* Adjusted operating profit (before exceptional items and amortisation and impairment of intangible assets)

All references to prior year numbers are to figures prepared under IFRS

Accounts
As a listed company, we have been required for the first time to prepare the Group Accounts under International Financial Reporting Standards (IFRS). This has led to considerable changes in the format of our primary statements, to increased volatility of the numbers within the Income Statement and to a far longer and more complex set of Accounts. IFRS seems to favour the use of fair values over the traditional measure of historical cost and increasingly appears to be driven by academic theory, at the expense of commercial reality. Whilst many IFRS standards follow the UK principles-based approach, enabling the exercise of professional judgement, several of its newer US-influenced standards have introduced complex rules and this trend seems set to continue.

IFRS lacks the prescriptive profit headings of FRS 3: in particular there is no concept or definition of operating profit, nor of exceptional items. DMGT has chosen to present its Income Statement as closely as permitted to UK GAAP. We have also sought to align our published figures to the way we manage our businesses. In particular, under IAS 19, the total pension charge is made up of two components, the current service cost and a finance credit. This finance credit is the difference between the return on the assets and the interest charge, due to the increase in the year of the present value of the defined benefit obligations. We have included both elements within operating profits. The divisions operating defined benefit schemes (principally the newspaper divisions) are charged the cash funding rate, with the difference between this and the total IAS 19 charge included in unallocated central costs.

Whilst the Group's Accounts are likely to be more difficult for shareholders to understand, this Financial Review focuses on the adjusted numbers, in addition to the statutory figures, because we believe the alternative measures give a more comparable indication of the Group's underlying business performance.

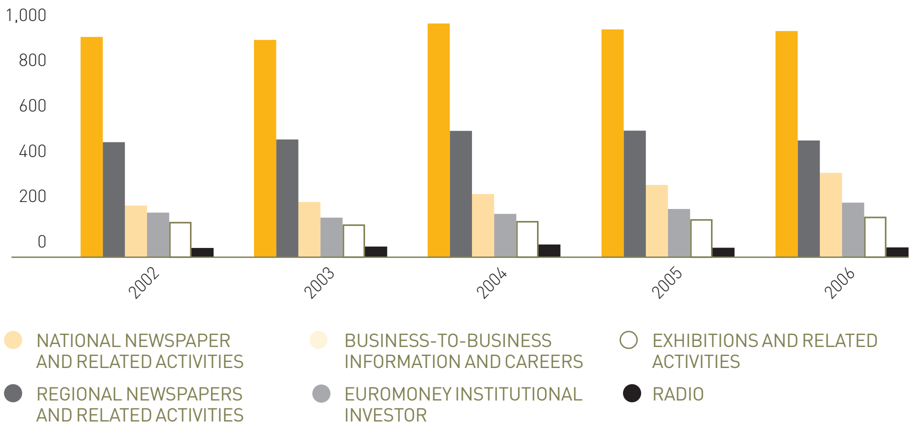
We have continued to prepare the Company accounts under UK law and UK accounting standards so as not to lose the exemptions available under the Companies Act and UK financial reporting standards.

Revenue
The Group's revenue in the year of £2,176 million was 2% higher than the previous year. There was revenue growth from all of our divisions, with the exception of our newspapers which experienced difficult trading conditions. Excluding the impact of acquisitions and disposals, we estimate underlying revenue growth was 2%.

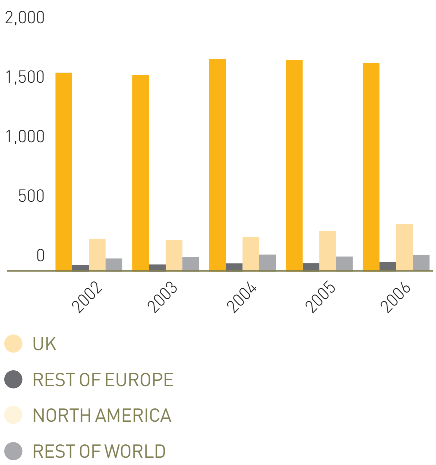
The analysis of revenue by activity, illustrated in Graph 1, shows that there has been little overall change in the shape of the Group in terms of revenues. However, if their digital activities are excluded from our newspaper divisions, the percentage of revenue from newspapers has fallen to 60% from 67% in 2002. Graph 2 shows the geographic split of revenue. This shows that 75% of revenue by source was generated by UK businesses, compared with 80% in 2002, but we estimate that 40% of overall Group revenues is now invoiced in US dollars.

Operating profit
The Group's operating profit* amounted to £300 million, an increase of 6% on the equivalent figure for last year. This figure is stated before charging £41 million as exceptional operating costs. This charge comprised principally the costs of the second phase of Northcliffe's reorganisation programme, together with the professional costs of its strategic review, reorganisation costs within Associated and a restructuring charge within dmg world media. The charge for amortisation of intangible assets rose by £22 million to £51 million due to

GRAPH 1
REVENUE BY ACTIVITY (£ MILLION)



GRAPH 2
REVENUE BY GEOGRAPHIC AREA (£ MILLION)



acquisitions made during the current and prior year. The Group also made an impairment charge of £59 million, principally in respect of its Vega radio licences, Associated's Loot business and a number of consumer and gift shows. After deducting these charges, the Group's reported operating profit fell by 37% to £150 million.

The analysis of operating profit* by activity is shown in Graph 3. This shows strong growth again from our business-to-business information division, smaller rises from our national newspaper division, Euromoney Institutional Investor, despite a £3 million increase in the charge for its capital appreciation plan, and dmg world media. These increases totalling £30 million were offset by falls of £9 million in our regional newspaper division, partly due to the sale of Aberdeen Journals, and by increased losses within radio of £4 million. Central costs were £5 million lower. Associated's performance was boosted by strong growth from its digital operations, both organically and from acquisitions, although the newspapers proved resilient in the face of a further decline in print advertising income.

Generally strong growth by the Group's business-facing divisions and the rapid expansion of the digital operations of our newspaper divisions means that 47% of this year's operating profit* has been generated other than by the Group's print newspaper titles, up from 40% last year.

Joint ventures and associates

The Group's share of the results** of its joint ventures and associates rose by £2.0 million to £7.1 million due mainly to lower losses from Northcliffe's digital associates and to a larger contribution from Euromoney's associates. These were partly offset by the absence of a contribution from GWR Group plc (which merged into GCap Media plc in May 2005 with the Group's interest now accounted for as an investment). Also included are start-up losses from Metro Ireland and lower profits from GLM, the North American gift exhibition organiser.

Net financing costs

Investment revenue, excluding interest on deposits, rose by 23% to £3.2 million. This included a first full year's dividends from GCap Media, which outweighed a fall in dividends from Reuters Group plc, resulting from the Group selling its remaining interest. Net interest payable (excluding dividend income and deemed finance charges) fell by £4.4 million to £48.3 million.

Other income statement items

The Group recorded other exceptional gains and losses of £189 million. Of these, profits on disposal of businesses of £175 million arose from the sale of Aberdeen Journals and Study Group and profits of £17 million arose on the sale of investments, mainly from the sale of the remaining shares in Reuters. Profits of £9 million arose on the sale of properties and other fixed assets. These profits were offset partly by write downs resulting from a review of the carrying values of the Group's investments.

Profit before tax

The statutory profit before tax of £311 million was 59% higher than last year's figure. Excluding amortisation and impairment and exceptional items, the adjusted profit* before tax figure was £260 million, up 9% on last year.

Taxation

The tax charge of £60 million represents 19.3% of profit before tax and 14.2% of profit before amortisation and impairment. The adjusted tax on adjusted profits* amounted to £62 million and the resulting rate is 23.9%, up from 22.1% last year due to a higher proportion of profits coming from the United States, albeit partly offset by the accounting benefit of the last of the Group's unrecognised US tax losses. This is still well below the UK corporate tax rate, where the Group currently makes most of its profit. The Group's effective tax rate in the UK is higher than this due to expenditure disallowed for tax purposes. The Group is still benefiting in the amount of tax paid from carried forward losses in the US, but this will reduce over the next two years as US Federal tax becomes payable. Over the next few years the adjusted tax rate is expected to increase from 24% to around 30%.

*Adjusted profit (before exceptional items and amortisation and impairment of intangible assets).

**Adjusted share of the results of joint ventures and associates (before amortisation and impairment of intangible assets).

Cash flow and net debt

IAS 7 does not permit a reconciliation to net debt to be given adjoining the Cash Flow Statement; this is shown instead as note 13 to the Accounts. Net debt fell during the year from £767 million to £738 million, a reduction of £29 million. The fall in debt was due to the strong trading cash flows and proceeds of disposals which exceeded the high level of capital expenditure and acquisitions, together with the outflow from taxation, interest and dividends. Graph 4 summarises the Group's sources of free cash flows and use of those funds during the year. The net cash inflow from operations, joint ventures and investment was £382 million, which represented 98% of operating profit and income from joint ventures and investment after adjusting for non cash charges (depreciation, amortisation and impairment and similar). In general, the Group's profits are converted rapidly into cash.

Capital expenditure of £118 million was higher than last year's level, reflecting the construction of Associated's new plant in Didcot, Oxfordshire. Acquisitions and investments cost £343 million, the largest items being the purchase of Genscape for £73 million and £110 million spent on Associated's digital division. Disposal proceeds amounted to £241 million, principally from the sale of Aberdeen Journals and Study Group.

The Group's interest cover, calculated as the ratio of adjusted profits before interest and depreciation (EBITDA) to net interest payable, was 7.8 times this year, up from 7.2 in 2005 (see Graph 5) and above the Group's current target of six times. The Group's ratio of year end net debt to EBITDA was 1.9 times. The Group's Standard & Poor's credit rating remains at BBB, as does our rating from Fitch.

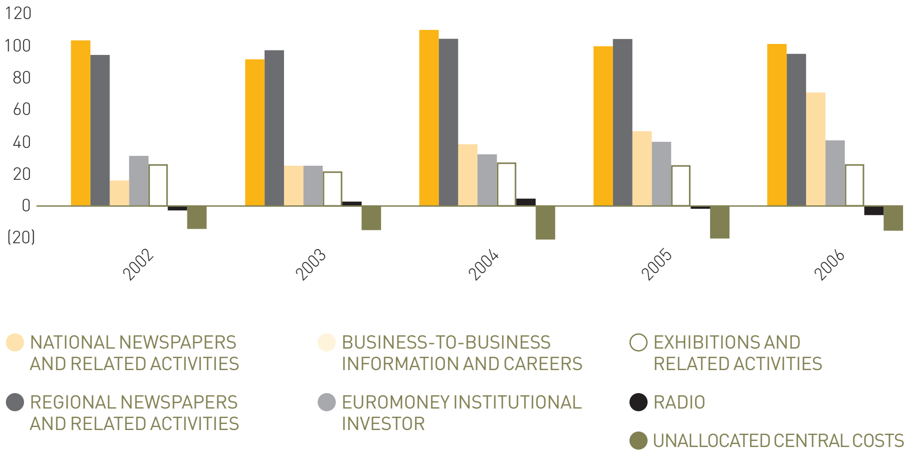
At the year end, the Group had £654 million of Bonds due for repayment in 2013, 2018 and 2021. It also had £260 million of committed banking available to it until March 2008 and £300 million until September 2009. It is intended to refinance the 2008 bank facilities with longer-term finance within the next year. The Group has sufficient committed debt facilities to meet its foreseeable requirements. It had surplus committed facilities of £377 million at the year end.

Since the year end, Euromoney has completed the acquisition of Metal Bulletin, including a cash and loan note component of £175 million.

Treasury policies

The following paragraphs are a summary of the Group's treasury policies. DMGT aims to have sufficient liquidity to meet both operational and capital cash flows and to impose the minimum cash constraints on the management and operation of the Group. Financial instruments, including derivatives, are used by the Group in order to manage the principal financial risks that arise in the course of business. These risks are liquidity or funding risk, foreign exchange risk, interest rate risk and counterparty risk. The instruments are used within the parameters set by the Finance Committee of the Board, and are not traded for a profit. The Group's priority is to address the economic impact of financial risks using the most efficient or appropriate approach. This may result in IFRS accounting volatility.

GRAPH 3
OPERATING PROFIT* BY ACTIVITY (£ MILLION)



Overview

The Group has adequate committed debt finance to meet current trading requirements. Foreign exchange risk on transactions is not a large issue for the Group as the majority of its businesses are domestic. In principle, the underlying currency of net debt after taking account of derivatives is managed in proportion to the EBITDA in each currency. A growing proportion of the Group's profits are earned in foreign currencies. As the Group is only partially hedged by its foreign currency debt, economically it is exposed to declines in value of the US dollar in particular. The Group has a prudent level of fixed interest rate debt to reduce the impact of interest rate fluctuations.

(a) Liquidity risk

It is the Group's policy to have sufficient surplus borrowing headroom such that its development is not constrained. The Group is funded by a mixture of equity, debt and retained profits. Debt consists mainly of committed bank facilities and bonds. The bank facilities provide the Group with flexibility for operational requirements and acquisitions. Uncommitted and overdraft facilities are also utilised. The bonds currently in issue consist of three sterling Eurobonds. Maturities of debt are maximised and spread in order to avoid the requirement for significant repayments at any point in time, as shown in Graph 6. Surplus funds are generally used to pay down debt. If temporary surpluses arise, they are generally deposited in money market accounts with banks that provide bilateral credit lines.

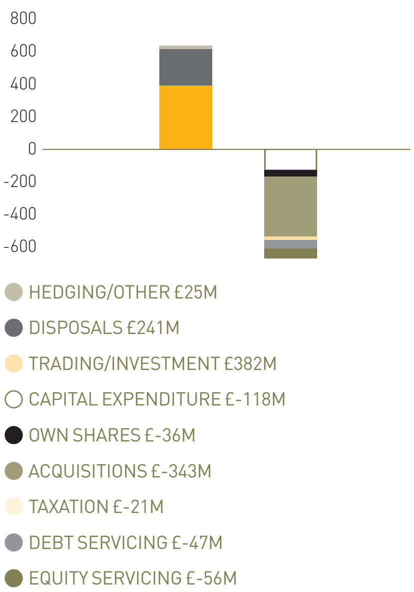
Covenants on debt instruments are kept to a minimum, even if this results in marginally higher interest costs. External finance is unsecured and is usually an obligation of the company or its immediate subsidiary, rather than of trading subsidiaries. This gives operating management maximum flexibility to run the business without the distraction of meeting short-term financing requirements.

(b) Foreign exchange risk

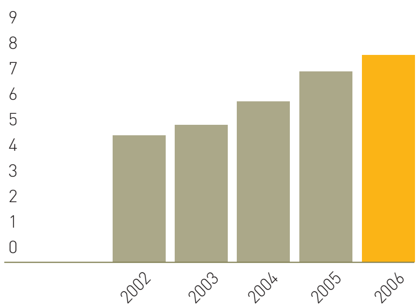
(i) Transaction risk

Most of the Group's businesses do not transact cross-border: hence multi-currency transaction risk is not substantial. The main exception is Euromoney which has net receipts in US dollars and net payments in sterling. Euromoney has a series of US dollar forward sale contracts in place up to three years forward to meet its sterling outgoings. Other than Euromoney there were no significant foreign currency forward contracts in existence that hedge revenues or costs. The sterling value of

GRAPH 4
CASH FLOWS* BY ACTIVITY (£ MILLION)

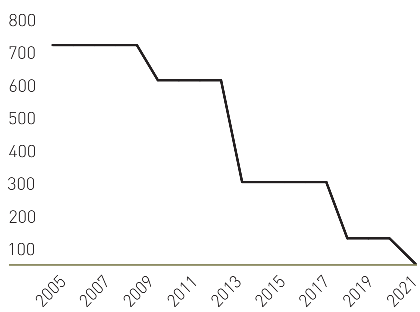


GRAPH 5
RATIO OF EARNINGS* BEFORE INTEREST, TAX AND DEPRECIATION AND AMORTISATION TO NET PAYABLE INTEREST.



* EBITDA: Net interest

GRAPH 6
MATURITY PROFILE OF GROUP NET DEBT (£ MILLION)



Year ending September

capital expenditure in foreign currency is fixed using forward currency purchases.

Tax on non-trading exchange rate movements is hedged, using cross currency swaps and forward currency contracts. The Group's acquisition financing structures may give rise to foreign exchange gain or losses in the UK which are either taxable or tax deductible. The Group enters into market derivatives to hedge this exposure in economic terms. However, IAS 39 prohibits such items from being shown net in the tax line and as a result increased volatility is introduced in the income statement. This year's profit before taxation has been increased by £17 million (2005 £Nil) in relation to the structure and tax payable has been increased by a similar amount. Both have been removed in arriving at adjusted profits.

(ii) Translation exposure
Borrowings are principally incurred in sterling, with lesser amounts in US dollars and Australian dollars. Generally, the proportion of foreign currency debt (after allowing for any hedging instrument) to total net debt is managed to be approximately equal to the proportion of foreign EBITDA, compared to total Group EBITDA. This is expected to continue. A substantial proportion of US dollar and Australian dollar debt liabilities are created through the use of foreign exchange derivatives and treated as net investment hedges. The consequence of this policy is that the Group's significant foreign earnings are not hedged back to sterling.

(iii) Economic exposure
A substantial proportion of the Group's value relates to foreign subsidiaries, in the US in particular. The foreign currency debt described above is only a partial hedge of this economic exposure.

(iv) Netting
The Group may offset currency risks on trading, capital expenditure, tax and borrowings and only hedge the net exposure. This may result in not obtaining IFRS hedge accounting.

(c) Interest rate risk
The Group aims to have approximately 70% of forecast net debt to 80% of target net debt as fixed interest rate liabilities. It aims to achieve this ratio over the medium term and it is applied to each of the Group's main currencies. The predictability of interest costs is deemed to be more important than the possible opportunity cost foregone of achieving lower interest rates. Borrowings are made in either fixed or floating rates. Interest rate swaps, cross currency swaps, and options are used to help attain the Group's target level of fixed interest rate debt. The maturity dates are spread in order to avoid interest rate basis risk and also to negate short-term changes in interest rates. At the year end, fixed interest rate debt represented approximately 90% of total net debt. Options are not treated as effective hedges under IFRS.

(d) Counterparty risk
Counterparties and their credit ratings are regularly reviewed by Group Treasury. The Group has counterparty limits for banks with long-term credit ratings of 'AA' or better, and a lower limit for single 'A' rated banks. Typically this is banks that extend credit facilities to the Group. The Group does not expect any counterparties to be unable to meet their obligations.

(e) Debt levels
The Group currently aims to have a 6:1 ratio of EBITDA to net interest costs and seeks to ensure that the ratio of net debt to EBITDA does not normally exceed 2.5:1. It is believed that this achieves close to the optimum level of gearing for the Group, but leaves it with sufficient headroom should it desire to increase its debt levels without reducing the Group's quoted debt below investment grade. As such the ratio will not be met consistently, but will define the medium-term target level of net debt.

Going concern
The Directors have continued to adopt the going concern basis for the preparation of the Accounts. This has been done since, after considering relevant information, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

PETER WILLIAMS
FINANCE DIRECTOR

DMGT AND CORPORATE RESPONSIBILITY

DMGT IS COMMITTED TO MAINTAINING A HIGH STANDARD OF CORPORATE BEHAVIOUR AND ENSURING THAT CORPORATE RESPONSIBILITY IS A PRIORITY THROUGHOUT THE BUSINESS.

£809,000

THE AMOUNT DONATED TO CHARITY IN THE YEAR.

THE DMGT CHARITY COMMITTEE DONATED MONEY TO PAY FOR THE PRODUCTION OF DELEGATE PACKS AT THE ANNUAL SAMARITANS CONFERENCE, WHICH WAS ATTENDED BY 1,200 OF THEIR VOLUNTEERS.

How DMGT manages Corporate Responsibility (CR)
DMGT's activities are diverse, with each of its businesses providing important channels of communication and media focus to different sections of society throughout the world.

The Board reviews its performance in this area through the Risk Committee, which is the forum at which CR risks are discussed. Overall responsibility for CR at Board level lies with the Finance Director. The Board has adopted policies on equal opportunities, whistleblowing, health and safety and the environment.

DMGT owes much of its success to the entrepreneurial ability of the management teams leading its six divisions. These businesses have thrived by allowing local management to take local decisions in a local context, whilst benefiting from the global outlook and financial resources of the wider Group.

This approach has delivered benefits to a wide range of stakeholders. The success of many of the Group's businesses is inextricably linked to understanding and engaging with the communities that they serve, and this allows them to identify needs and to campaign effectively on the issues relevant to their customer base.

The following report provides more detail of divisional activities focused around the following key impact areas:

- **the environment;**
- **our readers, viewers and listeners;**
- **the community;**
- **our employees.**

Reported here is a summary of our disclosure in this area. DMGT produced a separate Corporate Responsibility Report in 2005 and it has a dedicated section on its website with further information available at www.dmgt.co.uk which is updated regularly. We welcome your feedback. Please send any comments to: investor.relations@dmgt.co.uk.

DMGT and the environment
The direct environmental impacts from most of our divisions are relatively low. They arise mainly in our printing division. In the FTSE4Good index of which DMGT is a constituent, media is ranked as low impact; printing and newspaper publishing is ranked as medium impact. In the Morley sustainability index, media is a 'C' defined as business that is broadly neutral to sustainability.

Since our non-printing operations are primarily office-based, their environmental impact is considered relatively low. Our offices around the world practise paper recycling and more than half of office paper waste at DMGT headquarters is recycled. There are also some schemes in place for the recycling of plastic cups, toner cartridges, mobile phones and IT equipment.

Our report therefore focuses on how we manage the impacts in the printing businesses. In addition, we acknowledge our responsibility in ensuring that our paper supplies come from paper manufacturers that manage their environmental impacts, including the sustainable sourcing of virgin fibres. These two elements are the focus of our environmental reporting.

In our printing operations, the key environmental impacts are waste generation, particularly waste newsprint; energy use; ink use and paper purchasing.

DMGT's UK printing operations are now run by Harmsworth Printing, created in the year through the merger of the Group's largest printing works, Harmsworth Quays, with The Northcliffe Press's seven printing centres around the UK. A new site at Didcot is being constructed which will be fully operational by early 2008. In addition

MIS TRAINING DONATED £100 FOR EVERY EARLYBIRD BOOKING FOR THEIR AUDIT GOVERNANCE CONFERENCE IN KENYA TO THE EAST AFRICAN FAMINE RELIEF PROGRAMME RUN BY THE UN WORLD FOOD PROGRAMME.

£40,000

WAS DONATED BY THE DMGT CHARITY COMMITTEE TO RESTORE AN INVALUABLE COLLECTION OF ARCHIVE PHOTOGRAPHS AND MEMORABILIA RECORDING THE LAST 98 YEARS OF THE DAILY MAIL IDEAL HOME SHOW.

HARMSWORTH QUAYS PRINTING HAS RAISED £50,000 FOR DEMELZA HOUSE CHILDREN'S HOSPICE. THIS HAS HELPED THREE HUNDRED FAMILIES WHO HAVE A CHILD WITH A LIFE LIMITING CONDITION.

Northcliffe owns two presses in Hungary. All printing centres have environmental management policies. The use of energy, newsprint, ink and plates and waste disposal have cost implications for the businesses and are, therefore, managed for reasons of good business sense as well as to reduce our environmental impacts. Waste newsprint and ink use is measured and reported to divisional board meetings on a monthly basis. Seventy per cent of the presses on which we print the Group's titles are Computer to Plate processes which result in less waste being produced in the printing process. Digital photography is used in an increasing number of the publishing centres. Absolute energy consumption remained relatively consistent with last year. Overall efficiency has improved, reflecting the good practices in energy reduction efforts at a number of printing centres. Absolute CO_2 emissions fell again this year due to the closure of a number of less efficient print centres. CO_2 efficiency also improved, due also to the continued efforts to reduce energy consumption through measures implemented at a number of sites across the Group.

Targets for waste paper are set for each product printed. This percentage varies according to certain criteria such as the numbers of copies required and edition changes. Actual waste volumes are compared against budgeted levels, with the results provided for monthly review at the appropriate Board level. Newsprint production waste efficiency remained relatively consistent in relation to last year. The trend to increase numbers of colour pages printed resulted in more waste production as a result of greater numbers of checks required to achieve the appropriate print quality. This makes overall gains in newsprint waste reductions difficult to achieve. One hundred per cent of the production paper waste is recycled.

Good improvements were made in water efficiency during the year with Harmsworth Printing making further strides to cut water use in its printing operations, following a study undertaken in 2004.

Newsprint supply and the environment

DMGT is aware of the responsibility it has along the supply chain, in particular for one of its largest purchases, newsprint. The Group has a central Newsprint Committee and paper is purchased for all the Group's newspaper operations, allowing co-ordinated review of the environmental credentials of paper suppliers and the sourcing of their products. Where virgin fibres are used in the paper manufacture, DMGT requires that the forests are certified either by the Forest Stewardship Council, or the Pan European Forestry Commission, both of which run schemes that provide credible guarantees that the product comes from well managed forests. DMGT sources its paper from European mills, most of which hold the environmental management standard ISO14001. Ninety-eight per cent of virgin fibre products are sourced from managed forests.

Our readers and listeners

Editorial standards

There are a number of standard setting bodies that have established codes to which DMGT's divisions adhere. Compliance with these codes ensures that our published and broadcast material reaches the editorial standards expected, as agreed by the industry and by other stakeholders. The main code for the Group's UK newspapers is established and monitored by the Press Complaints Commission. Teletext works to the standards set by OfCom, the Broadcasting Standards Commission and Channel 4's own codes. DMG Radio complies with the Australian Communications and Media Authority Codes of Conduct.

Responding to reader and listener needs

Within the established editorial framework, editors and journalists have the freedom to operate as appropriate. The media industry is highly competitive; therefore remaining in touch with and reflecting and championing the interests of the diverse groups who make up our communities is critical to DMGT's success. Reader and listener satisfaction is monitored in a number of ways, such as regular in-house programming and sales research, readership surveys and other processes to receive feedback actively from customers.

Compliance with editorial standards is strictly monitored within the divisions in various ways which include compliance committees, editorial responsibility, compliance audits and training.

DMGT and the community

Community involvement is integral to our business as well as to the personal motivation of our employees. We donate money, time and in-kind donations such as radio air time and Teletext pages, as well as staff actively giving time to areas such as fundraising and trusteeships. The use of our media channels and activities for fund raising is driven through participation in the communities we serve and the concerns and contributions of our readers and listeners. Charitable donations are allocated by a Charities Committee at

£80,000

WAS RAISED BY THE 2006 DAILY MAIL IDEAL HOME SHOW FOR THE ANTHONY NOLAN BONE MARROW TRUST, THROUGH THE SALE OF SCRATCH TICKETS THROUGHOUT THE 2006 SHOW.

EUROMONEY HAVE COMMITTED TO RAISE £180,000 TO HELP FUND A HOSPITAL IN INDIA WHICH IS DEDICATED TO HELP PREVENT AND CURE BLINDNESS. THIS ONE-YEAR PROJECT WILL BE IMPLEMENTED IN PARTNERSHIP WITH KALINGA EYE HOSPITAL IN CENTRAL ORISSA, ONE OF THE POOREST REGIONS IN INDIA. THE PROJECT AIMS TO SAVE THE SIGHT OF 15,000 CHILDREN A YEAR.

OUR EVENING TITLE IN DERBY, IN PARTNERSHIP WITH THE UNIVERSITY OF DERBY, HAS LAUNCHED SEVEN EVENING TELEGRAPH SCHOLARSHIPS, ALLOWING PEOPLE FROM DISADVANTAGED BACKGROUNDS THE OPPORTUNITY TO TAKE A DEGREE.

DMGT, as well as being made on a smaller scale by divisional and local managements. Charities involving the media and relevant to the communities within which the Group operates are favoured. In 2006, the Group donated £809,000 to charity.

A few examples of our involvement during the year are shown here.

DMGT and our employees

DMGT Group is an equal opportunities employer. In addition to a Group policy, each division has its own policies and practices across a range of employee issues. Training is taken seriously across the Group.

Staff communication

A variety of approaches to staff communications exist within the Group, including the use of the intranet, the Group extranet, regular communication events, face-to-face communications with management and programmes related to specific key events, such as major changes in operations or equipment.

Health and safety

The Group's health and safety policy applies across DMGT. It sets out to ensure the health, safety and welfare of its employees and all others who could be affected by the activities of the Group. Whilst the Chief Executive has overall responsibility at Board level for health and safety matters throughout the Group, day to day responsibility is devolved to the managing directors of each division. The Group has had no fines or prosecutions for health and safety failures over the last year. There are many examples of good practice across the Group, in terms of health and safety management systems, the use of independent consultants and initiatives focused on business-specific health and safety risk areas. Health and safety is particularly critical in all printing press facilities, which have appropriate policies and management and monitoring programmes.

THE VISCOUNT ROTHERMERE †‡§
CHAIRMAN (AGED 38)

Lord Rothermere was appointed to the Board in 1995 and appointed Chairman in 1998, having joined the Group in 1994. He is a non-executive director of Euromoney Institutional Investor plc and of JP Morgan Fleming Mercantile Investment Trust plc.

C J F SINCLAIR §
CHIEF EXECUTIVE (AGED 58)

Charles Sinclair was appointed to the Board in 1988 and appointed Chief Executive in 1989, having joined the Group in 1975. He is a non-executive director of Euromoney Institutional Investor plc and of SVG Capital plc.

J P WILLIAMS, FCA §
FINANCE DIRECTOR (AGED 53)

Peter Williams was appointed to the Board as Group Finance Director in 1991, having joined the Group in 1982. He is a non-executive director of Euromoney Institutional Investor plc, GCap Media plc and of Ibis Media VCT plc.

J G HEMINGWAY *†
NON-EXECUTIVE DIRECTOR (AGED 75)

John Hemingway was appointed to the Board in 1978. He is an independent solicitor.

S M GRAY, FCA *‡§
NON-EXECUTIVE DIRECTOR (AGED 72)

Marius Gray was appointed to the Board in 1985. He was senior partner of Dixon Wilson, Chartered Accountants, and is chairman of the Audit Committee.

I G PARK, CBE *‡
NON-EXECUTIVE DIRECTOR (AGED 71)

Ian Park was appointed to the Board in 1994. He was managing director of Northcliffe Newspapers from 1982 to 1995 and its chairman from 1995 to 2003. He was formerly President of the Newspaper Society and chairman of the Press Association.

F P LOWY, AO
INDEPENDENT NON-EXECUTIVE DIRECTOR (AUSTRALIAN) (AGED 76)

Frank Lowy was appointed to the Board in 1994. He is chairman of Westfield Holdings, a major shopping centre company with interests primarily in Australia, the USA and the UK. He is retiring at the conclusion of the Annual General Meeting in February 2007.

D M M DUTTON §
EXECUTIVE DIRECTOR (AGED 64)

David Dutton was appointed to the Board in 1997. He advises the Group on property matters and is chairman of DMG Information.

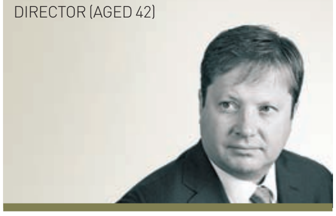
P M DACRE
EXECUTIVE DIRECTOR (AGED 58)

Paul Dacre was appointed to the Board in 1998, having joined the Group in 1979. He has been editor of the Daily Mail since 1992 and editor-in-chief of Associated Newspapers since 1998.

P M FALLON
EXECUTIVE DIRECTOR (IRISH) (AGED 60)

Padraic Fallon was appointed to the Board in 1999. He is chairman of Euromoney Institutional Investor plc and a non-executive director of Allied Irish Banks plc. He joined Euromoney in 1974 as editor and was managing director from 1985 to 1992.

C W DUNSTONE
INDEPENDENT NON-EXECUTIVE DIRECTOR (AGED 42)



Charles Dunstone was appointed to the Board in 2001. He is founder and chief executive of the Carphone Warehouse Group plc and a non-executive director of HBOS plc.

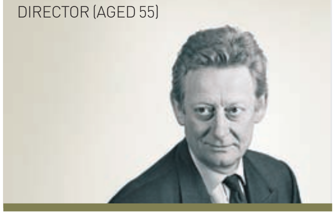
F P BALSEMÃO †
INDEPENDENT NON-EXECUTIVE DIRECTOR (PORTUGUESE) (AGED 69)

Francisco Balsemão was appointed to the Board in 2002. He is chairman and chief executive of IMPRESA, S.G.P.S, chairman of the European Publishers Council and a former prime minister of Portugal.

T S GILLESPIE
NON-EXECUTIVE DIRECTOR (CANADIAN) (AGED 68)

Tom Gillespie was appointed to the Board in 2004. He is a former senior partner of Ogilvy Renault and has advised the Group on legal matters in Canada for many years.

D J VEREY, CBE *
INDEPENDENT NON-EXECUTIVE DIRECTOR (AGED 55)



David Verey was appointed to the Board in 2004. He is chairman of the Blackstone Group-UK and was formerly chairman of Lazard, London.

K J BEATTY
EXECUTIVE DIRECTOR (AGED 49)

Kevin Beatty was appointed to the Board in 2004, having joined the Group in 1996. He is managing director of Associated Newspapers and was managing director of Northcliffe Newspapers between 2001 and 2004.

N D JENNINGS, FCA
SECRETARY (AGED 46)

Nicholas Jennings was appointed Company Secretary in 1999, having joined the Group in 1988. He is also responsible for investor relations.

* Member of the Audit Committee
† Member of the Nominations Committee
‡ Member of the Remuneration Committee
§ Member of the Risk Committee

The Directors present their Report and Accounts for the year ended 1st October, 2006.

Activities
The principal activities of the Group are set out in the 'Group at a Glance' section at the front of the Annual Report.

The analysis of turnover and operating profit for the years ended 1st October, 2006 and 2nd October, 2005 are included as Notes 1 and 2 to the income statement.

Business Review
The information that fulfils the Companies Act requirements of the business review is included in the Business Review on pages 10 to 31. This includes a review of the development of the business of the Group during the year, of its position at the end of the year and of likely future developments in its business. Details of the principal risks and uncertainties facing the Group are set out on pages 12 to 14.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing the Group. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. No assurances can be given that the forward-looking statements are reasonable as they can be affected by a wide range of variables. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Results and dividends
The profit after taxation of the Group amounted to £251.5 million. After charging minority interests of £11.7 million, the Group profit for the year amounted to £239.8 million.

An interim dividend of 4.05 pence per share was paid on the Ordinary and 'A' Ordinary Non-Voting shares and the Directors recommend that a final dividend of 9.00 pence per share be paid on 9th February, 2007 making 13.05 pence per share for the year (2005 12.0 pence).

Directors
Biographical details of the Directors of the Company at 22nd November, 2006 are set out on page 35. The Directors remained unchanged throughout the year.

The number of shares of the Company and of securities of other Group companies, in which the Directors or their families had an interest at the year end, are stated in the Remuneration Report on page 51.

In accordance with the Articles of Association, Messrs Lowy, Dutton, Gillespie and Verey retire by rotation at the Annual General Meeting on 7th February, 2007. Each of Messrs Dutton, Gillespie and Verey, being eligible, offers himself for re-election. Mr Lowy, an independent non-executive Director since 1994, has decided not to stand for re-election. The Directors would like to thank him for his invaluable contribution to the Board's deliberations.

Post balance sheet events
On 19th October, 2006, Euromoney Institutional Investor plc completed its acquisition of Metal Bulletin plc for a consideration of £225 million.

Share capital
Details of allotments in share capital during the year, which arose solely from the exercise of options, are given in Note 34.

At the Annual General Meeting on 8th February, 2006, the Company was granted the authority to purchase up to 10% of its own shares.

During the year, 4,775,736 'A' Ordinary Non-Voting shares were purchased, having a nominal value of £596,967, to match obligations under various incentive plans and as part of a share buy back programme. The consideration paid for these shares was £31.0 million. Shares repurchased during the year represented 1.25% of the called up 'A' Ordinary Non-Voting share capital at 1st October, 2006.

The Company disposed of 1,364,471 of these shares, representing 0.36% of called up 'A' Ordinary Non-Voting share capital for a cash consideration of £8.4 million, in order to satisfy obligations under incentive schemes.

Employees
Under the Group's general policy of decentralised management, it is the responsibility of the management in each subsidiary to encourage the involvement and participation of employees in their company. The methods used vary company by company, but the linking to performance targets of a significant portion of remuneration is one widely used means.

The Group gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Policy on payment of suppliers
The Group's policy on supplier payments varies across its subsidiaries. These companies have no formal code or standard which deals specifically with the payment of suppliers. However, their policy is to ensure that the terms of payment, as specified by, and agreed with the supplier at the outset, are not exceeded.

The Company had no trade creditors at the year end date. The Group's average payment period, calculated on the basis of year end trade creditors, is 61 days (2005 56 days), although this is dependent on the year end date and cannot therefore be regarded as meaningful.

Donations
Charitable donations made by the Group in the year amounted to £809,000 (2005 £880,000). This excludes the cost of publicity, often provided free of charge by the Group's titles, and funds raised by them, further details on which are given in the Corporate Responsibility Report on page 33 of this Annual Report. No political donations were made by the Group.

Substantial shareholdings

As set out in Note 34, the Company has two classes of share capital – Ordinary shares and 'A' Ordinary Non-Voting shares. On 22nd November, 2006 the following were interested in more than 3% of the issued Ordinary shares:

Rothermere Continuation Limited (and other parties to an agreement which comes within section 204 of the Companies Act 1985)	62.8%
Codan Trust Company Ltd and Codan Trustees (BVI) Ltd (trustees of the Esmond Harmsworth 1998 Family Settlement)	29.3%

Statement of Directors' responsibility for the preparation of accounts

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare accounts for the Group in accordance with International Financial Reporting Standards (IFRSs) and have elected to continue to prepare those for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

In the case of UK GAAP accounts, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgments and estimates that are reasonable and prudent;
– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

– select and apply accounting policies properly;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
– prepare the accounts on a going concern basis unless, having assessed the ability of the Company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Auditors

To the best of the Directors' knowledge and belief and having made appropriate enquiries of other officers of the Company, all information relevant to enable the auditors to provide their opinion on the Accounts has been provided. Each of the Directors has taken all reasonable steps in order to ensure their awareness of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Company's auditors, Deloitte & Touche LLP, have indicated their willingness to continue in office and, in accordance with section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 7th February, 2007 at 9.00 am at the Kensington Roof Gardens, 99 Kensington High Street, London W8. Details of all resolutions, including those to be put as special business, are set out in the enclosed circular to shareholders.

By Order of the Board

N D Jennings, FCA
Secretary
22nd November, 2006

The Company is committed to high standards of corporate governance. The paragraphs below and in the Remuneration Report on pages 41 to 54 describe how the Board has applied the principles set out in the Combined Code ('the Code') issued by the Financial Services Authority in July 2003. The Code is part of the listing rules and applied to the Company throughout the year.

The Company has substantially complied with the provisions of the Code, except where the Board has determined that they are inappropriate to the particular circumstances of the Company, as explained below and in the Remuneration Report.

The Board

The Company is headed by a Board which comprises a balance of seven executive Directors, including the Chairman and Chief Executive, and eight non-executive Directors. Biographical details of each of the Directors are set out on page 35. The Board has been progressively refreshed in recent years with several appointments, including three new independent Directors.

The Board meets regularly four times a year and at such other times as are necessary. It approves the Group's strategy which is proposed and executed by the executive Directors. Its specific responsibilities are set out in a schedule of matters reserved to the Board which is published on the Company's website at www.dmgt.co.uk/corporate governance.

The Board met seven times during the 2005/06 financial year, four of which were regular meetings, attended by all Directors, except that Mr Lowy was unable to attend three of them and Mr Dunstone was unable to attend one of them. The other three meetings were all special meetings, held at short notice, some of which several non-executive Directors were unable to attend. Individual attendance by Directors is set out below:

	Number of meetings	Number of meetings attended
The Viscount Rothermere	7	7
C J F Sinclair	7	7
J P Williams	7	7
D M M Dutton	7	7
P M Dacre	7	7
P M Fallon	7	7
K J Beatty	7	7
J G Hemingway	7	7
S M Gray	7	7
I G Park	7	4
F P Lowy	7	1
C W Dunstone	7	4
F P Balsemão	7	4
T S Gillespie	7	5
D J Verey	7	6

The Board has not, as required by the Code, identified a senior independent non-executive Director since it believes that to identify such an individual is potentially divisive to a unitary body, as this Board is, and disruptive to the role of the Chairman.

The division of responsibilities between the Executive Chairman and the Chief Executive is understood and works well, given the individuals' long-standing appointments, as set out on page 35. Hence it has not needed to be set out in writing, nor agreed by the Board.

The Board believes that four non-executive Directors may be considered to be independent under the Code, namely Messrs Lowy, Dunstone, Balsemão and Verey. This represents less than the half of the Board recommended by the Code. Although Mr Lowy has been a non-executive Director for longer than nine years, he has continued to demonstrate his independence in terms of character and judgement. Being based in Sydney, Australia, Mr Lowy finds it difficult to attend Board meetings. However, he provides his views on Board papers for each meeting and meets with executive Directors when he is in London or when they are in Sydney.

Messrs Hemingway, Gray and Gillespie are not regarded by the Board as independent under the Code because they have advised the Company over many years; nor is Mr Park due to his having been chairman of Northcliffe Newspapers within the last five years. Nevertheless the Board believes that these non-executive Directors make an important contribution to its deliberations and have invaluable experience of the Company, its business and its staff.

Information and professional development

Procedures have been established to ensure that the Board receives timely and appropriate information both for its meetings and regularly between meetings. All Directors are offered such training as is considered necessary, both on appointment and at any subsequent time. There is an agreed procedure for Directors to take independent professional advice at the Company's expense, if necessary.

Election and re-election

The Company's Articles of Association require that a Director appointed by the Board must stand for election at the next Annual General Meeting. Thereafter all Directors are subject to re-election every three years. Under the Companies Act, a Director is also required to stand for re-election when he first reaches the age of 70. The Board has determined to discontinue its policy not to seek the re-election of Directors over the age of 75 years. The Board has chosen not to adopt the additional provision in the Code that non-executive Directors, who have served for more than nine years, should be subject to annual re-election since the existing practice, which complies with Company law and with the Articles, works well.

The terms and conditions of appointment of the non-executive Directors are available for inspection at the Registered Office of the Company during usual business hours.

Board evaluation

The Board has undertaken a formal and rigorous evaluation of its own performance and that of its individual Directors. It reviewed its performance by reference to the schedule of matters reserved for it. The evaluation process took the form of a questionnaire sent to each Director, seeking their views on such matters as involvement in strategy, the structure of Board meetings, the quality of communications, confidence in fellow Directors and balance of skills, and consideration of views. The Chairman reported the consensus view on performance to the Board at its meeting in October 2006, enabling it to conclude that it had been effective in the year under review. No substantive changes to procedures were judged necessary.

The non-executive Directors did not meet as a group without the Chairman since his performance was assessed by the Remuneration Committee (without the Chairman being present).

Board Committees
The Board has established Nominations, Remuneration, Audit and Risk Committees with mandates to deal with specific aspects of its business. The remits of these committees are published on the Company's website. Details of the membership of these committees are given on page 35. Each committee reports to the Board at every regular meeting. In October 2006, the Board carried out a review of the performance of its committees and concluded that they had been effective in the year.

Company Secretary
The Company Secretary, Mr Jennings, is responsible for advising the Board through the Chairman on all governance issues. All Directors have access to the advice and services of the Secretary.

Nominations Committee
The Nominations Committee, which was established as a separate committee in 2003, comprises three Directors: the Viscount Rothermere (its chairman), Mr Hemingway and Mr Balsemão. Only Mr Balsemão is an independent non-executive Director, whereas the Code recommends that a majority of members of the Committee should be independent. Nevertheless the Board believes that the Committee operates well. The Deputy Finance Director, Mr Perry, is secretary to the Committee. The Chief Executive attends most meetings at the invitation of the Committee.

The Committee met three times during the year and all meetings were attended by all serving members.

The Committee reviews the structure, size and composition of the Board and makes recommendations to the Board on any changes. During the year it nominated Mr Berry as an independent non-executive Director. Neither external advice nor advertising was required in this instance.

The Committee continued to review succession planning for both executive and non-executive Directors. It has also assessed the most appropriate method of evaluating Directors' performance.

Relations with shareholders
The Company maintains a regular programme of contact with its institutional shareholders. In the past year, this has included meetings in London, France, Scotland, and the US.

Non-executive Directors are kept informed of the views of institutional shareholders by the regular distribution of analysts' reports and feedback is provided from institutional meetings.

All shareholders are welcome to attend the Annual General Meeting, of which twenty working days' notice is given, where they have the opportunity to speak to Directors.

In the interests of transparency and to assist private shareholders, the Company posts all announcements and general presentations given to analysts and institutions on its corporate website. Shareholders and others interested in the Group are encouraged to use the site and to email questions which they might have to investor.relations@dmgt.co.uk. Questions to particular Directors should be addressed through the Secretary.

Internal controls and management of risk
The Group adopts a prudent risk strategy, weighing opportunities for potential gain against threats to overall business objectives and profitability. Senior management addresses the opportunities and uncertainties relating to the business activities of the Group. The risk management process consists of the identification, evaluation and control of risks, which could threaten the achievement of the Group's strategic, operational and financial objectives, as well as the active management of opportunities.

The Group operates on a divisional basis with each of the divisions described at the front of the Annual Report having considerable autonomy as regards its operation and establishment of control systems. Overseeing the divisional structure is a central management responsible to the Board. Certain functions are undertaken centrally, notably newsprint buying, insurance, treasury, tax, pensions, and risk and assurance (including internal audit).

The Board has overall responsibility for the Group's system of internal control. This system is designed to provide reasonable assurance of the safeguarding of assets and shareholders' investment and the reliability of financial information. Any such system can, however, provide only reasonable, and not absolute, assurance of these matters. The Directors confirm that they have reviewed the effectiveness of the Group's system of internal control for the period up to the date of the approval of the Accounts.

The Board has delegated responsibility for the evaluation of the benefits and risks of investment opportunities and financing proposals to an executive committee, the Finance Committee. Above certain defined levels, however, the Board must approve programmes relating to acquisition and divestment proposals and capital expenditure.

Whilst the ultimate responsibility for the system of internal control and the review of its effectiveness resides with the Board, the Risk Committee assists the Board by giving assurance on risk management issues and processes. The process for the management of significant risks is undertaken by the Risk Committee and it accords with the Turnbull Guidance on internal control, appended to the Code.

Risk Committee
The Risk Committee, which was established in 2000, comprises Mr Sinclair, the Chief Executive (its chairman), the Viscount Rothermere, Messrs Williams, Gray and Dutton and Mr Kass, the legal director of the Group's largest subsidiary. Mr Gray provides a non-executive perspective to the review of risk management processes within the Group, as well as providing a direct link to the Audit Committee. The Committee met four times during the year. During the year the Risk and Internal Audit functions were combined into Risk and Assurance, the head of which, Mr Page, is Secretary to the Committee.

The Risk Committee considers reports prepared by central management, by each of the divisions of the Group and by central functions, on a rotational basis, reviewing a division and central function at each meeting. These reports identify business risks for the Group as a whole and within the divisions and assess the controls in place to manage those risks. The Committee operates a rotational programme of presentations by the divisions on specific risk management issues, as well as identifying topics for consideration across the Group. This year the Committee has focused on the following risks: IT security and the integrity of data; fraud risk; risk from acquisitions made by the Group; treasury risk; risk from any circulation misstatement; succession planning to mitigate the risk from any loss of key management; and again on business continuity and disaster recovery planning. The Committee also monitors developments in relevant legislation and regulations to consider the impact these might have on the Group and on its system of internal control.

Members of the Risk Committee also maintain direct links with each of the main divisions through attendance at divisional board meetings as directors of these boards. The Committee reports to the Board at each of its meetings on the results of these processes to enable the Board to determine the overall effectiveness of the system of internal control and risk management more widely.

Audit Committee
The Audit Committee, which has been in existence since 1989, comprises four non-executive directors: Messrs Gray (its chairman), Hemingway, Park and Verey. The Code recommends that an audit committee should comprise at least three members, all of whom should be independent non-executive Directors. Only Mr Verey is considered to be independent under the Code. Nevertheless the Board believes that the Committee operates independently. Members' qualifications are set out in their biographies on page 35. The Board is satisfied that Mr Gray, formerly senior partner of a firm of chartered accountants, has recent and relevant financial experience. The Secretary, Mr Jennings, a Chartered Accountant, is secretary to the Committee.

The Audit Committee met four times during the year and all meetings were attended by all serving members.

The Committee has implemented the procedures set out in the Smith Guidance to the Code which are within its control. It reviews the Group's policy on whistle blowing. Procedures exist to monitor the independence of the external auditors and include a policy on employment of former audit principals. There is also a policy on the provision of non-audit services with which the Group's head office and each division complies. The choice of firm is normally determined on the basis of professional expertise and competitiveness. The Group may engage the external auditors to perform audit-related work, accountancy advice and corporate tax services. Non-audit services in other areas are decided on their merits and are put out to tender where the amounts in question are significant. The external auditors are excluded from the following areas: where they are auditing their own work; where a mutuality of interest is created; or where the external auditor would be put in the role of advocate for the Company.

Non-audit fees payable to Deloitte & Touche LLP ('Deloitte') in 2006 amounted to £7.6 million, compared to £2.0 million the previous year, reflecting the continuing extent of corporate tax advice given and the appointment of Deloitte as lead consultant on Northcliffe Newspapers' cost reduction project and to undertake vendor due diligence as part of the strategic review of that business.

In September, the Audit Committee carried out an annual review of its terms of reference and of its effectiveness and concluded that it did not need to recommend to the Board any changes to its remit or operations. In October 2006, the Board conducted its own review of the Committee's performance and agreed that the Committee had been effective in the year under review.

The Audit Committee, on behalf of the Board, has responsibility for the review of financial risk management and of internal financial controls during the year, as these directly relate to the quality of financial reporting. In addition, the Committee reviews a summary of letters to management prepared by the Group's external auditors following their audit procedures, considers significant financial reporting issues and approves any changes to Group accounting policies, which are set centrally. During the year, the Committee received reports on the implementation of international financial reporting standards and on the requirements of the Business Review regulations. Apart from these specific responsibilities, the Committee is mandated to review all announcements of results issued by the Group and to consider the appointment of external auditors and to review their remuneration.

The central risk and assurance function carries out internal audit activities across the Group. There is an internal audit charter which covers the purposes and objectives of the Group's internal audit function, its authority and scope; independence issues; standards of professional practice and performance monitoring; planning and reporting; and the expectations of divisional management. Following each review, a formal report is issued to divisional management with the audit findings and, where appropriate, management's response. At each Audit Committee meeting, the Head of Risk and Assurance reports on the internal audit activity completed, including an overview of the work done, a summary of the control assessments and any major issues or findings. In September, the Committee monitored and reviewed the resources and performance of the internal audit function, together with its plan for the forthcoming year. It approved the plan and confirmed that the internal audit function had been effective in the year under review.

The Group does not maintain common detailed accounting or operations manuals because of the diverse operations carried out by its divisions. Where applicable, divisions maintain their own manuals. A number of the divisions also undertake regular control review work as part of their control process.

As a consequence of the Group's risk management process, the Board has taken the view that control processes in place remain adequate.

One of the Group's subsidiaries, Euromoney Institutional Investor plc, is subject to the requirements of the Code in its own right. As disclosed in its latest annual report, it has in place its own system of internal control and risk management processes which forms part of the Group's overall framework of control. The joint ventures and associates of the Group are not included in the Group's system of internal control described above.

On behalf of the Board

N D Jennings, FCA
Secretary
22nd November, 2006

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and meets the relevant requirements of the Listing Rules of the Financial Services Authority. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the approval will be sought for the adoption of the Accounts.

The Remuneration Committee
The Remuneration Committee, which was established in 1992, is responsible inter alia for overall Group remuneration policy and for setting the remuneration, benefits and terms and conditions of employment of the Company's executive Directors. The Committee's terms of reference are available on the Company's website.

The members of the Committee are the Viscount Rothermere, its chairman, Mr Gray and Mr Park. The Combined Code ('the Code') recommends that a remuneration committee should be composed entirely of independent non-executive directors. The Board considers it wholly appropriate that the Viscount Rothermere, as Chairman of the Board and as the Company's largest shareholder, is a member of the Committee. He does not participate in discussions regarding his own remuneration. While Mr Gray and Mr Park are not considered by the Board to be independent under the Code, the Board does consider them to act independently as regards remuneration issues. The Committee met five times during the year and all meetings were attended by all serving members, except Mr Gray who attended four of the five meetings. The Finance Director, Mr Williams, is secretary to the Committee.

The Committee seeks the recommendations of the Chief Executive, who usually attends meetings of the Committee by invitation other than when his own remuneration is being discussed, as regards the remuneration of the other executive Directors and of the divisional managing directors. It also seeks input from the Finance Director regarding financial performance and other issues and from the Company Secretary.

The Committee makes reference, where appropriate, to pay and employment conditions elsewhere in the Group, especially when determining annual salary increases, and to external evidence of remuneration levels in other companies, particularly in the media field. It also makes reference to advice sought from external advisors. During the year such advice was received from Freshfields Bruckhaus Deringer ('Freshfields') and Independent Remuneration Solutions ('IRS'). Freshfields, which also provided other legal services, advised on contracts and on age discrimination legislation. IRS provided market data and gave advice on best practice. Freshfields and IRS were appointed by the Committee.

In September, the Committee conducted a formal review of the Committee's effectiveness and concluded that it had fulfilled its remit and been effective in the year.

Remuneration policy
The Committee seeks to structure remuneration packages on an individual basis appropriate to the level of responsibility, but generally designed to retain and motivate the individual.

The Chairman is also the largest shareholder in the Company. He has been and will continue to be a long-term shareholder. His shareholding provides an alignment with long-term shareholders that is not always the case in other companies. In setting his remuneration the Committee has adopted the same policy as for other executive Directors. In the case of Mr Fallon, the Committee considers that his remuneration as executive chairman of Euromoney Institutional Investor plc ('Euromoney'), a separately listed company, should be set by the remuneration committee of that company. The report on this is set out in Euromoney's Annual Report.

The Committee also sets the remuneration packages for the managing directors of the Company's operating divisions, other than Euromoney, and oversees the bonus arrangements established in each division, including long-term incentive arrangements. These are designed individually to reflect the targets and objectives of each division.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of commercial demands, changing market practice and shareholder expectations. Investors will be consulted about any key issues that arise and Ordinary shareholders will be provided with the opportunity to endorse the Company's remuneration policy on a regular basis through the annual vote on the Remuneration Report. Any new long-term incentive schemes for the executive Directors would be submitted to shareholders.

Remuneration components
A significant proportion of the remuneration is performance-related. Following a review of competitiveness of rewards and business needs, the Committee decided to change the design of the performance-related elements for 2005/06 onwards. The new incentive schemes were approved by Ordinary shareholders in February 2006.

In 2006, excluding pension entitlements, the target composition of each executive Director's remuneration is shown in the table below. In preparing this table the target figure shown for bonus is 50% of salary; the LTIP maximum award of 50% salary p.a. and the maximum option award of 100% salary p.a. Neither Mr Dutton nor Mr Dacre is currently a member of a bonus plan.

Proportion of fixed versus variable pay
The main components of the remuneration package for executive Directors are:

		Variable	
	Fixed salary %	Bonus/ profit share %	Long-term incentives %
The Viscount Rothermere	51%	26%	23%
C J F Sinclair	61%	30%	9%
J P Williams	51%	26%	23%
D M M Dutton	87%	0%	13%
P M Dacre	87%	0%	13%
P M Fallon	8%	81%	11%

(i) basic salary, reviewed annually;

(ii) where appropriate, annual performance-related bonus. The Viscount Rothermere, Mr Sinclair and Mr Williams are members of the DMGT Executive Bonus Scheme ('the Scheme'). The Scheme was introduced in 1993 and revised in February 2006. For 2005/06 the bonus maximum was 100% of salary with 60% based on growth in earnings per share (EPS) by the Group and 40% on individual performance measures. For the Chairman, 100% of his bonus is based on EPS. A bonus was paid in respect of EPS achievement for 2005/06. The individual performance measures for 2006 related to the increase in shareholder value to be generated from the potential divestment of Northcliffe Newspapers UK. As only Aberdeen Journals was sold, only 20% of the maximum for this element of bonus was earned. The bonus is paid, net of the amount required to meet the related PAYE and employee national insurance liability, in a combination of cash and 'A' Ordinary Non-Voting shares of DMGT, which must be retained for three years. Participants are asked to specify the proportion of the after-tax bonus which is to be applied in the form of shares which must be at least 50%. For other executive Directors, bonuses are paid at the discretion of the Remuneration Committee to reward individual performance – none was awarded for 2005/06;

(iii) share options, designed to provide a long-term incentive which aligns their interests to those of shareholders. A new option scheme (the 2006 Scheme) was adopted at the 2006 AGM and subsequent awards are made under this scheme. Each award of options has a maximum life of ten years. The maximum award limit is 100% of salary in any year in normal circumstances and 200% of salary in exceptional circumstances. Awards will not normally vest until three years after the award and the performance conditions have been met. The first condition is that the total shareholder return ('TSR') of the Company must exceed that of the 250 largest companies in the FTSE index. No part of the award will vest for below median TSR: 12.5% of the Option vests at Median TSR; 50% vests at upper quartile TSR and pro-rata between these points. The second condition is growth in earnings per share ('EPS') – 12.5% of the Option will vest at EPS growth of RPI +3% p.a. (nil below this); 50% will vest at RPI +5% p.a.; and pro rata between these points. These performance conditions were chosen by the Remuneration Committee in the light of institutional guidelines in order to incentivise the executives to increase shareholder value. Under the 2006 Scheme, should the performance conditions not be met, re-testing is not permitted; and

(iv) where appropriate, a long-term incentive plan, whereby executives are invited to commit shares in the Company at a market price and receive a matching award. The Daily Mail and General Trust Long Term Incentive Plan (LTIP) was amended at the 2006 AGM so that the maximum limit is now not more than 250% of salary over a five year period, i.e. the normal maximum award limit is now 50% of salary annually, although in exceptional circumstances the limit for awards to any individual is 100% of their basic annual salary. If a participant holds the committed shares for five years, he will be eligible to receive matching shares on a sliding scale dependent on the total shareholder return of the Company compared with a peer group. This new peer group was chosen to reflect a range of listed companies in the businesses and locations principally occupied by DMGT. Details of awards made to executive directors and their performance conditions are given on pages 45 and 46.

Share ownership guidelines
The Company encourages Directors to own shares in the Company.

Executive Directors have a target shareholding of 1.5 times their salary, to be built up over a suitable period. This target has been exceeded by all except Mr Beatty who has only recently been appointed to the Board. The design of the LTIP encourages executive Directors to achieve this goal which aligns their interests with those of shareholders. The shares held and valued at 1st October, 2006 as a multiple of salary were:

	Value of shares held at 1st October, 2006 £ million	Salary multiple at 1st October, 2006
The Viscount Rothermere	**577.6**	1,043
P M Fallon*	**4.4**	24
C J F Sinclair	**2.6**	2.8
J P Williams	**1.4**	2.6
D M M Dutton	**0.6**	2.4
P M Dacre	**1.5**	1.5
K J Beatty	**0.2**	0.3

* in the case of Mr Fallon, shares in Euromoney are included of which he is an executive Director.

Pensions
The Group operates a two-tier defined benefit pension scheme for senior employees (including most of the Company's executive Directors), details of which are given on page 50. It is the Company's policy that annual bonuses, payments under the Executive Bonus Scheme and benefits in kind are not pensionable. Two of the Company's executive Directors were subject to HM Revenue & Customs' pensionable earnings' cap and a funded unapproved retirement benefits scheme was put in place for them on the same terms as for other capped senior executives. The assets of this scheme are held independently from the Group's finances and are administered by Trustees.

The Committee has reviewed in detail the impact of the pensions tax regime operating from 6th April, 2006. It developed a new policy, designed to be neutral in terms of cost compared to existing expenditure on pensions. This new policy incorporates the removal of the pensionable earnings cap for pension accruing after 6th April, 2006.

Individual executive Directors are affected very differently by these changes and for some it has not been tax-efficient to accrue further pension for service from 6th April, 2006. However, it is for individual Directors to decide when to opt out of the scheme, in which case a cash allowance is paid. On this basis, three executive Directors, Mr Sinclair, Mr Williams and Mr Dacre, decided to opt out of the Group's pension scheme with effect from 6th April, 2006. Under the prescribed transitional arrangements, their accrued pension at that date will remain linked to future increases in pensionable earnings and they will continue to be eligible for death in service benefits.

Non-executive directorships
The Company allows its executive Directors to take a very limited number of outside directorships. Individuals retain the payments received from such services since these appointments are not expected to impinge on their principal employment. This does not apply where a Group executive serves as a non-executive director of a company because the Group has a significant interest, as in the case of GCap Media plc. In this case, all fees are paid to the Company. Following Mr Sinclair's decision to step down from the board of Reuters Group plc in December 2005, no executives hold a non-executive directorship in a FTSE 100 company.

Service contracts

Contracts of service are negotiated on an individual basis as part of the overall remuneration package and their length is inevitably conditioned by external competitive pressures. For this reason, the contracts of some of the executive Directors exceed the one year recommended in the Code. The Committee believes that the length of contract should be appropriate to the individual. Thus where DMGT employs individuals with unique talents within the areas of business within which it operates, the Committee believes that they should have longer contracts.

The Chairman and Messrs Dutton, Fallon and Beatty have contracts of up to one year in duration. Mr Sinclair and Mr Williams have agreed to reduce their contract length from two years to one year over a four-year period. Mr Dacre has a rolling two-year contract which the Committee considers wholly appropriate for his particular responsibilities and for the industry in which he works. The Committee differentiates between what might be termed "corporate executives" and "media executives" whom it wishes to tie in to the Group and to prevent from working for competitors. Mr Dacre is a media executive, whereas Messrs Sinclair and Williams are corporate executives, operating in a market where one-year contracts are increasingly the norm.

Details of these service contracts are set out below:

	Date of contract	Notice period	Company with whom contracted
The Viscount Rothermere	17 Oct, 94	1 month	DMGT
C J F Sinclair	26 Nov, 03	1 year three months*	DMGT
J P Williams	30 Nov, 04	1 year three months*	DMGT
D M M Dutton	27 Nov, 02	1 year	DMGT
P M Dacre	13 July, 98	2 years	DMGT
P M Fallon	2 June, 86	1 year	Euromoney
K J Beatty	19 May, 02	1 year	Associated

* The notice periods of Messrs Sinclair and Williams reduced from one year and six months on 26th November, 2005 and will reduce to one year as of 26th November, 2006.

In the event of earlier termination of their contracts, each Director is entitled to compensation equal to their basic salary, benefits, pension entitlement and, as appropriate, bonus or profit share for their notice period. In the case of Mr Sinclair, the pension entitlement is for a two-year period, regardless of his notice period.

The contracts of Mr Sinclair and Mr Williams are subject to mitigation and in the event of the Director obtaining alternative employment during the notice period do not provide for further payment after such event. This mitigation does not apply to their pension benefit. Share options would be treated as for any member of the scheme, depending on the reason for termination of the contract. Mr Sinclair is entitled, on a change of control of the Company, to give notice under his contract within sixty days of the change of control, and to receive compensation for basic salary and benefits for his notice period.

Mr Fallon has a second service contract with Euromoney Publications (Jersey) Limited ('EPJ'), a subsidiary of Euromoney dated 4th May, 1993. This contract has the same terms as his first contract, except that termination does not include a car allowance as Mr Fallon does not receive this benefit from EPJ.

Non-executive Directors are appointed for specified terms and are subject to re-election by the Ordinary shareholders at the Annual General Meeting following appointment, and thereafter at least every three years. Each appointment can be terminated before the end of the three-year period, with no notice or fees due. The dates of the appointment or subsequent re-appointment of the non-executive Directors are set out below:

	Date of appointment/ re-appointment
F P Lowy	4 Feb, 2004
T S Gillespie	4 Feb, 2004
D J Verey	4 Feb, 2004
C W Dunstone	9 Feb, 2005
J G Hemingway	9 Feb, 2005
S M Gray	9 Feb, 2005
F P Balsemão	8 Feb, 2006
I G Park	8 Feb, 2006

Directors retiring by rotation and standing for re-election at the forthcoming Annual General Meeting are shown in the Directors' Report on page 36.

Non-executive Directors' remuneration

The remuneration of non-executive Directors is determined by the Board. Fees payable are reviewed annually, including a comparison with the level of fees paid by other companies of similar size and complexity; these fees are shown in the table below. A recommendation to the Board on this subject is then made. The basic fee as a Director was raised to £27,500 per annum on 1st October, 2005 and an increase to £30,000 per annum has been made with effect from 1st October, 2006.

In addition, fees are paid for membership of Board committees. Committee fees range from £4,000 per annum to £12,500 per annum, except that the Audit Committee chairman receives a fee of £20,000 per annum. No increases were made for the year to 1st October, 2006; nor are they being made for the year to 30th September, 2007.

Audited information

Directors' remuneration

The total amounts of the remuneration and other benefits of the Directors of the Company for the years ended 1st October, 2006 and 2nd October, 2005 are shown below for Directors:

	2006 £000	2005 £000
Aggregate emoluments	**7,832**	6,730
Gains on exercise of share options	**14**	159
Amounts receivable under long-term incentive schemes	**748**	–
Sums paid to third parties for Directors' services	**77**	74
	8,671	6,963

The emoluments of the Directors are shown below:

	2006 Fees and salary (Note i) £000	2006 Cash allowances (Notes ii and iii) £000	2006 Benefits in kind (Note iv) £000	2006 Bonus/ profit share (Note v) £000	2006 Total £000	2005 Total £000	2006 Pension contributions (Note vi) £000	2005 Pension contributions (Note vi) £000
The Viscount Rothermere	**583**	**35**	**25**	**184**	**827**	646	**53**	100
C J F Sinclair	**948**	**166**	**1**	**260**	**1,375**	958	**–**	–
J P Williams	**538**	**102**	**1**	**144**	**785**	553	**–**	–
D M M Dutton	**254**	**–**	**–**	**–**	**254**	300	**–**	–
P M Dacre	**985**	**204**	**45**	**–**	**1,234**	997	**–**	–
P M Fallon	**209**	**14**	**11**	**2,006**	**2,240**	2,363	**700**	139
K J Beatty	**498**	**33**	**34**	**235**	**800**	624	**50**	76
J G Hemingway	**77**	**–**	**–**	**–**	**77**	74	**–**	–
S M Gray	**99**	**–**	**–**	**–**	**99**	93	**–**	–
I G Park	**46**	**–**	**–**	**–**	**46**	43	**–**	–
F P Lowy	**28**	**–**	**–**	**–**	**28**	25	**–**	–
C W Dunstone	**38**	**–**	**–**	**–**	**38**	35	**–**	–
F P Balsemão	**32**	**–**	**–**	**–**	**32**	29	**–**	–
T S Gillespie	**36**	**–**	**–**	**–**	**36**	25	**–**	–
D J Verey	**38**	**–**	**–**	**–**	**38**	35	**–**	–
K Schwab	**–**	**–**	**–**	**–**	**–**	4	**–**	–
	4,409	**554**	**117**	**2,829**	**7,909**	6,804	**802**	315
2005 Total	3,963	207	104	2,530	6,804			

Notes to Directors' remuneration

(i) The figures for fees and salary include fees for Directors of subsidiaries including for the Viscount Rothermere, Mr Sinclair and Mr Williams as directors of Euromoney. For non-executive Directors they also include Committee fees, where applicable.

(ii) Cash allowances include an allowance paid to each of Messrs Sinclair, Williams and Dacre, in lieu of continued membership of the DMGT Senior Executives Pension Fund, from 6th April, 2006. Mr Williams also receives a cash allowance instead of having a company car and Mr Dacre, from June 2006, instead of the company providing Central London accommodation.

(iii) The figures given for cash allowances for the Viscount Rothermere and Mr Beatty include £35,284 (2005 £64,833) and £32,532 (2005 £50,815) respectively paid to cover the consequential income tax liability in respect of the contributions paid to the Funded Unapproved Retirement Benefits Scheme (see Note iii to Directors' Pension Entitlements on page 50). The payments made this year covered the period to 5th April, 2006. The prior year figures for Mr Beatty are his entitlements after his appointment to the Board on 1st December, 2004.

(iv) Benefits in kind include the taxable value of company cars, fuel allowances, company contributions to medical insurance plans and, in the case of Mr Dacre, of accommodation provided for him in Central London until May 2006.

(v) Group adjusted earnings per share for the year ended 1st October, 2006 (before amortisation and impairment of intangible assets, restructuring costs and non-recurring items) have shown an increase in the year of 7.4% which, under the Scheme, results in a bonus of 33.8% being earned by Lord Rothermere and of 20.3% by the other Scheme members.

Messrs Sinclair and Williams earned a further bonus due to the amount of shareholder value created from the strategic review of Northcliffe, including the disposal of Aberdeen Journals.

A one-off performance bonus of £60,000 was awarded to Mr Dutton in the prior year.

Mr Fallon is entitled to 6.49% of the pre-tax profit earned by Euromoney, which has a comprehensive profit sharing scheme that links the pay of its executive directors to the profits of that group.

Mr Beatty earned a bonus, based on meeting performance targets at Associated Newspapers.

(vi) Pension contributions are those made to money purchase schemes as set out on page 50.

(vii) The Viscount Rothermere, Mr Sinclair, Mr Williams and Mr Fallon retained fees of £18,000 (2005 £18,000), £44,000 (2005 £71,250), £8,800 (2005 £Nil) and £36,000 (2005 £44,000) respectively from their outside non-executive directorships.

Daily Mail and General Trust Long Term Incentive Plan (LTIP)

The LTIP, established in 2001 and revised in 2006, is designed to align the interests of participants and shareholders by requiring participants to make a substantial investment in the Company as a condition to participating in the LTIP. Further, the LTIP will only provide rewards for participants if the Company achieves exceptional returns for shareholders; this is achieved by calibrating participants' rewards by reference to the Company's performance against a peer group of comparable media companies. This peer group was chosen to reflect a range of listed companies in the businesses and locations principally occupied by DMGT. The LTIP is supervised by the Committee and is operated in conjunction with an employee discretionary trust (the 'Trust'). The Trust will acquire 'A' Ordinary Non-Voting Shares in the Company ('shares') to satisfy awards under the LTIP. The Committee intends to operate the LTIP annually.

Prospective participants are invited by the Committee to agree to commit shares in the Company to the LTIP at a market price. Initially invitations were made in tranches over a period of two to four years.

Individuals are given six months to make commitments in order to allow for them to make purchases of shares, where appropriate. Once an individual has agreed to commit shares which are owned by him or by his close family, the Trustee of the Trust ('the Trustee') decides whether to make an award of an equal number of shares to those committed.

Awards under the LTIP have been made to six executive directors. In 2006, each eligible Director was invited to commit shares up to 50% of his salary. Having received agreements to commit shares, the Trustee made the awards set out in the table below.

'A' Ordinary Non-Voting shares in award	At 3rd October, 2005 (Note i)	Awarded during year (Note ii)	Vested/lapsed during year (Note iii)	**At 1st October 2006**	Award price £	Date of award	End of initial performance period
The Viscount Rothermere	28,800	–	–	**28,800**	6.45	18 Jul 02	31-Dec-06
	34,929	–	–	**34,929**	5.325	18 Jul 03	31-Dec-07
	38,681	–	–	**38,681**	7.035	15 Sep 04	31-Dec-08
	47,559	–		**47,559**	7.53	01 Apr 05	31-Dec-09
	–	36,250	–	**36,250**	7.88	28 Jul 06	31-Dec-10
	149,969	36,250	–	**186,219**			
C J F Sinclair	88,800	–	(88,800)	**–**	7.43	18 Jul 01	31-Dec-05
	88,800	–	–	**88,800**	7.43	28 Aug 02	31-Dec-06
	46,816	–	–	**46,816**	7.035	15 Sep 04	31-Dec-08
	18,326	–	–	**18,326**	7.53	23 Mar 05	31-Dec-09
	242,742	–	(88,800)	**153,942**			
J P Williams	32,700	–	(32,700)	**–**	7.43	18 Jul 01	31-Dec-05
	32,700	–	–	**32,700**	7.43	28 Aug 02	31-Dec-06
	32,850	–	–	**32,850**	7.43	24 Jul 03	31-Dec-07
	36,149	–	–	**36,149**	7.035	15 Sep 04	31-Dec-08
	11,155	–	–	**11,155**	7.53	23 Mar 05	31-Dec-09
	–	34,124	–	**34,124**	7.88	28 Jul 06	31-Dec-10
	145,554	34,124	(32,700)	**146,978**			
P M Dacre	63,093	–	(63,093)	**–**	7.43	02 Nov 01	31-Dec-05
	29,707	–	(29,707)	**–**	7.43	11 Jan 02	31-Dec-05
	92,800	–	–	**92,800**	7.43	19 Sep 02	31-Dec-06
	32,974	–	–	**32,974**	7.035	14 Oct 04	31-Dec-08
	218,574	–	(92,800)	**125,774**			
D M M Dutton	10,094	–	–	**10,094**	7.43	10 Oct 02	31-Dec-06
	14,084	–	–	**14,084**	5.325	18 Jul 03	31-Dec-07
	25,587	–	–	**25,587**	7.035	15 Sep 04	31-Dec-08
	3,984	–	–	**3,984**	7.53	07 Apr 05	31-Dec-09
	–	16,142		**16,142**	7.88	26 Sep 06	31-Dec-10
	53,749	16,142	–	**69,891**			
K J Beatty	14,800	–	–	**14,800**	6.45	23 Jul 02	31-Dec-06
	13,119	–	–	**13,119**	7.035	15 Sep 04	31-Dec-08
	27,919	–	–	**27,919**			
	838,507	86,516	(214,300)	**710,723**			

(i) The awards made to Messrs Sinclair, Williams and Dacre, prior to 2004, were made at the market price at the date of the initial invitation in 2001. All other awards until 2005 were made at the market price at the date of each invitation.

(ii) The 2006 awards were made at the market price on 31st December, 2005.

(iii) On 1st January, 2006, the awards made in 2001 vested as to 50%. Each participant elected to realise his award (net of a deduction of 41% for income tax and employee national insurance contributions), which was made on 31st March at the prevailing share price of £6.98, and each of them retained all of the shares awarded. This gave rise to respective gains of £309,900, £114,100 and £323,900 by Messrs Sinclair, Williams and Dacre which are included within amounts receivable under long-term incentive schemes in the table of Directors' Emoluments on page 43.

Awards under the LTIP are subject to performance conditions, which will determine whether, and to what extent, shares under awards will vest. The performance conditions relate to the TSR of the Company initially over a five-year period against a peer group of UK and overseas companies determined by the Committee. TSR is the aggregate of share price growth and dividends paid (assuming that such dividends are reinvested in shares during the five-year period), and is commonly adopted as a measure of comparative performance. These performance conditions were chosen by the Committee in order to incentivise the executives to increase long-term shareholder value.

This comparator peer group is as follows (for awards made from 2001 to 2005)
Emap plc
Independent News and Media plc
Pearson plc
Reed Elsevier plc
SMG plc
The News Corporation plc
The Thomson Corporation plc
Trinity Mirror plc
United Business Media plc
Gannet Co. Inc
New York Times Co
Tribune Co

This comparator peer group is as follows (for awards made in 2006)
Emap plc
Independent News and Media plc
Informa plc
McGraw-Hill Companies Inc
Pearson plc
Reed Elsevier plc
Reuters Group plc
The News Corporation plc
The Thomson Corporation plc
Trinity Mirror plc
United Business Media plc
Washington Post Co

Awards will be realisable after the performance period to the extent of the percentage in the right-hand column below according to the Company's place in the list of comparator companies as indicated in the left hand column below:

TSR Ranking within the list of comparator companies (for awards made from 2001 to 2005)	% of Award capable of realisation
First	200%
Second or third	100%
Fourth, fifth, sixth or seventh	50%
Below seventh (i.e. below median)	0%

TSR Ranking within the list of comparator companies (for awards made from 2006)	% of Award realisable after 5 years
First	200%
Second	150%
Third	100%
Fourth	80%
Fifth	60%
Sixth	40%
Seventh	20%
Below seventh (i.e. below median)	0%

At the end of the five-year performance period, participants may elect either to realise their awards at that time or to extend the performance period to seven years. If they elect to extend the performance period, the level of committed shares must be maintained throughout the extended period. At the end of the seven-year performance period, the Company's TSR performance will be measured. The awards will be realisable after the performance period to the extent of the percentage in the right-hand column below according to the Company's place in the list of comparator companies as indicated in the left-hand column below:

TSR Ranking within the list of comparator companies (for awards made from 2001 to 2005)	% of Award capable of realisation
First	300%
Second or third	150%
Fourth, fifth, sixth or seventh	75%
Below seventh (i.e. below median)	0%

TSR Ranking within the list of comparator companies (for awards made from 2006)	% of Award capable of realisation
First	300%
Second	225%
Third	150%
Fourth	120%
Fifth	90%
Sixth	60%
Seventh	30%
Below seventh (i.e. below median)	0%

Performance to date

Year of award	Initial performance period	Position at 1st October, 2006
2002	1st Jan 2002 to 31st Dec 2006	Ninth
2003	1st Jan 2003 to 31st Dec 2007	Eighth
2004	1st Jan 2004 to 31st Dec 2008	Seventh
2005	1st Jan 2005 to 31st Dec 2009	Eighth
2006	1st Jan 2006 to 31st Dec 2010	Twelfth

DMGT's TSR ranking for the awards made in 2001, for which the performance period was 1st January, 2001 to 31st December, 2005, was seventh place.

Graphs

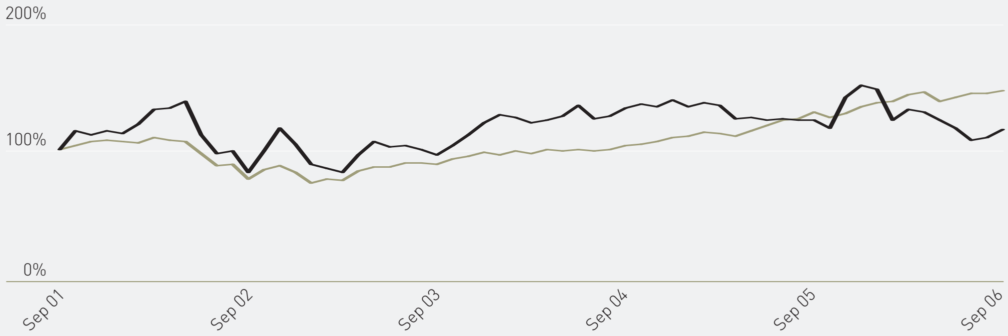
Graphs of DMGT's performance against each of its comparators for each of these periods are set out on pages 49 and 50. These graphs have been plotted using the relative rankings of each comparator at the end of each month. As such, they are approximations to the actual rankings under the rules, which are calculated using a two month average for the starting point and for each subsequent month. This may give a different result between the graphs and the table above.

The graphs on page 48 compare the DMGT total shareholder return with that of the FTSE 100 index and of the media index over a period of five years, as required by the Directors' Remuneration Report Regulations 2002. As a constituent of the FTSE 100 from February 1999 to June 2006 and as a constituent of the media index throughout the period, the Directors regard both indices as the most appropriate indices for purposes of comparison of the Group's performance. Additional graphs on page 48 illustrate performance over a twenty-year period for which data is available.

The graphs on pages 48 to 50 are unaudited.

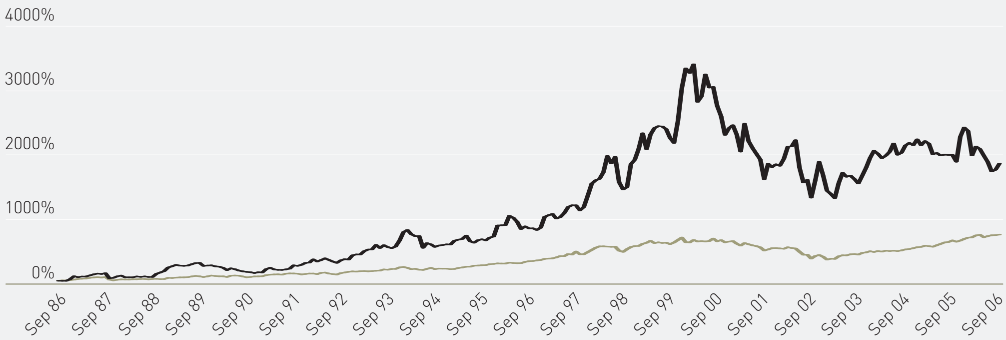
Unaudited information

Total Shareholder Return:
DMGT vs FTSE 100 2001-2006 — Under performance -20%



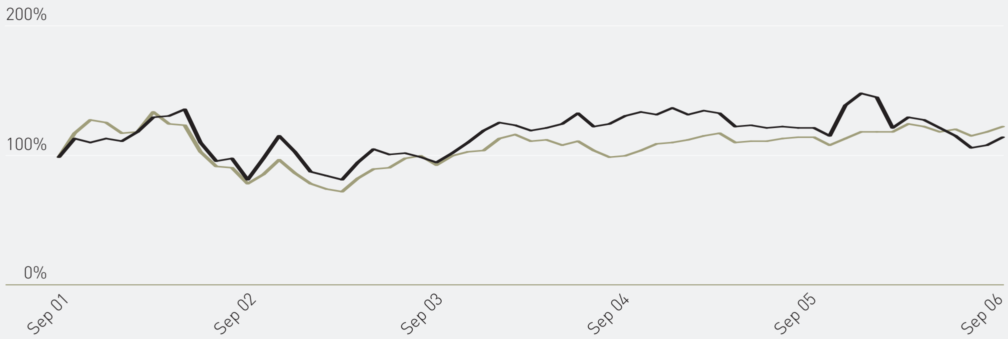
Key
DMGT 'A' TSR
FTSE 100 TSR

Total Shareholder Return:
DMGT vs FTSE 100 1986-2006 — Out performance +135%



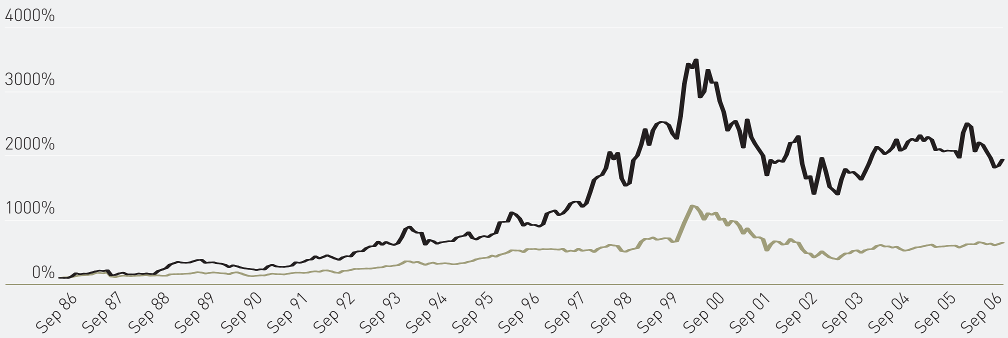
Key
DMGT 'A' TSR
FTSE 100 TSR

Total Shareholder Return:
DMGT vs Media Sector 2001-2006 — Under performance -7%



Key
DMGT 'A' TSR
Media Sector TSR

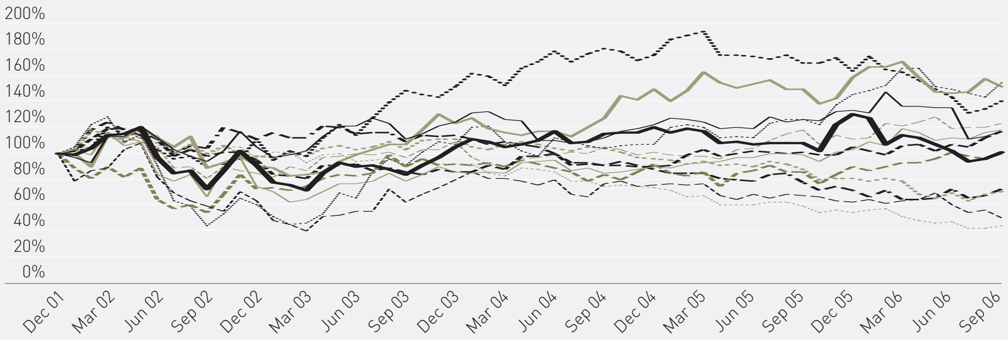
Total Shareholder Return:
DMGT vs Media Sector 1986-2006 — Out performance +200%



Key
DMGT 'A' TSR
Media Sector TSR

Total Shareholder Return:
DMGT vs Media Comparators 2002-2006

8th position

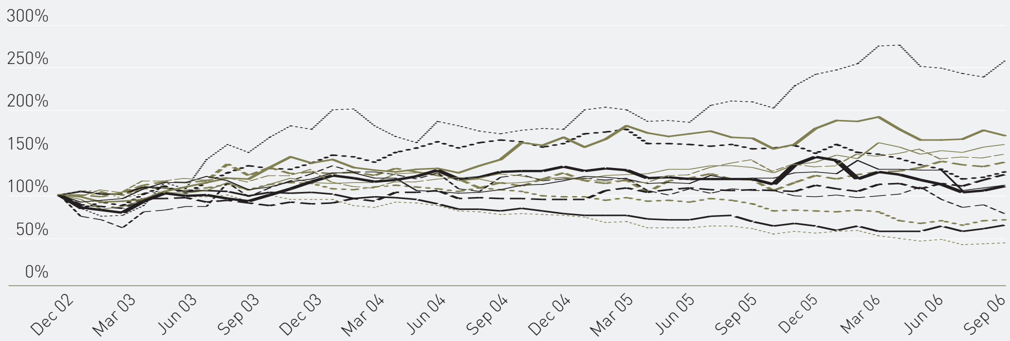


Key

- United Business Media
- Independent News & Media
- Trinity Mirror
- Thomson Corporation
- Pearson
- Reed Elsevier
- EMAP
- DMGT 'A'
- News Corporation
- Tribune Co
- Gannett Co
- SMG
- New York Times Co

Total Shareholder Return:
DMGT vs Media Comparators 2003-2006

9th position

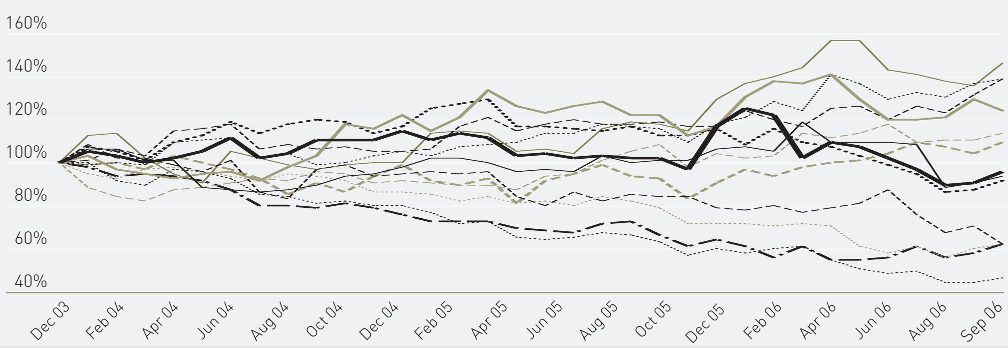


Key

- United Business Media
- Independent News & Media
- Pearson
- Thomson Corporation
- News Corporation
- Trinity Mirror
- Reed Elsevier
- EMAP
- DMGT 'A'
- SMG
- Gannett Co
- Tribune Co
- New York Times Co

Total Shareholder Return:
DMGT vs Media Comparators 2004-2006

7th position

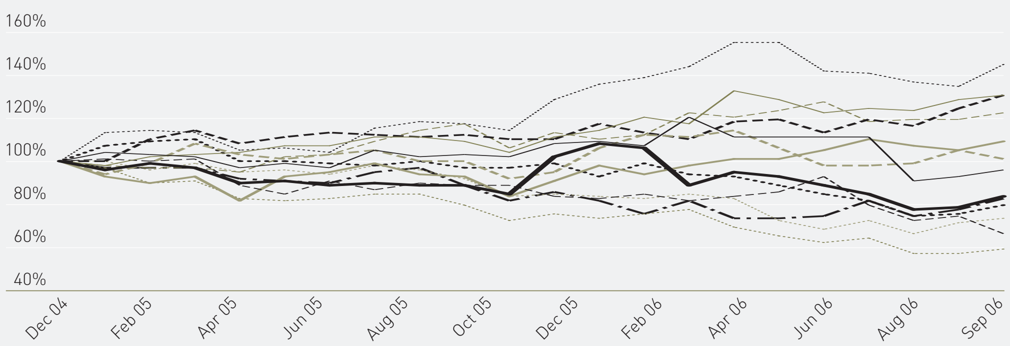


Key

- United Business Media
- Pearson
- Reed Elsevier
- Independent News & Media
- Thomson Corporation
- News Corporation
- DMGT 'A'
- EMAP
- Trinity Mirror
- SMG
- Gannett Co
- Tribune Co
- New York Times Co

Total Shareholder Return:
DMGT vs Media Comparators 2005-2006

8th position

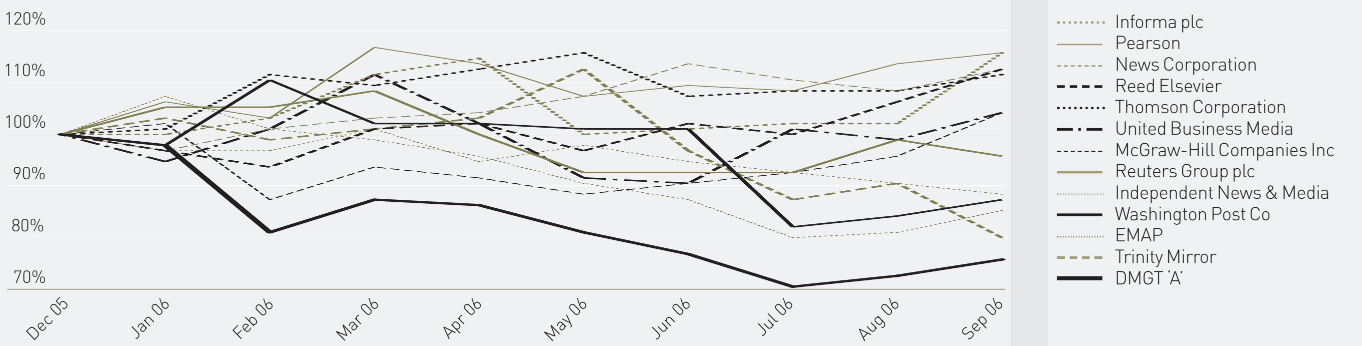


Key

- United Business Media
- Pearson
- Reed Elsevier
- Thomson Corporation
- News Corporation
- Independent News & Media
- EMAP
- DMGT 'A'
- Tribune Co
- Trinity Mirror
- Gannett Co
- SMG
- New York Times Co

Total Shareholder Return:
DMGT vs Media Comparators 2006 — 13th position

Key



Audited information
Accrued entitlements under the DMGT Senior Executives Pension Fund

Director	**Age at 1st October, 2006 Years**	Accrued pension entitlement at 2nd October, 2005 £000	Inflationary increase £000	Real increase in accrued pension £000	**Accrued entitlement at 1st October, 2006 £000**	Transfer value as at 2nd October, 2005 £000	Member's contributions £000	Transfer value of real increase in accrued pension net of member's contributions £000	Other changes to transfer value £000	**Transfer value as at 1st October, 2006 £000**
The Viscount Rothermere	**38**	23	1	9	**33**	141	7	54	24	**226**
C J F Sinclair	**58**	523	14	39	**576**	9,268	6	754	1,383	**11,411**
J P Williams	**53**	235	6	24	**265**	2,832	3	331	527	**3,693**
P M Dacre	**57**	554	15	29	**598**	9,558	6	547	1,270	**11,381**
K J Beatty	**48**	26	1	15*	**42***	244	119**	41	42	**446**

* includes £8,000 in respect of benefits granted in the Fund as a result of an individual transfer-in during the year.
** includes £112,000 in respect of an individual transfer-in during the year.

Accrued benefits under the Mail Newspapers Pension Scheme

Director	**Age at 1st October, 2006 Years**	Accrued Pension Entitlement at 2nd October, 2005 £000	Inflationary increase £000	Real increase in accrued pension £000	**Accrued Entitlement at 1st October, 2006 £000**	Transfer value as at 2nd October, 2005 £000	Transfer value of real increase in accrued pension £000	Other changes to transfer value £000	**Transfer value as at 1st October, 2006 £000**
P M Fallon	**60**	7	–	–	**7**	123	–	14	**137**

Notes to Directors' pension entitlements
(i) The DMGT Senior Executives Pension Fund, of which five executive Directors are members, has since 1st April, 2005 required a contribution from its members. The normal retirement age under the Fund for this group is sixty. For each Director, the accrued entitlement at 1st October, 2006 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each Director at this date. A spouse's/dependant's pension equal to two thirds of the Director's pension is incorporated and the Director can currently elect to receive the pension from age fifty, subject to a discount if retirement takes place before sixty. The pension, when in payment, will receive annual increases in line with inflation, which may be limited when inflation exceeds 3% per annum.

(ii) All transfer values have been calculated on the basis of actuarial advice in accordance with 'Retirement Benefit Schemes – Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Directors' pension benefits.

(iii) The Viscount Rothermere and Mr Beatty were subject to HM Revenue & Customs' pensionable earnings cap. To mitigate the impact of this pension restriction, the Company formulated a policy under which assets are held under trust and invested in a funded unapproved retirement benefits scheme. During the year, £52,926 (2005 £99,750) was paid into a trust on behalf of the Viscount Rothermere and £48,798 (2005 £82,741) on behalf of Mr Beatty. In the case of Mr Beatty, the payment made this year covered the period to 5th April, 2006 and that in the prior year the period after his appointment to the Board on 1st December, 2004.

(iv) Mr Fallon waived profit share in respect of the current year and of future years of £700,000 (2005 £138,800). Mr Fallon's pension benefit in the above table relates to a deferred pension in the Mail Newspapers Pension Scheme for pensionable service between 1st April, 1978 and 1st April, 1986. Neither the Group nor Mr Fallon continues to make any contributions to this scheme.

(v) The Company does not make any pension contributions on behalf of Mr Dutton.

Directors' interests (audited information)
The number of shares of the Company and of securities of other Group companies in which current Directors or their families had an interest at the dates shown are stated below.

Holdings of 12.5 pence Ordinary and 'A' Ordinary Non-Voting shares in Daily Mail and General Trust plc	Note	At 1st October, 2006 Ordinary	At 1st October, 2006 'A' Ordinary Non-Voting	At 2nd October, 2005 Ordinary	At 2nd October, 2005 'A' Ordinary Non-Voting
Beneficial					
The Viscount Rothermere	i, ii	**11,827,632**	**76,853,439**	11,827,632	76,851,613
C J F Sinclair	i, ii	**–**	**426,993**	–	397,699
J P Williams	i, ii	**–**	**224,871**	–	213,512
J G Hemingway		**–**	**200,000**	–	200,000
S M Gray		**4,000**	**84,000**	4,000	84,000
I G Park		**4,000**	**4,000**	4,000	4,000
F P Lowy		**–**	**–**	–	–
D M M Dutton	i	**–**	**102,312**	–	102,312
P M Dacre	i	**–**	**245,950**	–	218,574
P M Fallon		**–**	**41,500**	–	41,500
C W Dunstone		**–**	**13,800**	–	13,800
F P Balsemão		**–**	**–**	–	–
T S Gillespie		**–**	**5,000**	–	5,000
D J Verey		**6,500**	**15,000**	6,500	15,000
K J Beatty	i	**–**	**27,919**	–	27,919
		11,842,132	**78,244,784**	11,842,132	78,174,929
Non-beneficial					
The Viscount Rothermere		**669,208**	**5,540,000**	669,208	5,540,000
J G Hemingway		**4,000**	**5,540,000**	4,000	5,540,000
T S Gillespie		**–**	**6,888,968**	–	6,176,379
		673,208	**17,968,968**	673,208	17,256,379
Total Directors' interests		**12,515,640**	**96,213,752**	12,515,340	95,431,308
Less: duplications		**(8,000)**	**(12,428,968)**	(8,000)	(11,716,379)
		12,507,340	**83,784,784**	12,507,340	83,714,929

(i) The figures in the table above include 'A' shares committed by executives under the LTIP, details of which are set out on page 45.

(ii) The figures in the table above include 'A' shares awarded to executives under the DMGT Executive Bonus Scheme. For the Viscount Rothermere and Messrs Sinclair and Williams respectively, 24,235, 22,106 and 12,208 of these shares were subject to restrictions, explained on page 42, at 1st October, 2006. The comparable figures at 2nd October, 2005 were 22,409, 19,008 and 10,495 respectively.

Options to acquire

'A' Ordinary Non-Voting shares in the Company	Note	At 3rd October, 2005	Granted during year	Exercised during year	**At 1st October, 2006**	Exercise price £	Normal date from which exercisable	Expiry date
The Viscount Rothermere	*	60,000	–	–	**60,000**	6.48	15-Dec-01	15-Dec-08
	vi	36,000	–	–	**36,000**	10.30	23-Dec-02	23-Dec-09
	*	30,000	–	–	**30,000**	8.34	18-Dec-03	18-Dec-10
	*	30,000	–	–	**30,000**	6.45	14-Dec-04	14-Dec-11
	vi	50,000	–	–	**50,000**	5.73	16-Dec-05	16-Dec-12
	vii	40,000	–	–	**40,000**	6.08	8-Dec-06	8-Dec-13
		60,000	–	–	**60,000**	7.24	6-Dec-07	6-Dec-14
		–	65,000		**65,000**	6.98	31-Mar-09	31-Mar-16
		306,000	65,000	–	**371,000**			
C J F Sinclair	*	28,000	–	–	**28,000**	4.07	12-Jun-00	12-Jun-07
	*	20,000	–	–	**20,000**	6.48	15-Dec-01	15-Dec-08
	vi	43,000	–	–	**43,000**	10.30	23-Dec-02	23-Dec-09
	*	70,000	–	–	**70,000**	8.34	18-Dec-03	18-Dec-10
	*	50,000	–	–	**50,000**	6.45	14-Dec-04	14-Dec-11
	vi	75,000	–	–	**75,000**	5.73	16-Dec-05	16-Dec-12
	vii	80,000	–	–	**80,000**	6.08	8-Dec-06	8-Dec-13
		120,000	–	–	**120,000**	7.24	6-Dec-07	6-Dec-14
		–	120,000		**120,000**	6.98	31-Mar-09	31-Mar-16
		486,000	120,000	–	**606,000**			
J P Williams	*	20,000	–	–	**20,000**	4.07	12-Jun-00	12-Jun-07
	*	10,000	–	–	**10,000**	6.48	15-Dec-01	15-Dec-08
	vi	15,000	–	–	**15,000**	10.30	23-Dec-02	23-Dec-09
	*	20,000	–	–	**20,000**	8.34	18-Dec-03	18-Dec-10
	*	30,000	–	–	**30,000**	6.45	14-Dec-04	14-Dec-11
	vi	50,000	–	–	**50,000**	5.73	16-Dec-05	16-Dec-12
	vii	50,000	–	–	**50,000**	6.08	8-Dec-06	8-Dec-13
		60,000	–	–	**60,000**	7.24	6-Dec-07	6-Dec-14
		–	65,000		**65,000**	6.98	31-Mar-09	31-Mar-16
		255,000	65,000	–	**320,000**			
D M M Dutton	*	20,000	–	–	**20,000**	8.34	18-Dec-03	18-Dec-10
	vi	25,000	–	–	**25,000**	5.73	16-Dec-05	16-Dec-12
	vii	35,000	–		**35,000**	6.08	8-Dec-06	8-Dec-13
		40,000	–	–	**40,000**	7.24	6-Dec-07	6-Dec-14
		–	30,000		**30,000**	6.98	31-Mar-09	31-Mar-16
		120,000	30,000	–	**150,000**			
P M Dacre	*	60,000	–	–	**60,000**	6.48	15-Dec-01	15-Dec-08
	vi	30,000	–	–	**30,000**	10.30	23-Dec-02	23-Dec-09
	*	25,000	–	–	**25,000**	8.34	18-Dec-03	18-Dec-10
	*	60,000	–	–	**60,000**	7.25	11-Jul-04	11-Jul-11
	*	60,000	–	–	**60,000**	6.45	14-Dec-04	14-Dec-11
	vi	100,000	–	–	**100,000**	5.73	16-Dec-05	16-Dec-12
	vii	50,000	–	–	**50,000**	6.08	8-Dec-06	8-Dec-13
		80,000	–	–	**80,000**	7.24	6-Dec-07	6-Dec-14
		–	100,000		**100,000**	6.98	31-Mar-09	31-Mar-16
		465,000	100,000	–	**565,000**			
K J Beatty	*	30,000	–	–	**30,000**	6.48	15-Dec-01	15-Dec-08
	vi	14,000	–	–	**14,000**	10.30	23-Dec-02	23-Dec-09
	vi	14,000	–	–	**14,000**	10.96	16-Jun-03	16-Jun-10
	*	10,000	–	–	**10,000**	8.34	18-Dec-03	18-Dec-10
	*	15,000	–	–	**15,000**	6.45	14-Dec-04	14-Dec-11
	vi	20,000	–	–	**20,000**	5.73	16-Dec-05	16-Dec-12
	vii	20,000	–	–	**20,000**	6.08	8-Dec-06	8-Dec-13
		30,000	–	–	**30,000**	7.24	6-Dec-07	6-Dec-14
		–	50,000		**50,000**	6.98	31-Mar-09	31-Mar-16
		153,000	50,000	–	**203,000**			
		1,785,000	430,000	–	**2,215,000**			

* vested

(i) The table above sets out options granted under the DMGT 1997 Executive Share Option Scheme, from June 1997 to December 2004; and under the DMGT 2006 Executive Share Option Scheme from March 2006. No further grants will be made under the 1997 Scheme. All options under both Schemes were granted at market value at the date of grant and none required any payment. They are not normally exercisable before the third anniversary of the date of grant and in all circumstances will lapse if not exercised within ten years.

(ii) No Directors' options lapsed or had their terms and conditions varied during the year.

(iii) The mid-market price of the 'A' Ordinary Non-Voting shares was £6.065 at 1st October, 2006 and £6.60 at 2nd October, 2005. It ranged from £5.55 to £8.01 during the year.

(iv) Options granted under the 2006 Scheme have two separate conditions, as explained in note (iii) on page 42.

(v) Options granted under the 1997 Scheme do not normally vest until three years after the award and two performance conditions have been met. The first condition is that, in respect of four out of six consecutive monthly calculation dates (which start in the thirtieth month following the date of grant of a particular option), the total shareholder return (TSR) of the Company must exceed that of the FTSE 100 index. Secondly, there must be real growth in earnings per share ('eps') over a period of three consecutive financial years. Award sizes under this scheme were modest, compared to some other companies.

(vi) The TSR condition has not been met so far in respect of the options granted in December 1999, June 2000 or December 2002. For these and all other options that have not yet vested, the Company's TSR is currently underperforming that of the FTSE 100 significantly.

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

(viii) The status of performance conditions on outstanding share options is as follows:

1997 Scheme	Exercise price	TSR condition	EPS condition	Status
June 97	4.07	met	met	vested
Dec 98	6.48	met	met	vested
Dec 99	10.30	not yet met	met	not vested
June 00	10.96	not yet met	met	not vested
Dec 00	8.34	met	met	vested
Jul 01	7.25	met	met	vested
Dec 01	6.45	met	met	vested
Dec 02	5.73	not yet met	met	not vested
Dec 03	6.08	not yet met	met in year	not vested
Dec 04	7.24	not yet tested	not yet tested	not vested

2006 Scheme	Exercise price	TSR condition (performance to date v. median)	EPS condition	Status
Mar 06	6.98	-20%	not yet tested	not vested

(ix) There were 6,138,512 options outstanding under both schemes at the end of the year, as set out in Note 34 to the Balance Sheets. This represents 1.57% of the Company's total issued share capital (excluding treasury shares).

(x) The Company has been notified that, under sections 198 and 204 of the Companies Act 1985, each of the Viscount Rothermere, Mr Hemingway and Mr Gray were deemed to have been interested as shareholders in 12,496,840 Ordinary shares at 1st October, 2006 and at 2nd October, 2005.

(xi) At 1st October, 2006 and at 2nd October, 2005, the Viscount Rothermere was beneficially interested in 756,700 ordinary shares of Rothermere Continuation Limited, the Company's ultimate holding company.

(xii) The Viscount Rothermere was beneficially interested in 68 ordinary shares in Associated Newspapers North America Inc. at 1st October, 2006 and at 2nd October, 2005.

(xiii) Directors' beneficial shareholdings in Euromoney were as follows:

	At 1st October, 2006	At 2nd October, 2005
The Viscount Rothermere	**20,864**	20,864
C J F Sinclair	**7,494**	7,494
J P Williams	**3,075**	3,075
P M Fallon	**966,872**	962,329
	998,305	993,762

(xiv) Mr Fallon holds options in Euromoney, exercisable as follows:

	At 1st October, 2006	At 2nd October, 2005
At £3.9575 before 11th February, 2009	**85,000**	85,000
At £4.3125 before 25th June, 2009	**255,000**	255,000
At £2.08 between 1st February and 1st August, 2006	**–**	4,543
At £3.69 between 1st February, 2009 and 1st August, 2012	**2,533**	–
	342,533	344,543

The mid-market price of Euromoney's shares was £4.5825 at 1st October, 2006 and £4.12 at 2nd October, 2005. It ranged from £3.725 to £5.39 during the year.

(xv) On 1st February, Mr Fallon exercised options over 4,543 shares in Euromoney, when the market price was £5.15. Although Mr Fallon retained all of the shares acquired, this exercise is deemed to have given rise to a gain of £13,947 which is included in the analysis of Directors' emoluments on page 44.

(xvi) Mr Fallon is a member of Euromoney's Capital Appreciation Scheme which was introduced in January 2005. As such, he was awarded an option to subscribe for up to 750,000 shares in September 2005. The exercise price of each option is 0.25 pence with three option tranches, assuming the performance conditions are met, expiring on 30th September, 2012, 30th September, 2013 and 30th September, 2014. The award vests in full if the £50 million profit target is achieved, zero vesting at £40 million profit and on a sliding scale between these points. Full details of this scheme are contained in Euromoney's Annual Report.

(xvii) All shareholdings were unchanged at 22nd November, 2006.

(xviii) No Director of the Company has or had a disclosable interest in any contract of significance subsisting during or at the end of the year.

(xix) Disclosable transactions by the Group under IAS 24, Related Party Disclosures, are set out in Note 40. There have been no other disclosable transactions by the Company and its subsidiaries with directors of Group companies and with substantial shareholders since the publication of the last Annual Report.

On behalf of the Board

Rothermere
Chairman
22nd November, 2006

Independent Auditors' Report to the Members of Daily Mail and General Trust plc
We have audited the Group financial statements of Daily Mail and General Trust plc for the year ended 1st October, 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expenses and the related notes 1 to 42. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the individual Company financial statements of Daily Mail and General Trust plc for the year ended 1st October, 2006.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the Group financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long-term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' remuneration report described as having been audited are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' remuneration report described as having been audited.

Opinion
In our opinion:

the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 1st October, 2006 and of its profit for the year then ended;

the Group financial statements and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

the information given in the Directors' report is consistent with the Group financial statements.

Separate opinion in relation to IFRS
As explained in Note 1 of the Group financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 1st October, 2006 and of its profit for the year then ended.

Deloitte.

Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors
London
22nd November, 2006

CONSOLIDATED INCOME STATEMENT
for the year ended 1st October, 2006

	Note	2006 Total £m	2005 Total £m
Revenue	3	**2,176.0**	2,136.3
Operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets		**300.4**	283.4
Exceptional operating costs	3	**(41.1)**	(13.9)
Amortisation and impairment of goodwill and intangible assets		**(109.8)**	(34.0)
Operating profit		**149.5**	235.5
Share of results of joint ventures and associates	3, 5	**5.6**	(2.3)
Total operating profit		**155.1**	233.2
Other gains and losses	3, 6	**188.6**	15.5
Profit from operations		**343.7**	248.7
Investment revenue	3, 7	**7.1**	6.7
Finance costs	3, 8	**(39.3)**	(60.1)
Net finance costs		**(32.2)**	(53.4)
Profit before tax		**311.5**	195.3
Tax	9	**(60.0)**	(39.9)
Profit for the year from continuing operations		**251.5**	155.4
Attributable to:			
Equity shareholders		**239.8**	142.1
Minority interests		**11.7**	13.3
Profit for the year		**251.5**	155.4
Earnings per share	11		
From continuing operations			
Basic		**60.8p**	35.9p
Diluted		**60.7p**	35.8p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 1st October, 2006

	Note	2006 £m	2005 £m
Profit for the year		**251.5**	155.4
Foreign exchange differences on translation of foreign operations	35	**(15.2)**	15.1
Fair value movements on available for sale investments	35	**(26.7)**	–
Change in value of hedges recorded in equity	35	**11.3**	–
Actuarial gains on defined benefit pension schemes	35	**34.6**	15.2
Deferred tax on actuarial movement	35	**(10.4)**	(7.2)
Tax on other items recognised directly in equity	35	**(0.3)**	4.8
Net income recognised directly in equity		**244.8**	183.3
Transfers			
Transfer to income statement on disposal of available for sale assets	35	**(15.7)**	–
Transition adjustment on adoption of IAS 39	35	**(2.3)**	–
Total recognised income and expense for the year		**226.8**	183.3
Attributable to			
Equity shareholders		**215.1**	170.0
Minority interests		**11.7**	13.3
		226.8	183.3

RECONCILIATION OF MOVEMENTS IN EQUITY
for the year ended 1st October, 2006

	Note	2006 £m	2005 £m
Total recognised income and expense for the year		**226.8**	183.3
Dividends paid	10, 35	**(48.6)**	(44.9)
Dividends paid to minority interests	35	**(7.7)**	(5.7)
Issue of share capital	35	**1.4**	1.0
Shares issued to minority interests	35	**0.7**	3.2
Transactions with minority interests	35	**1.3**	(7.2)
Put options granted to minority interests yet to be acquired	35	**(8.4)**	–
Settlement of exercised share options of subsidiary	35	**(25.3)**	–
Other movements on share option schemes	35	**4.7**	5.7
Shares purchased to be held in treasury (net)	35	**(23.1)**	(13.7)
Reclassification of share option scheme		**–**	46.7
		121.8	168.4
Shareholders' equity at the beginning of year		**353.5**	185.1
Shareholders' equity at the end of year		**475.3**	353.5

CONSOLIDATED BALANCE SHEET

as at 1st October, 2006

	Note		2006 £m		2005 £m
ASSETS					
Non-current assets					
Goodwill	17		**675.5**		560.1
Other intangible assets	18		**449.4**		356.1
Property, plant and equipment	19		**513.7**		500.8
Investments					
Joint ventures	20	**18.9**		22.8	
Associates	20	**68.1**		68.4	
			87.0		91.2
Available for sale investments	21		**73.2**		91.4
Deferred tax assets	33		**15.7**		12.5
Trade and other receivables	23		**4.6**		8.6
			1,819.1		1,620.7
Current assets					
Inventories	22		**31.3**		26.6
Trade and other receivables	23		**363.0**		388.5
Trading investments	24		**–**		10.5
Derivative financial assets	29		**39.3**		4.0
Cash and cash equivalents	25		**97.3**		124.2
			530.9		553.8
Total assets			**2,350.0**		2,174.5
LIABILITIES					
Current liabilities					
Trade and other payables	26		**(536.2)**		(529.0)
Current tax payable	27		**(168.5)**		(123.2)
Financial liabilities	30		**(12.3)**		(17.8)
Derivative financial liabilities	29		**(4.5)**		(7.5)
Provisions	32		**(46.2)**		(50.7)
			(767.7)		(728.2)
Non-current liabilities					
Other non-current liabilities	26		**(1.6)**		(9.1)
Acquisition option commitments	28		**(32.7)**		–
Financial liabilities	30		**(832.0)**		(869.9)
Pension benefit obligations	31		**(151.3)**		(178.7)
Provisions	32		**(47.1)**		(34.1)
Deferred tax liabilities	33		**(42.3)**		(1.0)
			(1,107.0)		(1,092.8)
Total liabilities			**(1,874.7)**		(1,821.0)
Net assets			**475.3**		353.5
SHAREHOLDERS' EQUITY					
Called up share capital	34		**50.2**		50.2
Share premium account	35		**9.7**		8.3
Share capital			**59.9**		58.5
Revaluation reserve	35		**46.5**		71.1
Shares held in treasury	35		**(63.1)**		(40.0)
Translation reserve	35		**14.9**		19.1
Retained earnings	35		**417.1**		244.8
Total equity			**475.3**		353.5

The accounts on pages 56 to 124 were approved by the Directors and authorised for issue on 22nd November, 2006. They were signed on their behalf by:

Rothermere
C J F Sinclair
Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 1st October, 2006

	Note	2006 £m	2005 £m
Operating profit	3	**149.5**	235.5
Adjustments for:			
Share based payments		**11.6**	10.6
Depreciation	3, 19	**70.6**	71.1
Non-exceptional loss on disposal of property, plant and equipment	3	**–**	0.3
Amortisation of intangible assets	3, 18	**50.6**	28.7
Impairment of goodwill and intangible assets	3, 17, 18	**59.2**	5.3
Operating cash flows before movements in working capital		**341.5**	351.5
Increase in inventories		**(5.4)**	(1.9)
Increase in trade and other receivables		**(13.6)**	(38.0)
Increase in trade and other payables		**47.0**	60.0
Decrease/(increase) in provisions		**1.9**	(3.1)
Cash generated by operations		**371.4**	368.5
Taxation paid		**(29.1)**	(44.6)
Taxation received		**8.5**	9.0
Net cash inflow from operating activities		**350.8**	332.9
Investing activities			
Interest received		**3.5**	4.1
Dividends received from joint ventures and associates		**7.0**	6.8
Dividends received from other investments		**3.8**	2.6
Purchase of property, plant and equipment		**(117.5)**	(95.0)
Purchase of investments	21	**(21.6)**	(0.4)
Proceeds on disposal of property, plant and equipment		**19.1**	6.2
Proceeds on disposal of investments		**28.6**	16.0
Purchase of subsidiaries	14	**(293.4)**	(102.2)
Internally generated intangible fixed assets	18	**(10.5)**	–
Treasury hedging activities (net)		**5.3**	0.4
Investment in joint ventures and associates (net)	20	**(13.7)**	(29.7)
Proceeds on disposal of subsidiaries	14	**186.5**	15.7
Net cash used in investing activities		**(202.9)**	(175.5)
Financing activities			
Equity dividends paid	10	**(48.6)**	(44.9)
Dividends paid to minority interests	35	**(7.7)**	(5.7)
Issue of share capital	35	**1.4**	1.0
Issue of shares by Group companies to minority interests	35	**2.2**	3.2
Purchase of own shares	35	**(31.0)**	(15.4)
Settlement of subsidiary share option plan		**(6.4)**	–
Interest paid		**(50.1)**	(68.7)
Interest element of finance lease rental payments	13	**(0.1)**	(2.0)
Capital element of finance lease rental payments	13	**(7.2)**	(5.4)
Bonds repaid		**–**	(87.7)
Loan notes repaid	13	**(2.1)**	–
(Repayment)/increase of other borrowings	13	**(23.7)**	100.4
Net cash used in financing activities		**(173.3)**	(125.2)
Net (decrease)/increase in cash and cash equivalents	13	**(25.4)**	32.2
Cash and cash equivalents at beginning of year	13, 25	**124.0**	91.4
Exchange (loss)/gain on cash and cash equivalents	13	**(2.5)**	0.4
Cash and cash equivalents at end of year	13, 25	**96.1**	124.0

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.

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.

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 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

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.

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.

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.

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.

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.

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
	2,038.9	31.8	105.3	2,176.0	2,136.3

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
Operating profit/(loss)								
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)
	287.0	7.3	6.1	300.4	(41.1)	(59.2)	(50.6)	149.5
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)				
	147.6	(2.4)	4.3	149.5				

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.

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
Operating profit/(loss)					
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)

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	–	–	–	–	–
	0.3	–	–	0.3	–

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)
	5.3	–	–	5.3	(2.3)

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
	8.9	–	179.7	188.6	15.5

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

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 & 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

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)**
	2,350.0	**(1,874.7)**	**475.3**

	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)
	2,174.5	(1,821.0)	353.5

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	**–**	–	**–**	–	**–**	–
	35.1	2.7	**161.7**	103.2	**675.5**	560.1

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
	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 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
	70.6	71.1	**120.9**	110.1	**502.6**	500.8

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**	**2006 Total continuing £m**	2005 Total continuing £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
	2,038.9	**31.8**	**105.3**	**2,176.0**	2,136.3

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

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

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
	18,012	18,586

	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
	652.0	651.5

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)
	5.6	(2.3)
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)
	5.6	(2.3)

6 Other gains and losses

	Note	2006 £m	2005 £m
Profit on sale of fixed asset investments		**17.0**	9.9
Profit on sale of tangible fixed assets		**9.0**	1.0
Impairment of available for sale assets	21	**(13.0)**	(2.5)
Profit on sale of businesses	16	**174.8**	0.1
Profit on sale and deemed disposal of joint ventures and associates		**0.8**	7.0
		188.6	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	**0.5**	0.8
The Press Association Limited	**0.4**	0.4
Trading investments		
GCap Media plc	**2.3**	1.4
Interest receivable from short-term deposits	**3.9**	4.1
	7.1	6.7

8 Finance costs

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

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
	(53.6)	(48.5)
Overseas taxation		
Corporation taxes	**(11.4)**	(4.7)
Adjustments in respect of prior year	**(2.8)**	–
Total current taxation	**(67.8)**	(53.2)
Deferred tax		
Origination and reversals of timing differences	**2.3**	8.0
Adjustments in respect of prior year	**5.5**	5.3
	(60.0)	(39.9)

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	**(60.0)**	(39.9)

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).

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)
Adjusted earnings per share (before exceptional operating costs, amortisation and impairment of goodwill and intangible assets)	**46.4**	43.2

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)
Basic earnings per share denominator	**394.4**	396.1
Effect of dilutive share options	**0.9**	0.6
Dilutive earnings per share denominator	**395.3**	396.7

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

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

13 Analysis of net debt

	Note	At beginning of year £m	Cash flow £m	Change in mark to market value £m	On disposal of subsidiaries Note 17 £m	On acquisition of subsidiaries Note 16 £m	Issued on acquisition of subsidiaries Note 16 £m	Foreign exchange movements £m	Other non-cash movements £m	**At end of year £m**
Cash and cash equivalents	25	124.2	(24.3)	–	–	–	–	(2.6)	–	**97.3**
Bank overdrafts		(0.2)	(1.1)	–	–	–	–	0.1	–	**(1.2)**
Net cash and cash equivalents		124.0	(25.4)	–	–	–	–	(2.5)	–	**96.1**
Debt due within one year		(11.0)	3.6	–	–	(3.2)	(0.5)	–	–	**(11.1)**
Debt due after one year										
Bonds		(656.9)	–	2.3	–	–	–	–	0.7	**(653.9)**
Bank loans		(205.3)	22.2	–	–	–	–	5.0	–	**(178.1)**
		(873.2)	25.8	2.3	–	(3.2)	(0.5)	5.0	0.7	**(843.1)**
Finance lease obligations		(14.3)	7.3	–	7.0	–	–	–	–	**–**
		(887.5)	33.1	2.3	7.0	(3.2)	(0.5)	5.0	0.7	**(843.1)**
Effect of derivatives on bank loans		(3.5)	3.5	(2.3)	–	–	–	11.1	–	**8.8**
Net debt		(767.0)	11.2	–	7.0	(3.2)	(0.5)	13.6	0.7	**(738.2)**

Other non-cash movements in respect of bonds include the unwinding of premium of £1.0 million offset by the amortisation of issue costs of £0.3 million.

14 Analysis of movements in cash in respect of acquisitions and disposals

	Note	2006 £m	2005 £m
Acquisitions			
Cash consideration including acquisition expenses	15	**260.8**	80.7
Cash paid in respect of consideration deferred from prior years	32	**36.5**	21.5
Cash and cash equivalents acquired with subsidiaries	15	**(3.9)**	–
		293.4	102.2

Cash paid in respect of consideration deferred from prior years was mainly in respect of the business to business information and careers division.

During the year, the Group acquired businesses which had contributed £8.3 million to the Group's net operating cash flows, paid £0.6 million in respect of investing activities and paid £0.1 million in respect of financing activities.

	Note	2006 £m	2005 £m
Disposals			
Cash consideration including disposal costs	16	**186.5**	8.4
Cash consideration including disposal costs – associates		**–**	7.3
		186.5	15.7

During the year, the Group disposed of businesses which had contributed £11.1 million to the Group's net operating cash flows, paid £1.3 million in respect of investing activities and paid £0.4 million in respect of financing activities.

15 Summary of the effects of acquisitions

The principal acquisitions completed during the year, the percentage of voting rights acquired and the dates of acquisition were as follows:

Expressions of Culture	100% of common stock	Exhibitions and related activities	November, 2005
Primelocation.com	98.6% of ordinary shares	National newspapers and related activities	November, 2005
Profesia	100% of ordinary shares	Regional newspapers and related activities	November, 2005
Genscape	99.8% of common stock	Business to business information and careers	April, 2006
Allegran	100% of ordinary shares	National newspapers and related activities	May, 2006
Data Media and Retail	62.5% of ordinary shares	National newspapers and related activities	May, 2006
Abu Dhabi International Petroleum Exhibition and Conference	Asset purchase	Exhibitions and related activities	June, 2006
Evanta	Asset purchase	Exhibitions and related activities	June, 2006
Auto Exposure Limited	100% of ordinary shares	National newspapers and related activities	July, 2006
Interbase Limited	100% of ordinary shares	National newspapers and related activities	July, 2006
The Appointment Limited	100% of ordinary shares	National newspapers and related activities	July, 2006
Perex a.s.	100% of ordinary shares	Regional newspapers and related activities	August, 2006

The aggregate consideration for these and other businesses was £309.1 million, of which £260.8 million was paid in cash during the year, £0.5 million issued in the form of loan notes and an estimated amount of £38.9 million payable in the form of deferred consideration, depending upon trading results. This deferred consideration has been discounted back to current values in accordance with IFRS 3 Fair Values in Acquisition Accounting. In each case, the Group has used acquisition accounting to account for the purchase.

15 Summary of the effects of acquisitions continued

The impact of acquisition of businesses on net assets was:

	Note	Net book values £m	Provisional fair value adjustments £m	Provisional fair value £m
Net assets acquired:				
Tangible fixed assets	19	4.1	–	4.1
Stocks		0.3	–	0.3
Debtors and prepayments		24.2	–	24.2
Cash at bank and in hand	14	3.9	–	3.9
Current liabilities		(21.1)	–	(21.1)
Corporation tax		(1.1)	–	(1.1)
Bank loans and overdrafts	13	(3.2)	–	(3.2)
Deferred consideration	32	(4.9)	–	(4.9)
Deferred tax liabilities	33	(6.1)	(29.3)	(35.4)
				(33.2)
Goodwill	17			161.7
Intangible assets	18			180.6
Fair value of consideration				309.1
Satisfied by:				
Cash	14			260.8
Deferred consideration	32			38.9
Transfer from joint ventures and associates	20			8.9
Loan notes				0.5
				309.1

16 Summary of the effects of disposals

The principal disposals completed during the year, the proceeds received and dates of disposal were as follows:

Aberdeen Journals Limited	£116.9 m	April, 2006
Study Group International Limited	£66.7 m	September, 2006

16 Summary of the effects of disposals continued

The impact of disposals of businesses on net assets was:

	Note	£m
Net assets disposed of:		
Goodwill	17	2.3
Intangible assets	18	8.6
Tangible fixed assets	19	28.1
Inventories		0.8
Debtors		61.7
Creditors and provisions		(77.4)
Finance lease obligations	13	(7.0)
Corporation tax		(3.9)
Deferred consideration	32	(0.8)
Deferred tax liabilities	33	(0.7)
		11.7
Profit on disposal of businesses	6	174.8
		186.5
Satisfied by:		
Cash		186.5

NOTES TO THE CONSOLIDATED BALANCE SHEET

17 Goodwill

	Note	Goodwill £m
Cost		
At 3rd October, 2004		543.3
Additions		103.2
Adjustment to previous year estimate of deferred consideration		(0.4)
Disposals		(4.7)
Reclassification to other intangible assets	18	(124.8)
Reclassification from property, plant and equipment	19	52.3
Exchange adjustment		2.1
At 2nd October, 2005		571.0
Additions	15	161.7
Adjustment to previous year estimate of deferred consideration	32	0.5
Disposals	16	(2.6)
Transfer		(2.2)
Exchange adjustment		(7.6)
At 1st October, 2006		**720.8**

17 Goodwill continued

	Note	Goodwill £m
Accumulated amortisation		
At 3rd October, 2004		23.0
Impairment		2.7
Disposals		(0.5)
Reclassification to other intangible assets	18	(29.8)
Reclassification from property, plant and equipment	19	15.5
At 2nd October, 2005		10.9
Impairment	3	35.1
Disposals	16	(0.3)
Transfer		(0.1)
Exchange adjustment		(0.3)
At 1st October, 2006		**45.3**
Net book value – 2006		**675.5**
Net book value – 2005		560.1

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The impairment recognised for the year was £35.1 million (2005 £2.7 million). Of the impairment for the year, £15.4 million relates to the exhibition division following a downturn in the consumer and gift markets it serves and £19.2 million relating to the national newspapers division.

When testing for impairment, the recoverable amounts for all the Group's cash-generating units (CGUs) are measured at their value in use by discounting future expected cash flows. These calculations use cash flow projections based on management approved budgets and forecasts in the case of businesses acquired in the year, the cash flow projections are consistent with the business acquisition plans. Cash flows beyond the initial five-year period are extrapolated using a long-term growth rate. The cash flows are discounted at the Group's weighted current cost of capital adjusted for the particular risks associated with each CGU. These assumptions have been used for all CGUs to which goodwill is allocated.

Goodwill arising on the acquisitions is attributable to the anticipated profitability relating to the distribution of the Group's products in new and existing markets and anticipated operating synergies from the business combinations.

18 Other intangible assets

	Note	Titles £m	Radio licences £m	Brands £m	Customer related databases £m	Computer software £m	Other £m	Total other intangible assets £m
Cost								
At 3rd October, 2004		261.9	206.3	6.6	–	6.8	0.6	482.2
Additions		–	–	4.3	–	–	0.3	4.6
Disposals		–	(3.4)	–	–	(0.2)	(0.1)	(3.7)
Reclassification from goodwill	17	27.0	–	47.9	14.0	35.4	0.5	124.8
Exchange adjustment		–	10.6	1.0	0.4	0.4	(0.2)	12.2
At 2nd October, 2005		288.9	213.5	59.8	14.4	42.4	1.1	620.1
Additions	15	28.0	–	117.8	34.8	–	0.3	180.6
Internally generated		–	–	–	–	10.5	–	10.5
Disposals	16	(18.0)	–	–	–	(0.5)	–	(18.5)
Transfer		(0.3)	–	2.3	1.0	(1.2)	0.9	2.7
Exchange adjustment		(1.0)	(16.2)	(2.6)	(1.1)	(0.4)	(0.1)	(21.4)
At 1st October, 2006		**297.6**	**197.3**	**177.3**	**49.1**	**50.8**	**1.9**	**774.0**

18 Other intangible assets continued

	Note	Titles £m	Radio licences £m	Brands £m	Customer related databases £m	Computer software £m	Other £m	Total other intangible assets £m
Accumulated amortisation								
At 3rd October, 2004		183.8	16.5	1.9	–	4.4	0.1	206.7
Charge for the year		12.3	6.3	0.7	0.8	7.9	0.7	28.7
Impairment		–	–	2.6	–	–	–	2.6
Disposals		–	(0.2)	–	–	–	(0.2)	(0.4)
Reclassification from goodwill	17	17.7	–	1.5	–	10.6	–	29.8
Exchange adjustment		0.1	(3.8)	0.3	–	–	–	(3.4)
At 2nd October, 2005		213.9	18.8	7.0	0.8	22.9	0.6	264.0
Charge for the year		14.6	10.4	13.7	5.8	5.6	0.5	50.6
Impairment		–	22.5	0.5	0.1	1.0	–	24.1
Disposals	16	(9.4)	–	–	–	(0.5)	–	(9.9)
Transfer		(0.1)	–	–	–	0.6	(0.7)	(0.2)
Exchange adjustment		(0.1)	(2.9)	(0.4)	(0.2)	(0.2)	(0.2)	(4.0)
At 1st October, 2006		**218.9**	**48.8**	**20.8**	**6.5**	**29.4**	**0.2**	**324.6**
Net book value – 2006		**78.7**	**148.5**	**156.5**	**42.6**	**21.4**	**1.7**	**449.4**
Net book value – 2005		75.0	194.7	52.8	13.6	19.5	0.5	356.1

Intangible assets all have a finite life and are being amortised over their useful lives. Each year, the Group reviews the appropriateness of its intangible assets. The Group tests intangible fixed assets annually for impairment, or more frequently if there are indicators that intangible fixed assets might be impaired. The impairment recognised for the year was £24.1 million (2005 £2.6 million). Of the impairment for the year, £22.4 million relates to write down of radio licences following a softening of the markets they serve, £1.0 million relating to the national newspapers division and £0.8 million relating to the exhibitions division following a downturn in the consumer and gift markets they serve. The Group is satisfied that the carrying value at 1st October, 2006 remains recoverable in full.

When testing for impairment, the recoverable amounts for all the Group's cash-generating units (CGUs) are measured at their value in use by discounting future expected cash flows. These calculations use cash flow projections based on management approved budgets and forecasts in the case of businesses acquired in the year, the cash flow projections are consistent with the business acquisition plans. Cash flows beyond the initial five-year period are extrapolated using a long-term growth rate. The cash flows are discounted at the Group's weighted current cost of capital adjusted for the particular risks associated with each CGU.

The Group's material intangible assets are further analysed as follows:

	Carrying value £m	Remaining amortisation period Years
Institutional Investor title	10.1	11.0
Primelocation brand	10.2	4.3
SimplySwitch brand	11.0	4.9
Western Exhibitors brand	12.0	14.3
Perex title	13.7	5.8
Evanta brand	14.3	14.8
Allegran brand	15.3	4.4
Vega 91.5 radio licence	16.0	19.0
Genscape intellectual property	16.0	19.5
Nova 100 radio licence	21.2	15.2
Vega 95.3 radio licence	22.0	18.8
Nova 106.9 radio licence	29.6	18.5
Nova 96.9 radio licence	44.9	14.5

19 Property, plant and equipment

	Note	Freehold properties £m	Long leasehold properties £m	Short leasehold properties £m	Plant and equipment £m	Total £m
Cost						
At 3rd October, 2004		105.4	78.3	46.7	773.5	1,003.9
Owned by subsidiaries acquired		–	–	–	0.4	0.4
Additions		3.8	9.8	5.0	91.5	110.1
Disposals		(1.4)	–	(1.3)	(104.4)	(107.1)
Reclassification to goodwill	17	–	–	–	(52.3)	(52.3)
Exchange adjustment		2.5	0.5	1.8	2.3	7.1
At 2nd October, 2005		110.3	88.6	52.2	711.0	962.1
Owned by subsidiaries acquired	15	–	–	–	4.1	4.1
Additions		39.3	1.4	3.2	77.0	120.9
Disposals		(6.2)	(0.5)	(0.9)	(48.4)	(56.0)
Owned by subsidiaries disposed	16	(5.2)	(6.7)	(2.8)	(45.1)	(59.8)
Transfers		6.2	(6.2)	–	–	–
Exchange adjustment		(5.0)	(0.3)	(1.1)	1.6	(4.8)
Revaluation adjustment		(0.6)	–	(0.1)	0.8	0.1
At 1st October, 2006		**138.8**	**76.3**	**50.5**	**701.0**	**966.6**
At 2nd October, 2005						
Held at: Cost		108.2	88.5	52.0	711.0	959.7
Valuation		2.1	0.1	0.2	–	2.4
		110.3	88.6	52.2	711.0	962.1
At 1st October, 2006						
Held at: Cost		137.8	76.3	50.5	701.0	965.6
Valuation		1.0	–	–	–	1.0
		138.8	**76.3**	**50.5**	**701.0**	**966.6**

	Note	Freehold properties £m	Long leasehold properties £m	Short leasehold properties £m	Plant and equipment £m	Total £m
Accumulated depreciation						
At 3rd October, 2004		21.1	27.4	26.9	429.1	504.5
Charge for the year		1.5	2.7	2.3	64.6	71.1
Disposals		(0.3)	–	(0.8)	(99.2)	(100.3)
Reclassification to goodwill	17	–	–	–	(15.5)	(15.5)
Exchange adjustment		–	–	0.1	1.4	1.5
At 2nd October, 2005		22.3	30.1	28.5	380.4	461.3
Charge for the year	3	1.3	3.5	4.0	61.8	70.6
Disposals		(1.4)	(0.1)	(0.4)	(44.9)	(46.8)
Owned by subsidiaries disposed	16	(0.2)	(1.3)	(1.5)	(28.7)	(31.7)
Exchange adjustment		(0.1)	–	(0.3)	(0.1)	(0.5)
At 1st October, 2006		**21.9**	**32.2**	**30.3**	**368.5**	**452.9**
Net book value – 2006		**116.9**	**44.1**	**20.2**	**332.5**	**513.7**
Net book value – 2005		88.0	58.5	23.7	330.6	500.8

The Group's properties, other than its specialised buildings, were revalued at 30th September, 1994, on the basis of external valuations and are depreciated over their useful economic lives. Subsequent additions are carried at historical cost, less accumulated depreciation, in accordance with IAS 16 Tangible Fixed Assets. Specialised buildings, being those properties constructed specifically for use in the business, are carried at historical cost less accumulated depreciation.

19 Property, plant and equipment continued

Group fixed assets include assets in the course of construction as follows:

	Freehold properties £m	Long leasehold properties £m	Short leasehold properties £m	Plant and equipment £m	Total £m
Assets in the course of construction					
Cost and net book value					
At 3rd October, 2004	–	0.2	0.1	31.5	31.8
Projects completed	–	(0.4)	–	(26.5)	(26.9)
Additions	–	8.9	–	18.7	27.6
Exchange adjustment	–	–	–	0.2	0.2
At 2nd October, 2005	–	8.7	0.1	23.9	32.7
Owned by subsidiaries disposed	–	–	(0.1)	(0.5)	(0.6)
Projects completed	–	(8.6)	–	(12.8)	(21.4)
Additions	29.3	0.3	–	32.2	61.8
Exchange adjustment	–	–	–	(0.1)	(0.1)
At 1st October, 2006	**29.3**	**0.4**	–	**42.7**	**72.4**

No depreciation was charged on assets in the course of construction during the year (2005 £Nil).

The net book value of Group plant and equipment includes £Nil (2005 £24.8 million) in respect of assets held under finance leases mainly held in a number of the Group's provincial newspaper centres. Depreciation of £1.6 million (2005 £4.8 million) was charged on such assets in the year.

The historical cost and related depreciation of Group properties are set out below:

	Freehold properties £m	Leasehold properties long £m	Leasehold properties short £m
At 3rd October, 2004			
Historical cost at end of year	114.0	88.5	52.8
Aggregate depreciation based on historical cost	(22.8)	(30.4)	(29.3)
At 2nd October, 2005	91.2	58.1	23.5
Historical cost at end of year	141.9	76.3	51.3
Aggregate depreciation based on historical cost	(22.2)	(32.6)	(31.2)
At 1st October, 2006	**119.7**	**43.7**	**20.1**

20 Investments in joint ventures and associates

	Cost of shares £m	Loans £m	Share of post-acquisition retained reserves £m	Total £m
Joint ventures				
At 3rd October, 2004	43.0	7.8	(27.5)	23.3
Additions	1.7	1.1	–	2.8
Loan repayment	–	(2.9)	–	(2.9)
Disposals	(16.2)	(3.5)	17.9	(1.8)
Share of retained reserves	–	–	(1.1)	(1.1)
Exchange adjustment	2.3	0.2	–	2.5
At 2nd October, 2005	30.8	2.7	(10.7)	22.8
Additions	0.6	2.2	–	2.8
Loan repayment	–	(0.2)	–	(0.2)
Share of retained reserves	–	–	(2.4)	(2.4)
Transfer to investment in subsidiaries	(0.1)	(0.2)	(3.7)	(4.0)
Exchange adjustment	(0.3)	(0.2)	0.4	(0.1)
At 1st October, 2006	**31.0**	**4.3**	**(16.4)**	**18.9**

20 Investments in joint ventures and associates continued

Summarised income statement and balance sheet information in respect of the Group's joint ventures analysed by business activity is set out below:

	2006 Revenue £m	2005 Revenue £m	**2006 Operating profit £m**	2005 Operating profit £m	**2006 Assets/(liabilities) £m**	2005 Assets/(liabilities) £m
National newspapers and related activities	**1.9**	2.4	**(4.5)**	0.3	**(3.7)**	(6.4)
Regional newspapers and related activities	**2.0**	–	**0.3**	–	**0.5**	–
Business to business information and careers	**3.7**	3.1	**1.0**	0.7	**2.2**	–
Euromoney Institutional Investor	**–**	1.9	**–**	0.4	**–**	0.6
Radio	**11.2**	10.3	**7.0**	0.5	**19.3**	24.1
Total	**18.8**	17.7	**3.8**	1.9	**18.3**	18.3
Group's share of joint ventures' results					**18.9**	22.8

Information on principal joint ventures from the latest available accounts (all incorporated in Great Britain and registered and operating in England and Wales unless otherwise stated).

	Principal activity	Year ended	Description of holding	Group interest %
Unlisted				
A-Z Agentia de Publicitate S.A. (incorporated and operating in Romania)	Publisher of classified publications	31 Dec 05	Ordinary	50.0%
OYO RMS Corporation (incorporated and operating in Japan)	Risk management information provider	30 Sep 06	Ordinary	50.0%
Brisbane FM Radio Pty Limited (incorporated and operating in Australia)	Independent radio operator	31 Dec 05	Ordinary	50.0%
DMG Radio (Perth) Pty Limited (incorporated and operating in Australia)	Independent radio operator	30 Sep 06	Ordinary	50.0%

	Cost of shares £m	Loans £m	Share of post-acquisition retained reserves £m	Total £m
Associates				
At 3rd October, 2004	210.9	3.6	(96.3)	118.2
Additions	27.2	2.9	–	30.1
Loan repayment	–	(0.4)	–	(0.4)
Share of retained reserves	–	–	(8.5)	(8.5)
Transfer to long-term investments	(125.0)	–	52.2	(72.8)
Exchange adjustment	1.8	–	–	1.8
At 2nd October, 2005	114.9	6.1	(52.6)	68.4
Additions	4.8	6.3	–	11.1
Share of retained reserves	–	–	1.0	1.0
Transfer to investment in subsidiaries	(4.0)	–	(0.9)	(4.9)
Disposals	(0.3)	–	(0.3)	(0.6)
Exchange adjustment	(7.6)	–	0.7	(6.9)
At 1st October, 2006	**107.8**	**12.4**	**(52.1)**	**68.1**

20 Investments in joint ventures and associates continued

Summarised income statement and balance sheet information in respect of the Group's associates analysed by business activity is set out below:

	2006 Revenue £m	2005 Revenue £m	**2006 Operating profit £m**	2005 Operating profit £m	**2006 Assets/(liabilities) £m**	2005 Assets/(liabilities) £m
National newspapers and related activities	**163.8**	142.3	**4.5**	1.8	**(22.0)**	(16.6)
Regional newspapers and related activities	**7.9**	8.2	**(2.0)**	(4.8)	**2.2**	(2.2)
Business to business information and careers	**3.0**	2.6	**0.9**	0.6	**1.0**	0.4
Euromoney Institutional Investor	**6.7**	3.8	**1.8**	1.3	**2.0**	(2.6)
Exhibitions and related activities	**41.8**	44.0	**22.4**	24.4	**1.8**	2.7
Radio	**–**	–	**–**	–	**–**	(0.1)
Net total	**223.2**	200.9	**27.6**	23.3	**(15.0)**	(13.0)
Group's share of associates results					**68.1**	68.4

Information on principal associates from the latest available accounts (all incorporated and operating in Great Britain unless otherwise stated).

	Principal activity	Year ended	Description of holding	Group interest %
Unlisted				
George Little Management LLC (incorporated and operating in the USA)	Organisers of trade exhibitions	30 Sep 06	Class A and B membership interests	40.0%
Independent Television News Limited	Independent TV news provider	31 Dec 05	Ordinary	20.0%
Shopcreator plc	Internet e-commerce software provider	31 Dec 05	Ordinary	17.0%
Indigo Holidays Limited	Tour operator	30 Jun 06	Ordinary	38.0%

Joint ventures have been accounted for under the proportionate consolidation method and associates under the equity method using unaudited accounts to 1st October, 2006, provided in the case of listed associates that such information is public information at the latest practicable date for inclusion by the Group.

As part of a prior year transaction to acquire a 25% interest in George Little Management LLC, the Group received a preferred profit distribution of US$1.5 million for the first five years to November 2005. The purchase agreement included 'put and call options' for the balance of the shares. Details of these commitments are given in Note 40.

The Group has significant influence in Shopcreator plc and participates in its direction through board representation, even though its holding is below 20%.

21 Non-current assets – available for sale investments

	Note	2005 Listed £m	2005 Unlisted £m	2005 Total £m
At 3rd October, 2004		–	20.5	20.5
Additions		–	0.4	0.4
Transfer from associates	20	72.8	–	72.8
Provided during year (impairment)	6	–	(2.5)	(2.5)
Exchange adjustment		–	0.2	(0.2)
At 2nd October, 2005		72.8	18.6	91.4

21 Non-current assets – available for sale investments continued

	Note	2006 Listed £m	2006 Unlisted £m	2006 Total £m
At 2nd October, 2005		72.8	18.6	91.4
Fair value adjustment on adoption of IAS32 and 39		2.1	–	2.1
At 2nd October, 2005 – fair value		74.9	18.6	93.5
Additions		21.2	0.4	21.6
Disposals		–	(1.1)	(1.1)
Transfer from associates	20	(1.4)	(0.3)	(1.7)
Provided during year (impairment)	6	–	(13.0)	(13.0)
Deficit on revaluation		(26.7)	–	(26.7)
Exchange adjustment		–	0.6	0.6
At 1st October, 2006		**68.0**	**5.2**	**73.2**

The investments above represent investments in listed equity securities and unlisted securities, which are recorded as non-current assets unless they are expected to be sold within one year, in which case they are recorded as current assets. The investments in listed securities have no fixed maturity or coupon rate and the fair value of these investments is based on quoted market prices.

Since there is no active market upon which they are traded, unlisted equity securities are recorded at cost, as their fair values cannot be reliably measured.

Investments are analysed as follows:

	2006 £m	2005 £m
Listed		
Gcap Media plc	**48.2**	73.3
Metal Bulletin plc	**20.1**	–
Other	**0.1**	–
	68.4	73.3
Unlisted		
XAP Corporation Inc	**–**	12.0
Other	**4.8**	6.1
	4.8	18.1
	73.2	91.4

The Group's investment in XAP Corporation Inc has been impaired by £12.0 million (2005 £Nil) following a review of its carrying value.

Information on principal investments, taken from latest published accounts (incorporated in Great Britain unless stated otherwise).

	Class of holding	Group interest %
Gcap Media plc	Ordinary	14.3%
The Press Association Limited	Ordinary	15.6%
XAP Corporation Inc (taken from the shareholders' agreement; incorporated and operating in the USA)	Preferred	18.5%
Metal Bulletin plc	Ordinary	8.9%

22 Inventories

	2006 £m	2005 £m
Raw materials and consumables	**13.3**	13.2
Work in progress	**17.9**	12.7
Finished goods	**0.1**	0.7
	31.3	26.6

23 Trade and other receivables

	2006 £m	2005 £m
Current assets		
Trade receivables	**294.4**	305.5
Prepayments and accrued income	**38.5**	55.3
Other debtors	**30.1**	27.7
	363.0	388.5
Non-current assets		
Trade receivables	**–**	5.0
Prepayments and accrued income	**0.5**	2.3
Other debtors	**4.1**	1.3
	4.6	8.6
	367.6	397.1

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

24 Trading investments

	Note	2006 £m	2005 £m
At beginning of year – book value		**10.5**	16.9
Fair value adjustment on adoption of IAS 32 and 39		**15.7**	–
At beginning of year – fair value		**26.2**	16.9
Disposals	6	**(26.2)**	(6.1)
Exchange adjustment		**–**	(0.3)
At end of year – fair value		**–**	10.5

The above investment represented the Group's investment in Reuters Group plc ordinary share capital.

25 Cash and cash equivalents

	Note	2006 £m	2005 £m
Cash at bank and in hand		**97.3**	81.7
Short-term deposits		**–**	42.5
Cash and cash equivalents		**97.3**	124.2
Unsecured bank overdrafts	30	**(1.2)**	(0.2)
Cash and cash equivalents in the cash flow statement	13	**96.1**	124.0

26 Trade and other payables

	2006 £m	2005 £m
Current liabilities		
Trade payables	**118.3**	84.3
Interest payable	**30.9**	29.1
Other taxation and social security	**28.2**	40.2
Other creditors	**27.9**	27.4
Accruals and deferred income	**330.9**	348.0
	536.2	529.0
Non-current liabilities		
Other creditors	**1.6**	9.1
	537.8	538.1

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

27 Current liabilities – current tax payable

	2006 £m	2005 £m
Corporation tax payable	**168.5**	123.2

28 Acquisition option commitments

	2006 £m	2005 £m
Acquisition option commitments	**32.7**	–

The Group is party to a number of put options over the remaining minority and majority interests in its subsidiaries, joint ventures, associates and investments. IAS 39 Financial Instruments requires the recognition of acquisition liabilities. The Group has taken advantage of the transitional rules available under IAS 39 and hence the adoption of IAS 39 has no impact on accounting for financial derivatives for 2005. The effective date of adoption of IAS 39 is 3rd October 2005, the discounted present value of these options is £32.7 million (2005 £20.1 million). From 3rd October, 2005 onwards these discounts are unwound as a notional interest charge to the income statement.

29 Derivative financial instruments

The Group's derivative financial instruments are summarised as follows:

	2006 £m	2005 £m
Current assets		
Derivative financial assets	**39.3**	4.0
Current liabilities		
Derivative financial liabilities	**(4.5)**	(7.5)
Net derivative financial assets	**34.8**	(3.5)

The maturity profile of the Group's derivative financial instruments is as follows:

	Fair value hedges £m	Cash flow hedges £m	Net investment hedges £m	Derivatives not qualifying for hedge accounting £m	Derivative financial assets £m
2006					
Within 1 year	**–**	**24.4**	**2.2**	**0.3**	**26.9**
Between 1 – 2 years	**–**	**0.6**	**5.0**	**0.3**	**5.9**
Between 2 – 5 years	**–**	**1.4**	**1.6**	**–**	**3.0**
Over five years	**–**	**–**	**3.5**	**–**	**3.5**
	–	**2.0**	**10.1**	**0.3**	**12.4**
	–	**26.4**	**12.3**	**0.6**	**39.3**
2005					
Within 1 year	–	–	0.8	–	0.8
Between 1 – 2 years	–	–	–	–	–
Between 2 – 5 years	–	–	2.2	–	2.2
Over five years	–	–	1.0	–	1.0
	–	–	3.2	–	3.2
	–	–	4.0	–	4.0

29 Derivative financial instruments continued

	Fair value hedges £m	Cash flow hedges £m	Net investment hedges £m	Derivatives not qualifying for hedge accounting £m	Derivative financial liabilities £m
2006					
Within 1 year	**–**	**(0.7)**	**(0.8)**	**(0.1)**	**(1.6)**
Between 1 – 2 years	**–**	**–**	**–**	**–**	**–**
Between 2 – 5 years	**–**	**–**	**–**	**–**	**–**
Over five years	**(2.3)**	**–**	**(0.6)**	**–**	**(2.9)**
	(2.3)	**–**	**(0.6)**	**–**	**(2.9)**
	(2.3)	**(0.7)**	**(1.4)**	**(0.1)**	**(4.5)**
2005					
Within 1 year	–	–	(1.4)	–	(1.4)
Between 1 – 2 years	–	–	(0.2)	–	(0.2)
Between 2 – 5 years	–	–	(0.6)	–	(0.6)
Over five years	–	–	(5.3)	–	(5.3)
	–	–	(6.1)	–	(6.1)
	–	–	(7.5)	–	(7.5)

30 Financial assets and liabilities

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

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

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

30 Financial assets and liabilities continued

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

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

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

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

30 Financial assets and liabilities continued

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

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

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

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

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

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

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

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

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

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

30 Financial assets and liabilities continued
The nominal values of the bonds are as follows:

	2006 £m	2005 £m
7.5% Bonds 2013	**300.0**	300.0
5.75% Bond 2018	**175.0**	175.0
10% Bonds 2021	**165.0**	165.0
	640.0	640.0

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

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

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

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

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

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

	2006 £m	2005 £m
Expiring in more than one year but not more than two years	**260.0**	–
Expiring in more than two years	**115.2**	107.3
	375.2	107.3

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

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

30 Financial assets and liabilities continued

Interest rate risk

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

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

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

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

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

Foreign exchange rate risk

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

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

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

30 Financial assets and liabilities continued

Credit risk

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

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

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

	2006 £m	2005 £m
Expiring in one year or less		
Bank deposits	**97.3**	81.7
Money market fund investments	**–**	42.5
Derivative financial instruments	**39.3**	4.0
	136.6	128.2

Hedge accounting

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

Fair value hedges

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

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

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

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

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

Cash flow hedges

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

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

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

Net investment hedges

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

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

30 Financial assets and liabilities continued

Currency and interest rate composition of financial assets

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

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

Financial asset maturity profile

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

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

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

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

31 Post-employment benefits

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

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

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

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

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

Aberdeen Journals

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

Defined benefit schemes

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

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

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

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

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

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

31 Post-employment benefits continued

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

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

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

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

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

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

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

31 Post-employment benefits continued

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

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

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

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

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

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

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

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

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

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

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

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

31 Post-employment benefits continued

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

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

UK Defined contribution plans

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

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

Overseas pension plans

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

Pension arrangements for executives

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

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

Stakeholder pension

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

32 Provisions

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

32 Provisions continued

Movements on other provisions during the year were as follows:

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

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

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

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

33 Deferred taxation

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

Movements on the provision for deferred taxation were as follows:

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

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

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

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

34 Called up share capital

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

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

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

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

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

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

* Vested

34 Called up share capital continued

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

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

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

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

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

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

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

These committed shares are analysed below:

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

35 Reserves

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

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

	2006 £m	2005 £m
Translation reserve		
At beginning of year	**19.1**	–
Exchange differences on translation of overseas operations	**(15.2)**	15.1
Increase in fair value of hedging derivatives	**11.3**	–
Tax on net investment hedges	**(0.3)**	4.0
At end of year	**14.9**	19.1

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

	2006 £m	2005 £m
Retained earnings		
At beginning of year	**244.8**	94.6
Reclassification of minority losses	**–**	(12.8)
Fair value adjustment on adoption of IAS 32 and 39	**(20.1)**	–
Net profit for the year	**251.5**	155.4
Dividends paid	**(48.6)**	(44.9)
Actuarial gains on defined benefit pension schemes	**34.6**	15.2
Deferred tax on actuarial gain	**(10.4)**	(7.2)
Other movements on share option schemes	**4.7**	52.4
Settlement of exercised share options of subsidiary	**(25.3)**	–
Transfer from revaluation reserve	**–**	1.0
Transactions with minorities	**1.3**	(7.2)
Shares issued to minorities	**0.7**	3.2
Minority dividends paid	**(7.7)**	(5.7)
Put options arising on shareholdings yet to be acquired	**(8.4)**	–
Tax on items taken directly to equity	**–**	0.8
At end of year	**417.1**	244.8
At end of year – Total Reserves	**425.1**	303.3

35 Reserves continued

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

	£m
Mark to market value of derivative financial assets	4.0
Mark to market value of derivative financial liabilities	(7.5)
Mark to market valuation of acquisition option commitments	(20.1)
Mark to market valuation of derivatives in net debt	3.5
Transfer to retained earnings	(20.1)

Mark to market value of non current assets – available for sale investments	2.1
Mark to market value of trading investments	15.7
Transfer to revaluation reserve	17.8

36 Commitments

	2006 £m	2005 £m
Tangible fixed assets:		
Contracted but not provided in the financial statements	**28.1**	43.5

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Number of ordinary shares under option in Euromoney:

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

38 Share-based payments continued
The following options were outstanding at the year end under RMS's scheme to subscribe for new shares in that company:

Number of ordinary shares under option in RMS:

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

38 Share-based payments continued

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

Number of ordinary shares under option in Genscape:

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

The Euromoney Capital Appreciation Plan (CAP)

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

RMS options plan

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

Genscape options plan

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

Share option schemes

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

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

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

38 Share-based payments continued

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

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

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

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

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

38 Share-based payments continued

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

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

The LTIP

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

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

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

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

39 Ultimate holding company

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

40 Related party transactions

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

Ultimate controlling party

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

Transactions with Directors

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

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

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

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

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

Transactions with joint ventures and associates

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

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

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

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

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

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

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

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

40 Related party transactions continued

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

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

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

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

41 Post balance sheet events

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

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

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

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

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

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

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

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

42 Summary of differences between UK GAAP and IFRS

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

Share-based payments

Under UK GAAP no cost is incurred for share options under the Group's incentive schemes. In accordance with IFRS 2 the Group recognises a charge to the income statement which represents the fair value of outstanding share-based payments granted to employees. The basis of calculation for deferred taxation is the difference between the market price at the balance sheet date and the exercise price of the share-based payment reflecting expected levels of vesting.

Employment benefits

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

Under IAS 19 Employee Benefits, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating profit in the period. The difference between the market value of the assets and the present value of the accrued pension liabilities is recognised as an asset or liability in the balance sheet together with related deferred tax. Differences between the actual and expected returns on assets during the period are recognised in the statement of recognised income and expense, together with differences arising from changes in assumptions.

Leases

Under UK GAAP lease incentives are taken to profit and loss over the term of the lease remaining to the next rental review. IAS 17 Leases requires incentives to be taken to the profit and loss over the lease term rather than to the next review.

Dividends

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

Business combinations and intangible assets

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

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

Marketing costs

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

Taxation

Under UK GAAP recognition of deferred tax in respect of rolled over capital gains is not required and is not permitted in respect of revaluation gains. Under IFRS a deferred tax provision is required in both cases.

Under UK GAAP deferred tax does not arise in respect of capitalised intangible fixed assets unless they are deductible for tax purposes. IFRS requires provision where the asset is acquired as part of a business combination.

Goodwill written off to reserves under UK GAAP prior to the introduction of FRS10 Goodwill and Intangible Assets, gave rise to a potential deferred tax liability under UK GAAP, however, the reverse is true under IFRS, where a potential deferred tax asset arises.

Under UK GAAP the Group was permitted to discount deferred tax assets and liabilities, whereas IFRS does not permit discounting.

As amortisation of goodwill will not be permitted under IFRS, the potential deferred tax in respect of capitalised tax deductible goodwill will be more significant under IFRS.

Reclassification changes

The following changes reflect presentational changes to the balance sheet at the transition date and have no effect on either net assets or profits:

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

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

42 Summary of differences between UK GAAP and IFRS continued

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

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

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

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

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

SUMMARY OF EFFECTS ON PROFIT FOR THE YEAR AND SHAREHOLDERS' FUNDS OF DIFFERENCES BETWEEN UK GAAP AND IFRS

	Year ended 2nd October, 2005 £m
Effect of differences between UK GAAP and IFRS on profit for the year	
Profit for the year in accordance with UK GAAP	51.3
Add dividends	44.9
	96.2
IFRS Adjustments	
Employee benefits IAS 19	(13.0)
Share-based payments IFRS 2	(10.8)
Deferred marketing costs IAS 38	(0.7)
Operating leases IAS 17	(0.3)
Associates and joint ventures reclassification IAS 27	(0.4)
Software costs IAS 38	1.4
Operating profit before amortisation and impairment of intangible assets and exceptional items	(23.8)
Goodwill amortisation reversal IFRS 3	50.5
Amortisation of intangibles acquired IAS 38	(8.3)
IFRS adjustments to operating profit	18.4
Goodwill amortisation reversal from associates and joint ventures IFRS 3	4.4
Goodwill previously written off to reserves IFRS 3	5.3
Goodwill amortisation reversal on associate sold during the year IFRS 3	(1.1)
Reclassification of share of tax and interest from associates and joint ventures IAS 1	(3.5)
IFRS adjustments to profit before interest and tax	23.5
Employee benefits IAS 19	9.9
Reclassification of share of interest from associates and joint ventures IAS 1	1.2
IFRS adjustments to interest	11.1
Tax effect on	
Reclassification of share of tax from associates and joint ventures IAS 1	2.3
Employee benefits IAS 19	1.9
Sundry items	(0.1)
Deferred marketing costs IAS 38	0.2
Share-based payments IFRS 2	(0.4)
Goodwill and other intangibles IFRS 3	6.1
Deferred tax IAS 12	1.0
IFRS adjustments to taxation	11.0
Effect on minority interests	(2.2)
IFRS adjustments to minorities	(2.2)
Dividends IAS 10	2.5
IFRS adjustments to dividends	2.5
Profit for the year in accordance with IFRS	142.1

SUMMARY OF EFFECTS ON PROFIT FOR THE YEAR AND SHAREHOLDERS' FUNDS OF DIFFERENCES BETWEEN UK GAAP AND IFRS

Continued

	Year ended 2nd October, 2005 £m	Transition 3rd October, 2004 £m
Effects of difference between UK GAAP and IFRS on shareholders' funds		
Shareholders' funds for the year in accordance with UK GAAP	462.4	402.1
Employee benefits IAS 19	(249.5)	(259.1)
Share-based payments IFRS 2	(1.7)	(43.6)
Dividends IAS 10	32.6	30.0
Goodwill amortisation reversal IFRS 3	57.2	–
Amortisation of intangibles acquired IAS 38	(5.1)	1.7
Software costs IAS 38	–	(0.9)
Deferred marketing costs IAS 38	(2.2)	(1.0)
Operating leases IAS 17	(1.3)	(1.4)
Associates and joint ventures reclassification IAS 27	(1.5)	(0.1)
IFRS adjustments before tax	(171.5)	(274.4)
Deferred tax on employees benefit IAS 19	71.1	76.3
Deferred tax on goodwill and intangible timing differences IAS 12	(10.4)	(16.7)
Deferred tax on share based payments IFRS 2	0.9	0.6
Corporation tax on deferred marketing costs IAS 38	0.6	0.2
Corporation tax on employee benefits IAS 19	0.4	0.2
Deferred tax other IAS 12	–	(3.2)
IFRS adjustments after tax	(108.9)	(217.0)
Shareholders' funds for the year in accordance with IFRS	353.5	185.1

IAS 32 Disclosure and Presentation and IAS 39 Financial Instruments Recognition and Measurement have been adopted as of 3rd October, 2005. Had these standards been adopted in the year to 2nd October, 2005, the effect would have been to value the Group's derivative financial instruments and investments on a mark to market basis.

Associated Newspapers Limited	Publication of the Daily Mail, The Mail on Sunday, the Evening Standard and Metro Provision of new media services
Associated Newspapers (Ireland) Limited (Incorporated and operating in Ireland; managed and controlled in the UK)	Publication of Ireland on Sunday
Allegran Limited	Provision of internet dating services
Autoexposure Limited	Provision of internet recruitment services
B&S Limited (Managed, incorporated and operating in Ireland)	Publication of Buy & Sell
Data Media and Retail Limited (62.5%)	Provision of internet classified car services
Find a Property Limited	Provision of internet property services
Harmsworth Quays Limited	Procurement of materials and services for the national newspapers
Harmsworth Quays Printing Limited	Printing of newspapers
Jobsite (UK) Worldwide Limited	Provision of internet recruitment services
Loot Limited	Publication of Loot
Office Recruit Limited	Provision of internet recruitment services
Primelocation Limited	Provision of internet property services
Simply Switch Limited	Provision of internet consumer services
Teletext Limited	Provision of teletext services
DMG Television Limited	Holding company
British Pathé Limited	Newsreel archive
New Era Television Limited	Production of television commercials
Northcliffe Newspapers Group Limited	Holding company of provincial newspaper group, companies below are all publishers of provincial newspapers, except where stated
Admag Newspapers Limited	
Alderton Limited	
Bargain Pages Media Limited	
Bristol United Press Limited	
Central Independent Newspapers Limited	
The Cheltenham Newspaper Company Limited	
Clevedon Newspapers Limited	
Cornwall & Devon Media Limited	
The Courier Printing & Publishing Company Limited	
Derby Daily Telegraph Limited	
Essex Chronicle Series Limited	
Express & Echo Publications Limited	
Gloucestershire Media Limited	
Grimsby & Scunthorpe Newspapers Limited	
Herald Express Publications Limited	
Hull Daily Mail Publications Limited	
Leicester Mercury Group Limited	
Lincolnshire Publishing Company Limited	
Northcliffe Fleet Services Limited	Fleet and distribution services
Northcliffe New Media Holdings Limited	Holding company for digital publishing interests
The Northcliffe Press (Bristol) Limited	Printing company
The Northcliffe Press Limited	Printing company
Northcliffe Real Estate Limited	Holding company for group's freehold and long leasehold properties
Northcliffe Retail Limited	Operation of newsagents and convenience stores
Nottingham Post Group Limited	
Post & Times Series Limited	

South West Wales Media Limited	
Staffordshire Sentinel Newspapers Limited	
Taunton Newspapers Limited	
Wessex Newspapers	
Westcountry Publications Limited	
Western Gazette Company Limited	
Western Newspapers Limited	
The Western Morning News Company Limited	
W.H.Y. Publications Limited	
G-Tout Holding SAS (Incorporated and operating in France)	Publication of newspapers in Strasbourg, France
Lapcom Kft (Managed, incorporated and operating in Hungary)	Publication of newspapers in Gyor and Szeged, Hungary
RNS – Avizo Holding International a.s. (Managed, incorporated and operating in Slovakia)	Publication of newspapers in Bratislava, Slovakia
Perex a.s.	Publication of newspapers in Slovakia
Profesia s.r.o	Digital publishing activities in Slovakia
DMG Information Limited	Holding company
DMG Information, Inc (Incorporated in the USA)	Holding company
Risk Management Solutions Inc (92%) (Incorporated and operating in the USA)	Provider of risk management information on natural and other related perils
Trepp, LLC (Incorporated and operating in the USA)	Provider of commercial mortgage-backed securities and real estate information
Lewtan Technologies, Inc (Incorporated and operating in the USA)	Provider of asset-backed securities information
Environmental Data Resources, Inc (Incorporated and operating in the USA)	Provider of geographic based real estate information services
EDR Landmark Information Group Limited	Provider of property and mapping information
Landmark Information Group Limited	Provider of property and mapping information
Prodat Systems plc	Provider of property and mapping information
Sitescope Limited	Provider of property and mapping information
Property & Portfolio Research, Inc (Incorporated and operating in the USA)	Real estate information provider
The Sanborn Map Company, Inc (Incorporated and operating in the USA)	Provider of GIS and photogrammetric mapping services for government and engineering markets
RMSI Private Limited (Incorporated and operating in India	Information technology service provider, specialising in G.I.S. and special solutions, and software development
Dolphin Software, Inc (73%) (Incorporated and operating in the USA)	Provider of electronically delivered information on hazardous chemicals
Genscape, Inc. (Incorporated and operating in the USA)	Provider of real time power supply and other energy information
Genscape International, Inc. (Incorporated and operating in the USA)	Provider of real time power supply and other energy information
Hobsons plc	Careers and education information publishing and services
Hobsons, Inc (Incorporated and operating in the USA)	Careers and education information publishing and services
Hobsons Australia Pty Limited (Incorporated and operating in Australia)	Careers and education information publishing and services
Hobsons GMBH (Incorporated and operating in Germany)	Careers and education information publishing and services
Hobsons France SAS (Incorporated and operating in France)	Careers and education information publishing and services

Euromoney Institutional Investor PLC (69.8%)	Publication of Euromoney, other financial magazines and related activities
Adhesion et Associes SA (69.8%) (Incorporated and operating in France)	Organiser of business conventions in the European Union
Coaltrans Conferences Limited (67%)	Conferences in the coal and energy industry
Glenprint Limited (69.8%) (Incorporated in UK; operating in Asia)	Financial and legal publishing and training in Asia
Med Ad, Inc (69.8%) (Registered and operating in the USA)	Publishing in the pharmaceutical industry
Euromoney Publications (Jersey) Limited (69.8%) (Incorporated in Jersey; operating in Hong Kong)	Financial and legal publishing and training in Asia
Euromoney Institutional Investor (Jersey) Limited (69.8%) (Incorporated in Jersey; operating in Hong Kong)	Financial and legal publishing and training in Asia
Euromoney Training, Inc (69.8%) (Incorporated and operating in the USA)	Financial training in the Americas
Gulf Publishing Company (69.8%) (Incorporated and operating in the USA)	Publishing in the energy industry
Institutional Investor, Inc (69.8%) (Incorporated and operating in the USA)	Publication of Institutional Investor, newsletters and journals; conferences and membership organisers
Internet Securities, Inc (63%) (Incorporated and operating in the USA)	An internet based provider of emerging markets financial, economic and company information
Latin American Financial Publications, Inc (69.8%) (Incorporated and operating in the USA)	Financial publishing in the Americas
MIS Training, LLC (69.8%) (Incorporated in the USA)	Training and conferences in the management information, audit and security industries
World Link Publications Limited (69.8%) Information Management Network LLC (56%) (Incorporated and operating in the USA)	Publication of an annual book and supplements on the global environment New York based Financial Conference organiser
Hedgefund Intelligence Ltd (69.8%)	Hedge fund publisher and event organiser
The Petroleum Economist Limited (69.8%)	Publishing and training in the energy industry
Business Conventions Internationale (69.8%) (Incorporated and operating in France)	Organiser of business conventions
CEIC Holdings Limited (51%) (Incorporated and operating in Hong Kong)	Information Service provider of Emerging markets
Euromoney (Singapore) Pte Ltd (69.8%) (Incorporated and operating in Singapore)	Financial training in Singapore
DMG World Media Limited	Exhibition holding company
DMG World Media (UK) Limited	Trade publishing and exhibition management
DMG Angex Limited	Organisers of public exhibitions and magazine publishers
DMG Antique Fairs Limited	Organisers of antiques and collectors fairs
Metropress Limited	Publisher of Antiques Trade Gazette
DMG World Media (Canada), Inc (Incorporated operating in Canada)	Organisers of consumer and trade exhibitions
DMG World Media (USA) Inc (97%) (Incorporated and operating in USA)	Organisers of consumer exhibitions
DMG World Media (Dubai) 2006 Limited (Incorporated in Jersey; managed and operating in Dubai)	Organisers of trade exhibitions
DMG World Media (Australia) Pty Limited (Incorporated and operating in Australia)	Organisers of consumer and trade exhibitions
DMG World Media (New Zealand) Limited (Incorporated and operating in New Zealand)	Organisers of consumer and trade exhibitions
DMG Radio Holdings Pty Limited (Incorporated and operating in Australia)	Radio investment holding company
DMG Radio Investments Pty Limited (Incorporated and operating in Australia)	Radio investment holding company
DMG Radio (Australia) Pty Limited (Incorporated and operating in Australia)	Radio operating holding company

DMG Radio Coastal Pty Limited (Incorporated and operating in Australia)	Radio operating holding company
DMG Radio (Adelaide) Pty Ltd (Incorporated and operating in Australia)	Radio operating holding company
Festival City Broadcasters Pty Limited (Incorporated and operating in Australia)	Commercial radio broadcaster of 5AA, Adelaide
Nova 96.9 Pty Ltd (Incorporated and operating in Australia)	Commercial radio broadcaster of Nova 96.9, Sydney
Nova 100 Pty Limited (Incorporated and operating in Australia)	Commercial radio broadcaster of Nova 100, Melbourne
Nova 91.9 Pty Limited (Incorporated and operating in Australia)	Commercial radio broadcaster of Nova 91.9, Adelaide
Nova 106.9 Pty Ltd (Incorporated and operating in Australia)	Commercial radio broadcaster of Nova 106.9, Brisbane
Vega 95.3 Pty Ltd (Incorporated and operating in Australia)	Commercial radio broadcaster of Vega 95.3, Sydney
Vega 91.5 Pty Ltd (Incorporated and operating in Australia)	Commercial radio broadcaster of Vega 91.5, Melbourne
Star 104.5 Pty Ltd (Incorporated and operating in Australia)	Commercial radio broadcaster of Star 104.5, Gosford
Central activities	
Daily Mail and General Investments plc*	Financing company
Daily Mail and General Holdings Limited*	Holding company
Daily Mail International Limited	Holding company
DMG Investment Holdings Limited	Holding company
DMG Media Investments Limited (Incorporated, managed and controlled in Jersey)	Holding company

(i) Unless stated otherwise the whole of the ordinary share capital of subsidiary undertakings is held directly by Daily Mail and General Trust plc (where marked*) or indirectly by one of the Company's subsidiaries.

(ii) All subsidiaries, except where indicated, operate principally within the United Kingdom.

(iii) All principal subsidiaries have been included in the Group accounts.

The income statements, cash flow information and balance sheet information for 2005 and 2006 have been prepared under IFRS. The years prior to 2005 have not been adjusted from UK GAAP as it is not practicable to restate these years' reports in accordance with IFRS. Due to differences between IFRS and UK GAAP, there are some comparative inconsistencies in the tables below.

Group income statement

	2002 UK GAAP £m	2003 UK GAAP £m	2004 UK GAAP £m	2005 IFRS £m	**2006 IFRS £m**
Revenue	1,944.7	1,933.0	2,108.5	2,136.3	**2,176.0**
Operating profit before exceptional operating costs and amortisation and impairment of goodwill and intangible assets	242.1	237.9	283.6	283.4	**300.4**
Amortisation and impairment of intangible assets and exceptional operating costs	(64.3)	(63.5)	(101.9)	(47.9)	**(150.9)**
Operating profit	177.8	174.4	181.7	235.5	**149.5**
Share of results of joint ventures and associates	(17.7)	(6.8)	(11.2)	(2.3)	**5.6**
Total operating profit	160.1	167.6	170.5	233.2	**155.1**
Other gains and losses	10.9	(1.6)	11.4	15.5	**188.6**
Profit from operations	171.0	166.0	181.9	248.7	**343.7**
Net finance costs	(64.2)	(58.8)	(59.7)	(53.4)	**(32.2)**
Profit before tax	106.8	107.2	122.2	195.3	**311.5**
Tax	(16.9)	(44.3)	(54.8)	(39.9)	**(60.0)**
Profit for the year after tax	89.9	62.9	67.4	155.4	**251.5**
Equity interests of minority shareholders	(6.8)	(2.1)	(5.7)	(13.3)	**(11.7)**
Profit for the year	83.1	60.8	61.7	142.1	**239.8**
Dividends	(36.6)	(39.8)	(43.7)	(44.9)	**(48.6)**
Retained profit	46.5	21.0	18.0	97.2	**191.2**
Profit before amortisation and impairment of intangible assets, exceptional items and taxation	182.8	185.9	234.1	237.3	**259.7**
Basic earnings per share	20.9p	15.3p	15.5p	35.9p	**60.8p**
Diluted earnings per share	20.9p	15.3p	15.4p	35.8p	**60.7p**
Adjusted earnings per share (before amortisation and impairment of goodwill and intangible assets and exceptional items)	31.1p	33.3p	41.6p	43.2p	**46.4p**

	2002 UK GAAP £m	2003 UK GAAP £m	2004 UK GAAP £m	2005 IFRS £m	**2006 IFRS £m**
Group cash flow Information					
Net cash inflow from operating activities	239.7	286.7	368.1	332.9	**350.8**
Investing activities	(175.3)	(125.2)	(166.6)	(175.5)	**(202.9)**
Financing activities	(96.2)	(185.6)	(158.3)	(125.2)	**(173.3)**
Net (decrease)/increase in cash and cash equivalents	(31.8)	(24.1)	43.2	32.2	**(25.4)**
Cash and cash equivalents at beginning of year	102.8	69.2	44.5	91.4	**124.0**
Exchange (loss)/gain on cash and cash equivalents	(1.8)	(0.6)	–	0.4	**(2.5)**
Cash and cash equivalents at end of year	69.2	44.5	87.7	124.0	**96.1**
Net (decrease)/increase in cash and cash equivalents	(31.8)	(24.1)	43.2	32.2	**(25.4)**
Cash outflow/(inflow) from change in debt and lease finance	(8.9)	84.2	43.7	(7.0)	**36.6**
Cash outflow/(inflow) from change in liquid resources	(3.6)	(7.1)	1.3	–	**–**
Change in net debt from cash flows	(44.3)	53.0	88.2	25.2	**11.2**
Loan notes issued and loans, lease finance and liquid resources arising from acquisitions and disposals	(1.2)	(2.7)	(2.2)	(2.0)	**3.3**
Other non-cash items	(0.9)	(1.7)	7.4	(10.4)	**14.3**
Decrease/(increase) in net debt in the year	(46.4)	48.6	93.4	12.8	**28.8**
Net debt at beginning of year	(875.4)	(921.8)	(873.2)	(779.8)	**(767.0)**
Net debt at end of year	(921.8)	(873.2)	(779.8)	(767.0)	**(738.2)**

Group balance sheet information

	2002 UK GAAP £m	2003 UK GAAP £m	2004 UK GAAP £m	2005 IFRS £m	**2006 IFRS £m**
Goodwill and intangible assets	652.6	650.8	793.0	916.2	**1,124.9**
Tangible assets	476.4	503.2	502.6	500.8	**513.7**
Fixed asset investments and other non current assets	218.1	207.5	178.9	203.7	**180.5**
Fixed assets	1,347.1	1,361.5	1,474.5	1,620.7	**1,819.1**
Net current liabilities	(87.1)	(106.7)	(306.0)	(174.4)	**(236.8)**
Long-term liabilities	(1,015.2)	(957.7)	(766.4)	(1,092.8)	**(1,107.0)**
Net assets	244.8	297.1	402.1	353.5	**475.3**
Shareholders' equity					
Called up share capital	50.1	50.2	50.2	50.2	**50.2**
Share premium account	6.6	7.1	7.3	8.3	**9.7**
Revaluation reserve	52.5	74.2	72.1	71.1	**46.5**
Other reserves	(24.4)	(27.5)	(25.7)	(20.9)	**(48.2)**
Retained earnings	160.0	193.1	298.2	244.8	**417.1**
Total equity	244.8	297.1	402.1	535.5	**475.3**

	2002	2003	2004	2005	**2006**
Shareholder value					
Dividend per share*	9.20p	10.00p	11.00p	12.00p	**13.05p**
Price of 'A' Ordinary Non-Voting shares:					
Lowest	£4.61	£3.98	£5.35	£6.50	**£5.55**
Highest	£8.05	£6.58	£7.38	£7.61	**£8.01**

* Represents the dividends declared by the Directors in respect of the above years.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAILY MAIL AND GENERAL TRUST PLC

We have audited the individual company financial statements of Daily Mail and General Trust plc for the year ended 1st October, 2006 which comprise the balance sheet and the related notes 1 to 14. These individual company financial statements have been prepared under the accounting policies set out therein.

The corporate governance statement and the Directors' remuneration report are included in the Group annual report of Daily Mail and General Trust plc for the year ended 1st October, 2006. We have reported separately on the Group financial statements of Daily Mail and General Trust plc for the year ended 1st October, 2006 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985.Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose.To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the annual report and the individual company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the individual company financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual company financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and whether the individual company financial statements have been properly prepared in accordance with the Companies Act 1985.We report to you whether in our opinion the information given in the Directors' report is consistent with the individual company financial statements. We also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the individual company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual company financial statements.

Opinion
In our opinion:

– the individual company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 1st October, 2006;
– the individual company financial statements have been properly prepared in accordance with the Companies Act 1985; and
– the information given in the Directors' report is consistent with the financial statements.

Deloitte.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
22nd November, 2006

COMPANY BALANCE SHEET
as at 1st October, 2006

	Note		2006 £m		2005 restated £m
Fixed assets					
Intangible fixed assets	3		**134.1**		8.5
Tangible assets	4		**0.8**		–
Investments					
Group undertakings	5	**1,670.7**		1,670.7	
Other investments	6	**1.0**		1.1	
			1,671.7		1,671.8
Current assets					
Debtors – amounts falling due within one year	7		**84.4**		317.1
Debtors – amounts falling due after one year	7		**–**		89.2
Cash and cash equivalents	8		**1.5**		–
			75.1		406.3
Creditors					
Amounts falling due within one year					
Trade and other payables	9		**(240.0)**		(352.3)
Net current (liabilities)/assets			**(164.9)**		54.0
Total assets less current liabilities			**1,641.7**		1,734.3
Creditors					
Amounts falling due after more than one year					
Financial liabilities	9		**(692.7)**		(696.4)
Provisions for liabilities and charges	10		**(1.7)**		–
Net assets			**958.1**		1,037.9
Capital and reserves					
Called up share capital	34		**50.2**		50.2
Share premium account	35		**9.7**		8.3
Shares held in treasury	12		**(63.1)**		(40.0)
Profit and loss account	13		**961.3**		1,019.4
Equity shareholders' funds			**958.1**		1,037.9

The accounts on pages 128 to 136 were approved by the Directors and authorised for issue on 22nd November, 2006.
They were signed on their behalf by:

Rothermere
CJF Sinclair
Directors

1 Basis of preparation

The separate financial statements of the Company are prepared under the historical cost convention, modified to include the revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently.

Profit for the financial year

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the Company has not been included in these accounts. The Company's loss after tax for the year, calculated on a UK GAAP basis, was £62.1 million (2005 profit £93.8 million).

2 Accounting policies

Goodwill and other intangible assets

Impairment reviews of intangible assets are carried out at the end of the first financial year after acquisition and where there is any indication of impairment.

Purchased intangible assets relating to newspaper publishing rights, titles, radio licences and certain other intangible assets are capitalised and amortised through the profit and loss account over the lower of their useful economic lives, if any, and a period of 20 years.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Plant and equipment	3 to 25 years

Foreign exchange

Exchange differences arising on foreign currency borrowings and derivative financial instruments which are used to provide a hedge against foreign currency investments are also taken to reserves to the extent that they match exchange differences on the investments to which they relate. Other transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate where a related hedging contract exists. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing on the balance sheet date. All such exchange differences are taken to the profit and loss account.

Investments

Investments in subsidiaries are stated at cost, less any provision for impairment, where appropriate.

Other investments which are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gain 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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Timing differences arising on tax deductible goodwill written off to reserves are recognised. Due to the indefinite nature of these timing differences the Group believes it is appropriate to discount the resultant deferred tax assets and liabilities as they arise on businesses expected to be held for the long term. As a consequence, all other deferred tax assets and liabilities are also discounted.

Financial instruments

The Company uses various derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. These have included currency swaps, forward foreign currency contracts, interest rate swaps, interest rate caps and interest rate floors. The Company considers its derivative financial instruments to be hedges and matches them with the relevant hedged item.

When 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 are accrued with interest payable. The derivatives are not revalued. Arrangement fees on bonds are amortised over the estimated life of the bonds.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company 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 Company after deducting all of its liabilities.

Capital market and bank borrowings

Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised costs, 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.

2 Accounting policies continued

New accounting standards

The Company has adopted the following accounting standards in the year.

FRS 20 Share-based payments

Under FRS 20, the Company is required to reflect share-based payments in the profit and loss account. In the Company's case, share-based payments comprise primarily share options through the LTIP. The post-tax impact of the standard on the results for the year ended 2nd October, 2005 was a charge of £1.9 million and a decrease of £0.4 million in net assets.

FRS 21 Events after the balance sheet date

The major effect of FRS 21 is to change the approach to dividends declared after the balance sheet date in respect of the year under review such that these dividends are no longer accrued in the balance sheet. As a result, the net assets at 2nd October, 2005 had increased by £32.6 million.

FRS 23 The effects of changes in foreign exchange rates

FRS 23 sets out additional guidance on the translation method for transactions in foreign currencies and on determining the functional and presentation currencies. The adoption of FRS 23 had no effect on the Company's profit or net assets.

The following accounting standards had been deferred until 2nd October, 2005. Commencing on that date, the Company applied hedge accounting where the requirements of FRS 26 were met.

FRS 25 Financial instruments: disclosure and presentation

FRS 25 sets out the requirements for the presentation of, and disclosures relating to, financial instruments. The disclosures complying with the requirements of FRS 25 are included in the Group Financial Statements.

The adoption of this standard increased opening derivative financial assets by £18.9 million, increased derivative financial liabilities by £4.2 million and decreased the carrying value of the Company's bonds by £1.7 million. These revaluations increased the Company's retained earnings by £16.4 million.

FRS 26 Financial instruments: measurement

FRS 26 sets out requirements for measurement, recognition and derecognition of financial instruments.

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

The following accounting policies were applied by the Company from implementation of FRS 26 from 2nd 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 Company 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 issued by the Company 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 Company 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 Company are recorded at the proceeds received, net of direct issue costs.

– Derivative financial instruments and hedge accounting

The Company'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 Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

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 cash flow and option valuation models. The Company designates certain derivatives as:

2 Accounting policies continued

(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")

FRS 26 Financial instruments: measurement

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, 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 Company'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 profit and loss account 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 profit and loss account.

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 profit and loss account. The Company'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 profit and loss account in the same period in which the hedged item affects the profit and loss account.

3 Intangible assets

	Trade marks £m
Cost	
At beginning of year	10.0
Additions	252.7
Disposals	(116.7)
At end of year	146.0
Accumulated amortisation	
At beginning of year	1.5
Charge for the year	7.3
Impairment	3.1
At end of year	11.9
Net book value – 2006	**134.1**
Net book value – 2005	8.5

Additions in the year consist of various trade marks purchased from the Group's regional newspaper division. Trade marks are amortised over the lower of their useful economic life and 20 years.

4 Tangible assets

	Plant and equipment £m
Cost	
At beginning of year	–
Additions	0.8
At end of year	0.8
Accumulated amortisation	
At beginning and end of year	–
Net book value – 2006	**0.8**
Net book value – 2005	–

5 Investments in group undertakings (as listed on pages 121 to 124)

	Cost £m	Provision £m	Net book value £m
At beginning and end of year	1,672.4	(1.7)	1,670.7

6 Other investments

	£m
Cost or valuation	
At beginning of year	1.1
Provided during year	(0.1)
At end of year	1.0

Other investments comprise non-current equity investments which are available-for-sale. They are recorded at fair value and are analysed as follows:

	2006 £m	2005 £m
Unlisted		
JEGI Internet Economy Partners, L.P.	**1.0**	1.1

The Company owns a 23% share of the partnership capital.

7 Debtors

	2006 £m	2005 restated £m
Amounts falling due within one year		
Amounts owed by Group undertakings	–	252.6
Prepayments and accrued income	1.2	1.3
Corporation tax	59.4	43.9
Deferred tax asset	–	0.4
Derivative financial assets	22.8	18.9
Other debtors	1.0	–
	73.6	317.1
Amounts falling due after one year		
Amounts owed by Group undertakings	–	89.2
	84.4	406.3

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

The Company's corporation tax debtor represents amounts due from subsidiaries for Group relief and payments made to UK HM Revenue and Customs on account of the 2006 liability.

8 Cash and cash equivalents

	2006 £m	2005 £m
Cash and cash equivalents	1.5	–

9 Creditors

	2006 £m	2005 restated £m
Due within one year		
Bank overdrafts	–	2.1
Loan notes	3.2	3.4
Interest payable	30.3	28.5
Amounts owing to Group undertakings	203.2	310.1
Accruals and deferred income	1.0	1.4
Derivative financial liabilities	2.3	4.2
Other creditors	–	2.6
	240.0	352.3

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

Loan notes attract interest at approximately LIBID to LIBID minus 1% and were issued as part of the consideration for various acquisitions. The loan notes are repayable at the option of the loan note holder.

	2006 £m	2005 restated £m
Due after more than one year		
7.5% Bonds 2013	300.6	301.1
5.75% Bonds 2018	173.6	173.6
10% Bonds 2021	179.7	180.5
Bank loans	38.8	41.2
	692.7	696.4

The restatement of the 2005 figures are the result of the adoption of FRS 26, see accounting policies.

9 Creditors continued

The nominal values of the bonds are as follows:

	2006 £m	2005 £m
7.5% Bonds 2013	**300.0**	300.0
5.75% Bond 2018	**175.0**	175.0
10% Bonds 2021	**165.0**	165.0
	640.0	640.0

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

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

	2006 High %	2006 Low %	2005 High %	2005 Low %
Sterling	**5.61**	**4.72**	5.49	4.50
US dollar	**4.23**	**4.07**	4.23	2.20
Australian dollar	**–**	**–**	5.80	5.75

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

	Bank loans £m	Bonds £m	Loan notes £m	Total £m
2006				
Within 1 year	**–**	**–**	**3.2**	**3.2**
Between 1 – 2 years	**–**	**–**	**–**	**–**
Between 2 – 5 years	**38.8**	**–**	**–**	**38.8**
Over five years	**–**	**653.9**	**–**	**653.9**
	38.8	**653.9**	**–**	**681.9**
	38.8	**653.9**	**3.2**	**695.9**
2005				
Within 1 year	–	–	3.4	3.4
Between 1 – 2 years	–	–	–	–
Between 2 – 5 years	41.2	–	–	41.2
Over five years	–	696.4	–	696.4
	41.2	696.4	–	737.6
	41.2	696.4	3.4	741.0

10 Provisions for liabilities and charges

	Note	2006 £m	2005 £m
Deferred taxation	11	**0.2**	–
Other provisions		**1.5**	–
		1.7	–

11 Deferred taxation

	2006 £m	2005 £m
Other timing differences	**0.2**	–
	0.2	–

Movements on the provision for deferred taxation were as follows:

	2006 £m	2005 £m
At beginning of year	**–**	–
LTIP charge	**0.1**	0.3
Net charge/(credit) to profit and loss account	**0.1**	(0.3)
At end of year	**0.2**	–

No deferred tax has been provided on revalued assets due to the availability of realised capital losses for which no deferred tax asset has been recognised. There are additional unprovided capital losses carried forward which have not yet been agreed with the UK HM Revenue and Customs.

12 Shares held in treasury

	£m
At beginning of year	(41.2)
Reclassification of provision	2.6
On adoption of FRS 20	(1.4)
As restated	(40.0)
Additions	(32.4)
Disposals	9.3
At end of year	**(63.1)**

The Company's investment in its own shares is classified within shareholders' funds as shares held in treasury. At 1st October, 2006 this investment comprised the cost of 9,692,016 'A' Ordinary Non-Voting shares (2005 6,280,751 shares). The market value of these shares at 1st October, 2006 was £64.4 million (2005 £41.5 million). The treasury shares are considered to be a realised loss for the purposes of calculating distributable reserves.

13 Profit and loss account

	£m
Profit and loss account	
At beginning of year	971.6
Reclassification of provision	(2.6)
On adoption of FRS 20	1.4
On adoption of FRS 21	32.6
On adoption of FRS 26	16.4
Restated	1,019.4
Net loss for the year	(62.1)
Other movements on share option schemes	4.0
At end of year	**961.3**
Total reserves – 2006	**898.2**
Total reserves – 2005	979.4

The Company estimates that £596.1 million of the Company's profit and loss account reserve is not distributable (2005 £656.4 million).

14 Contingent liabilities

At 1st October, 2006 the Company had guaranteed borrowing facilities and finance leases of subsidiaries under which £144.1 million (2005 £182.1 million) were outstanding. The Company had also guaranteed a subsidiary's interest rate derivatives with a principal value of £353.6 million (2005 £42.3 million) and letters of credit of £6.6 million (£3.2 million).

Company Secretary and Registered Office
N D Jennings, FCA
Northcliffe House
2 Derry Street
London
W8 5TT
England

Registered Number: 184594

Website
The Group has an internet website which gives information on the Company and its operating subsidiaries and provides details of significant Group announcements. It also has a site giving details of job opportunities within the Group.

The addresses are:
http://www.dmgt.co.uk
http://www.dmgtopportunities.com

Financial calendar 2007

10th January	Annual Report published
7th February	Annual General Meeting
9th February	Payment of final dividend
31st March	Payment of interest on loan notes
1st April	Half year end
24th May	Half year results and dividend announced
6th June	Interim ex-dividend date
8th June	Interim record date
6th July	Payment of interim dividend
30th September	Payment of interest on loan notes
30th September	Year end
21st November	Annual results and final dividend announced
28th November	Ex-dividend date
30th November	Record date

Capital gains tax
The market value of both the Ordinary and 'A' Ordinary Non-Voting shares in the Company on 31st March, 1982 (adjusted for the 1994 bonus issue of 'A' Ordinary Non-Voting shares and for the four-for-one share split in 2000) was 9.75 pence.

Registrars
All enquiries regarding shareholdings, dividends, lost share certificates, loan notes in the Company and in Daily Mail and General Investments plc, or changes of address should be directed to Lloyds TSB Registrars at the address set out on page 140.

Electronic communications
Lloyds TSB Registrars operate Shareview, a free online service, which enables shareholders with internet access to check their shareholdings and other related information and to register to receive notification by email of the release of the Interim and Annual Reports. It also offers practical help on matters such as transferring shares or updating your own details. Shareholders may register for the service at www.shareview.co.uk.

This report is available electronically on the Company's website which contains a link to Shareview to enable shareholders to register for electronic mailings. Notification by email has been given of the availability of this Annual Report on the Company's website to those shareholders who have registered.

Low cost share dealing service
The Company has arranged with its brokers, JP Morgan Cazenove Limited, to provide a simple, low-cost share dealing service for 'A' Ordinary Non-Voting shares in Daily Mail and General Trust plc.

The main features are: a basic commission of 1% on both purchases and sales (subject to a minimum commission of £10 per transaction); reduced commission rates for transactions over £5,000; and no minimum investment. For further details, please contact JP Morgan Cazenove Limited, Company Share Schemes, at 20 Moorgate, London EC2R 6DA; the telephone number is 020 7155 5155.

Lloyds TSB Registrars also provide a simple low-cost dealing service for Ordinary and 'A' Ordinary Non-Voting shares details of which are available at www.shareview.co.uk/dealing or by calling 0870 850 0852.

Details of these and other low-cost dealing services can be found on the Company's website at www.dmgt.co.uk/investorrelations.

Loan notes
Loan notes issued by the Company and by Daily Mail and General Investments plc, a subsidiary, are repayable in whole or in part at the option of loan note holders every six months. Loan note holders requiring repayment should complete the redemption section on the back of their loan note and send it to reach the Registrars by 28th February or 31st August for repayments on 31st March or 30th September respectively.

Eurobond paying agent
The principal paying agent for the Company's 10% Bonds due 2021 and the 7.5% Bonds due 2013 is Deutsche Bank AG London, Winchester House, 1 Great Winchester St, London EC2N 2DB. The principal paying agent for the Company's 5.75% Bonds due 2018 is HSBC Bank plc, Corporate Trust and Loan Agency, 8 Canada Square, London E14 5HQ. Enquiries should be directed to John Donegan, Group Financial Controller, who can be contacted on 020 7938 6627, and whose e-mail address is john.donegan@dmgt.co.uk.

Share price information
The current price of the Company's Ordinary and 'A' Ordinary Non-Voting shares can be found on page 516 of Teletext on analogue Channel 4 and on page 866 of Teletext on digital ITV (Freeview and Satellite). A graph, illustrating the recent performance of the 'A' shares, is shown on page 15.

Crest
Shareholders have the choice either of holding their shares in electronic form in an account on the CREST system or in the physical form of share certificates.

Investor relations
Investor relations are the responsibility of Nicholas Jennings, Company Secretary, whose office is responsible for distribution of the Annual Report. He is assisted by Fran Sallas. The investor relations' e-mail address is investor.relations@dmgt.co.uk.

Sharegift

In the UK, DMGT supports ShareGift, which is administered by the Orr Mackintosh Foundation (registered charity number 1052686) and which operates a charity share donation scheme for shareholders wishing to give small holdings of shares to benefit charitable causes. It may be especially useful for those who wish to dispose of a small parcel of shares which would cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. If you would like to use ShareGift or receive more information about the scheme, they can be contacted by visiting their website at www.sharegift.org or by writing to The Orr Mackintosh Foundation, 46 Grosvenor Street, London W1K 3HN.

Warning to shareholders

Over the last year many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

The Institute of Chartered Secretaries and Administrators has published guidance to shareholders who receive any unsolicited investment advice to:

– Make sure shareholders obtain the correct name of the person and organisation.
– Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register.
– The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.
The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
– Inform Lloyds TSB Registrars on 0870 600 3970.They are not able to investigate such incidents themselves but will record the details and pass them on to Daily Mail and General Trust plc and liaise with the FSA.

Details of any sharedealing facilities that the Company endorses will be included in company mailings.

More detailed information on this or similar activity can be found on the FSA website www.fsa.gov.uk/consumer

Shareholdings at 1st October, 2006

Ordinary shares

Range of holdings	Number of shareholders	%	Shares	%
1-1,000	598	72.84	225,692	1.13
1,001-5,000	175	21.32	380,594	1.91
5,001-10,000	17	2.07	120,014	0.60
10,001-20,000	15	1.83	241,714	1.22
20,001-50,000	2	0.24	71,090	0.36
50,001-100,000	6	0.73	457,110	2.30
100,001-500,000	5	0.61	727,595	3.66
500,001 & over	3	0.37	17,662,663	88.82
	821	100.0	19,886,472	100.0

'A' Ordinary Non-Voting shares

Range of holdings	Number of shareholders	%	Shares	%
1-1,000	1,116	36.23	468,403	0.12
1,001-5,000	785	25.49	2,028,857	0.53
5,001-10,000	354	11.49	2,597,745	0.68
10,001-20,000	259	8.41	3,670,096	0.96
20,001-50,000	193	6.27	6,078,694	1.59
50,001-100,000	113	3.67	7,847,439	2.06
100,001-500,000	151	4.90	34,286,923	8.98
500,001-1,000,000	40	1.30	29,690,905	7.78
1,000,001-5,000,000	50	1.62	93,426,941	24.47
5,000,001 & over	19	0.62	201,748,633	52.84
	3,080	100.0	381,844,636	100.0

Advisers

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JP Morgan Cazenove Limited
20 Moorgate
London
EC2R 6DA
Telephone: 020 7588 2828

Auditors
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