

# Welcome to the Annual Report 2017

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**Previous  
page**



**Next  
page**



**Previous  
view**



**Go to  
specific  
page**



**Go to  
contents  
page**

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Intelligent  
Insights.  
Consumer  
connections

Annual Report  
2017



# Financial Highlights

## Statutory Results<sup>†</sup>

Revenue

# £1,564m

2016: £1,514m

Operating (loss)/profit

# £(129)m

2016: £91m

(Loss)/profit before tax

# £(112)m

2016: £202m

Profit for the year<sup>#</sup>

# £342m

2016: £214m

Earnings per share<sup>#</sup>

# 97.8p

2016: 57.8p

Dividend per share

# 22.7p

2016: 22.0p

## Adjusted Measures

Revenue<sup>#</sup>

# £1,660m

2016: £1,917m

2016 pro forma<sup>§</sup>: £1,604mOperating margin<sup>\*\*</sup>

# 12%

2016: 14%

2016 pro forma<sup>§</sup>: 12%Profit before tax<sup>\*\*</sup>

# £226m

2016: £260m

2016 pro forma<sup>§</sup>: £217mEarnings per share<sup>\*\*</sup>

# 55.6p

2016: 56.0p

2016 pro forma<sup>§</sup>: 52.1pCash operating income<sup>\*\*</sup>

# £199m

2016: £254m

2016 pro forma<sup>§</sup>: £172mNet debt<sup>§</sup>/EBITDA

# 1.4x

2016: 1.8x

| £ million                              | FY 2017    | FY 2016    | Explanation |
|--|------------|------------|-------------|
| Statutory (loss)/profit before tax     | (112)      | 202        |             |
| Discontinued operations                | 523        | 45         | i           |
| Exceptional operating costs            | 50         | 58         | ii          |
| Impairment of plant                    | 42         | –          | iii         |
| Intangible impairment and amortisation | 282        | 107        | iv          |
| Profit on sale of assets               | (530)      | (138)      | v           |
| Pension finance charge                 | 5          | 5          | vi          |
| Other adjustments                      | (33)       | (19)       | vii         |
| <b>Adjusted profit before tax</b>      | <b>226</b> | <b>260</b> |             |

For explanations i to vii and more detailed tables please refer to pages 29 to 31.

<sup>†</sup> Statutory revenue, operating profit and profit before tax figures are for continuing operations only (excluding Euromoney). The FY 2016 statutory results have been reclassified accordingly.

<sup>#</sup> From continuing and discontinued operations.

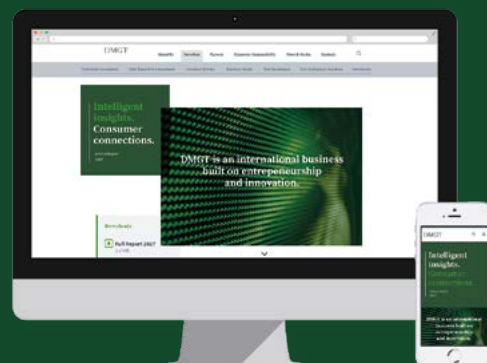
<sup>\*</sup> Before exceptional items, other gains and losses, impairment of goodwill and intangible assets, amortisation of intangible assets arising on business combinations, pension finance charges and fair value adjustments; see Consolidated Income Statement on page 96 and the reconciliation in Note 13 to the Accounts.

<sup>§</sup> Pro forma FY 2016 figures have been restated to treat Euromoney as a c.67% owned subsidiary during the first three months and as a c.49% owned associate during the nine months to September 2016, consistent with the ownership profile during FY 2017. See reconciliation on page 28.

<sup>§</sup> See Note 16 for details of Net debt.



Go online to [www.dmgt.com](http://www.dmgt.com) to find out more and read our case studies



# DMGT is an international business built on entrepreneurialism and innovation.

DMGT manages a diverse, multinational portfolio of companies, with total revenues of around £1.5 billion, that provide businesses and consumers with compelling information, analysis, insight, events, news and entertainment. DMGT is also a founding investor and the largest shareholder of Euromoney Institutional Investor PLC and ZPG Plc.

02

## Chairman's Statement

Maintaining a strong portfolio of businesses



10

## CEO Review

Delivering against clear strategic priorities



06

## Our Business Model

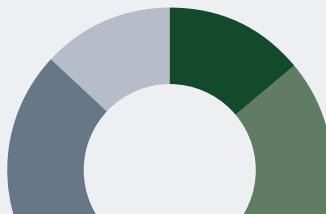
How we create value



16

## Operating Business Reviews

A resilient performance



### Strategic Report

|                                    |    |
|------------------------------------|----|
| Chairman's Statement               | 02 |
| DMGT at a glance                   | 04 |
| Our Business Model                 | 06 |
| Market Overview                    | 08 |
| CEO Review                         | 10 |
| Key Performance Indicators         | 14 |
| Operating Business Reviews         | 16 |
| Insurance Risk: RMS                | 17 |
| dmg information                    | 18 |
| Property Information               | 19 |
| EdTech                             | 19 |
| Energy Information                 | 20 |
| Events and Exhibitions: dmg events | 21 |
| dmg media                          | 22 |
| JVs & Associates                   | 24 |
| Financial Review                   | 25 |
| Our People and Our Communities     | 32 |
| Principal Risks                    | 36 |

### Governance

|  |    |
|--|----|
| Board of Directors                       | 40 |
| Chairman's Statement on Governance       | 42 |
| Corporate Governance                     | 44 |
| Remuneration Report                      | 57 |
| Statutory Information                    | 81 |
| Annual General Meeting 2018: Resolutions | 84 |
| Independent Auditor's Report             | 86 |

### Financial Statements

|                         |     |
|-------------------------|-----|
| Financial Statements    | 93  |
| Shareholder Information | 199 |

# Maintaining a strong portfolio of businesses

## Chairman's Statement



**DMGT has benefited from the resilience provided by its diversified portfolio, during continued challenging market conditions.**

### The Viscount Rothermere

Chairman

I am pleased to present the Annual Report for 2017, a year in which DMGT demonstrated once again the benefits of maintaining a strong portfolio of businesses that have the potential to deliver attractive long-term returns for our shareholders. This has been a year of transformation as we have made significant changes across the Group. We have established new strategic priorities and we are better positioned to deliver long-term shareholder value. That said, this year's financial performance has been affected by challenging market conditions and the continued volatility in the wider media industry, however, DMGT has benefited from the resilience provided by its diversified portfolio. Your Group has also continued to invest to take advantage of the trends in both B2B and consumer digital markets.

The strategic focus on operational execution under Paul Zwillenberg, your CEO, resulted in DMGT maintaining a double-digit adjusted operating margin.

We saw encouraging signs of growth from investments in several initiatives designed to deliver long-term organic returns, albeit with reduced expectations for some B2B businesses that are facing particularly challenging market conditions and which resulted in impairments that adversely affected our statutory results.

We have continued to take a disciplined approach to capital allocation, investing to expand our market positions in key sectors. During 2017, enhancing our financial flexibility has also been one of our strategic priorities, with disposals and healthy cash flow reducing net debt to 1.4 times EBITDA, the lowest level for over 20 years. The Board is therefore pleased to recommend a 3% increase in the final dividend per share for 2017, giving a total dividend for the year of 22.7 pence per share, an increase of 3% continuing DMGT's long-standing commitment to delivering sustainable annual real dividend growth.

In Consumer Media, dmg media's performance demonstrated that it is possible for a modern news media company to prosper in a digital world. Our Mail titles, in print and online, have continued to produce highly valued content for their global audience. Providing quality, popular journalism has resulted in circulation outperformance. In addition, an unparalleled cross-media advertising proposition in print and digital formats across the Mail and Metro titles has benefited performance. While print advertising continues its secular decline, MailOnline continues to win audiences across each platform it partners with, delivering strong levels of digital advertising growth.

In our B2B businesses, the requirement to have fully integrated data analytic solutions has become an increasing priority across all industries and our operations are already at the forefront of this trend. A major milestone was reached this year with the launch of Risk Modeler on the RMS(one) platform, DMGT's first truly enterprise class solution. This was achieved alongside the release of an unprecedented number of new risk models. Our Education Technology (EdTech) business, Hobsons, is bringing predictive analytics and improvements to the customer experience across its Naviance, Starfish and Intersect platforms. Our European property information businesses are using their modelling expertise with large data sets to launch new products which will enable faster decision-making in the insurance and banking sectors. Continued investment in our events business has supported a strong launch programme where innovative organic growth is being pursued internationally.

Beyond operational execution and enhancing financial flexibility, one of the main considerations of the Board is to ensure our portfolio is in optimal shape to harness market growth dynamics, as well as withstand market volatility. During the year, DMGT unlocked significant value by reducing its holding in Euromoney Institutional Investor PLC (Euromoney) to around 49%.



“  
We have established new strategic priorities and we are better positioned to deliver long-term shareholder value.”

This has also given Euromoney the financial flexibility to pursue its own strategy. Refocusing and disposals within our Consumer Media and B2B divisions have enabled us to focus on the most attractive growth opportunities. Going forward, although we recognise the benefits of spreading risk across a diversified portfolio, there are clear advantages to operating in fewer sectors, especially in terms of resource allocation and our ability to expand our market shares in the most attractive sectors.

➤ [Read more in CEO Review, pages 10 to 13](#)

The implementation of our Group strategy is overseen by the Board of Directors, which maintains the high standards of governance our shareholders expect. The Governance Report sets out the framework for operating performance and shareholder value that is central to the growth of DMGT.

I am pleased that Tim Collier joined as the Group Chief Financial Officer during the year. Tim's prior experience working for portfolio companies in B2B information, events and media sectors with a significant US presence is aligned with DMGT's businesses and overall Group focus. I am confident he will help to lead DMGT to further success.

I would like to thank our Non-Executive Directors for their contribution over the past year with the Group benefiting from their

skills and experience at both an individual business and Board level. During the year François Morin joined DMGT's Board as a Non-Executive Director. François brings an international perspective relevant to the Group's global operations and experience of regulatory matters across a range of areas.

Sadly, following a short illness, Nicholas Berry, Non-Executive Director, died in December 2016. Nicholas had served on the DMGT Board for nine years, providing invaluable advice and insights across a wide range of areas, particularly our leadership programmes.

➤ [Read more in Governance Report, pages 40 to 56](#)

Throughout its history, DMGT has relied upon the talent, experience and skills of its employees through their innovation and entrepreneurial drive. We also recognise that the talent development in critical skills must keep pace with our strategic ambitions both through leveraging our existing teams as well as supplementing our abilities with leading-edge external experience. For more information on our talent development programmes please refer to the Our People and Our Communities section.

As Chairman of the Board, I want to thank all our employees for their dedication, hard work and significant contribution to the Group as well as their wider community. Sadly, this came into sharp focus in 2017, as DMGT employees supported the relief efforts following the Grenfell Tower fire and Hurricane Harvey, tragedies that struck at the heart of communities where our people live and work.

➤ [Read more in Our People and Our Communities, pages 32 to 35](#)

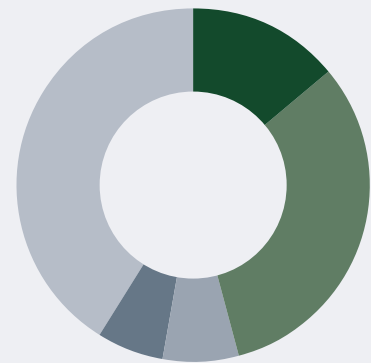
At the senior management level, remuneration and incentives drive focus on performance aligned to our strategic priorities. Our value creation metrics and related payments are set out in the Remuneration Report.

➤ [Read more in Remuneration Report, pages 57 to 80](#)

The Board and I remain confident in DMGT's prospects for long-term growth. Our focus in the coming year is to continue to execute against the new strategic framework, which will position DMGT for the next wave of growth, as well as manage expected continued market volatility. We remain confident that through our strong entrepreneurial and innovative

### Revenue by business FY 2017 (%)

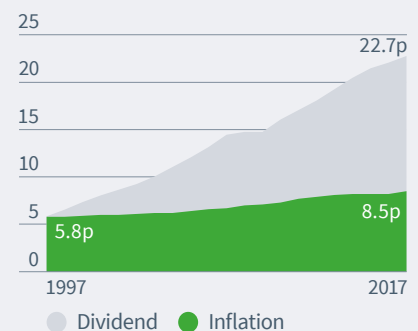
|                          |    |
|--------------------------|----|
| ● RMS                    | 14 |
| ● dmg information        | 32 |
| ● dmg events             | 7  |
| ● Euromoney <sup>1</sup> | 6  |
| ● dmg media              | 41 |



<sup>1</sup> Revenue for 3 months to December 2016.

### Dividend per share

The Board's policy is to maintain dividend growth in real terms over the long term and for this to be supported by earnings per share growth.



capability, DMGT will be able to benefit from the opportunities being brought by the increasing pace of change and complexity in our industries. Through harnessing our growth opportunities and investing in the best ideas we remain confident that DMGT will deliver good long-term returns to shareholders.

**The Viscount Rothermere**  
Chairman

## Who we are

# DMGT at a glance

DMGT's diversified portfolio of companies, operating across B2B and consumer markets, has continued to evolve as we position ourselves for long-term growth.

### Our business in FY 2017

#### B2B

##### RMS

Produces risk models and software applications, and provides analytical data services used by the global risk and insurance industry to quantify and manage catastrophic risks.

##### Revenue

£233m

2016: £205m

##### Operating profit\*

£33m

2016: £36m

##### dmg information

An international provider of B2B information, analysis and software for the property information, EdTech and energy information sectors.

##### Revenue

£531m

2016: £498m

##### Operating profit\*

£69m

2016: £77m

##### dmg events

An international B2B exhibitions and conferences organiser, focusing on the energy, construction, interiors, hotel, hospitality and leisure sectors.

##### Revenue

£117m

2016: £105m

##### Operating profit\*

£31m

2016: £29m

#### Consumer

##### dmg media

A modern news media company with two of the UK's most-read paid-for newspapers, MailOnline, which attracts an average 15 million unique browsers each day, and one of the world's most popular free newspapers.

##### Revenue

£683m

2016: £706m

##### Operating profit\*

£77m

2016: £77m

#### JVs & Associates

Euromoney Institutional Investor PLC became a c.49% associate interest in January 2017 (see below). DMGT also owns a c.30% interest in ZPG Plc. Other JVs & Associates include DailyMailTV, Real Capital Analytics and Wowcher.

##### Share of Operating profit\*

£69m

2016: £23m

2016 Pro forma<sup>a</sup>: £61m

In December 2016, DMGT reduced its stake in Euromoney from c.67% to c.49% and Euromoney ceased to be a subsidiary of DMGT and became an associate. To allow a like-for-like comparison, FY 2016 pro forma results have been presented based on a c.67% stake in Euromoney during the first quarter of the year and a c.49% stake during the final three quarters, consistent with the actual holding during FY 2017. Underlying revenue and operating profit growth rates exclude Euromoney. The results of Euromoney are described within the JVs & Associates section of this Annual Report on page 24.

\* These are adjusted results see pages 29 to 31 for more detailed tables and explanations.

<sup>a</sup> Pro forma FY 2016 figures have been restated to treat Euromoney as a c.67% owned subsidiary during the first three months and as a c.49% owned associate during the nine months to September 2016, consistent with the ownership profile during FY 2017. See reconciliation on page 28.



Go online to [www.dmgt.com](http://www.dmgt.com) for more information about our businesses

## DMGT is making significant steps to focus and simplify the portfolio.

### From FY 2018 the portfolio will be managed by sector

#### B2B

##### Insurance Risk

RMS produces risk models and software applications, and provides analytical data services used by the global risk and insurance industry to quantify and manage catastrophic risk.



[Read more page 17](#)

##### Property Information

Our Property Information companies provide technology, data and workflow solutions to clients involved in commercial and residential property markets as well as risk and valuation services to the Commercial Mortgage-Backed Securities (CMBS) market.



[Read more page 19](#)

##### Education Technology (EdTech)

Hobsons is the leading provider of student success solutions in the US through its Naviance, Starfish and Intersect platforms.



[Read more page 19](#)

##### Energy Information

Genscape provides data, workflow tools and predictive analytics to improve market transparency and efficiency across several energy and power asset classes to better manage volatility and increase supply chain efficiency.



[Read more page 20](#)

##### Events and Exhibitions

dmg events is an international B2B exhibitions and conference organiser, focusing on the energy, construction, interiors, hotel, hospitality and leisure sectors, operating across several geographies.



[Read more page 21](#)

#### Consumer

##### Consumer Media

dmg media is a modern news media company with two of the UK's most-read paid-for newspapers, MailOnline, which attracts an average 15 million unique browsers each day, and one of the world's most popular free newspapers.



[Read more pages 22 and 23](#)

#### JVs & Associates

DMGT holds two significant associate interests in Euromoney (c.49%) and ZPG (c.30%). Other JVs & Associates include Real Capital Analytics and DailyMailTV.



[Read more page 24](#)



How we create value

# Our Business Model

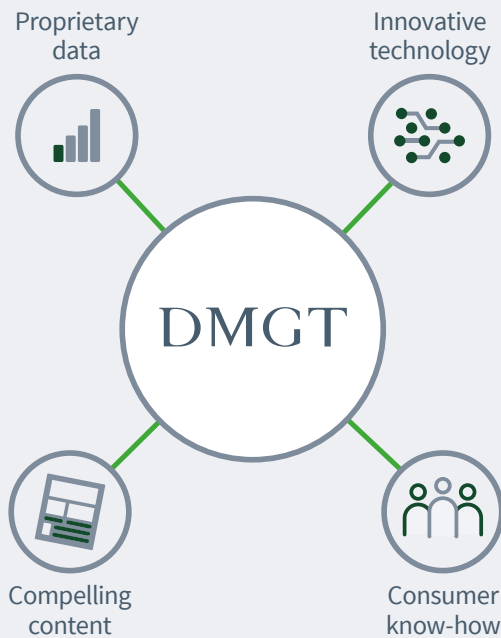
## Intelligent Insights. Consumer Connections



## Which we monetise through five revenue models



**DMGT creates first-choice products, combining data, technology and consumer know-how to connect people with intelligent insight and engaging content.**



### Subscription

Our B2B businesses have a strong subscription revenue component with high renewal rates demonstrating the strength of our client relationships.

### Advertising

Our Consumer Media business generates advertising revenue both in print and digital formats. Growth in our digital advertising revenues continues to help offset structural declines in print advertising. Enhanced user engagement drives advertiser interest in increasingly sophisticated advertising formats.

### Circulation

Circulation revenues are generated from sales of the Daily Mail and The Mail on Sunday newspapers, which continue to hold strong market-leading positions in the context of declining industry volumes.

### Events attendance and sponsorship

Exhibitor fees, delegate fees and sponsorship revenues are earned from the growing portfolio of B2B shows run by dmg events.

### Transactions

Revenues from property information businesses are influenced by property transaction volumes.

➤ [Financial Review, pages 25 to 31](#)

## Supported by our values



## Enabling us to create value for all of our stakeholders



### Entrepreneurialism

As a home for entrepreneurs, working at the cutting edge of technology, DMGT fosters constant innovation, growth and talent development across our international businesses.



### Purpose

Long-term perspective and businesses with a clear sense of purpose for their customers and society.



### Excellence

Commitment to quality, craftsmanship and delivering excellence. We seek the best talent, leadership and expertise.

### For shareholders

We have a track record of generating a positive return on investment with strong cash flow. Our active portfolio management aims to achieve sustainable long-term earnings and dividend growth.

**Total shareholder return FY 2012 – FY 2017**

**9% CAGR**

### For employees

We nurture entrepreneurial talent and encourage our people to make their own mark on DMGT, a diverse international portfolio with over 120 years of heritage.

**Employees worldwide**

**7,395**

### For customers

Our deep understanding of customer needs enables us to constantly innovate and create content, products and solutions that provide our businesses with a competitive edge and make us even more relevant to our customers.

**Organic investment as a percentage of revenues FY 2017**

**9%**

### For our communities

DMGT businesses have developed strategic partnerships with a number of charitable organisations, with a focus on making a difference in the communities where our people work and live.

**Amount donated to charity FY 2017**

**£817k**

## Adapting to continuous change

# Market Overview

**DMGT comprises a portfolio of businesses working across diverse marketplaces. While each has its own individual characteristics, some common features exist:**

- Fast-paced and evolving to adopt new technology and business models
- Technology-enabled with high degrees of innovation
- Enduring and resilient
- Content and information-driven

### Increased volatility



#### Context to DMGT

- **As a provider of proprietary, hard-to-obtain information, DMGT benefits from growing uncertainty in the world as its customers rely more heavily on data and analysis to inform critical decisions.**

#### Market trend

- Global economic uncertainty, political tensions and supply and demand disruptions continue to influence our customers and their markets in what is becoming a 'new normal' level of market volatility. Extreme weather events, commodity price fluctuations and continued exchange rate swings have directly impacted the economic and social environments for both investment and business operations.

#### Our approach

- Our diversification provides beneficial offsets in an increasingly volatile world: as one industry may be facing headwinds, another may benefit from the forces of volatility.
- In this sustained-volatile environment, DMGT is providing its customers with fundamental data, analytics and insights that enable them to move away from instinct-driven decision-making and to embrace market-relevant data as a means to navigate uncertain times.

### Political uncertainty



#### Context to DMGT

- **Political policy decisions have direct and often unexpected impacts on the geographies and industries in which DMGT operates and will continue to shape where and how DMGT pursues commercial and strategic opportunities.**

#### Market trend

- There is still long-term geopolitical and economic uncertainty for UK companies' operations abroad. Furthermore, the rise of populist policies and changing political landscapes throughout the world each add to the climate of political uncertainty.

#### Our approach

- DMGT closely follows political changes and implications for the geographies and industries in which it participates. In many instances, the uncertainty of changing political and regulatory norms presents commercial opportunities, as we help our customers anticipate implications for their business.

### Cyber security



#### Context to DMGT

- **As a provider of business-critical data, analytic tools for global industries and news media, DMGT is exposed to cyber security risks across its operations.**

#### Market trend

- Cyber security threat is a permanent business risk in the digital age. Governments and regulatory bodies have awakened to the threat posed to individuals and society by data breaches.
- Customer confidence is easily eroded, enforcing the highest possible cyber security standards is critical for maintaining customer and market trust.

#### Our approach

- DMGT continues to strengthen its information security controls with the formation of a new Information Security Steering Committee, the recruitment of a Group Chief Information Officer, and in October 2017, a Chief Information Security Officer, together with regular cyber security audits.
- RMS has developed a cyber risk management tool that seeks to provide insurers with a framework to capture and report on all cyber exposure and facilitate risk transfer in the market.

Our businesses are constantly looking towards the future to identify and manage current and future trends. The most significant of these are identified here.

➤ [More detail on the trends affecting the Group can be found in the Principal Risks section, pages 36 to 39](#)

## Continuous innovation



### Context to DMGT

- **Technological change and the speed at which customers are adopting new technologies in our key markets are accelerating at a pace never seen before, irrevocably changing and erasing more traditional business models.**

### Market trend

- The speed of technology evolution is increasing the capital intensity of IT investment and product development such that business investment horizons have changed compared with previous economic cycles.

### Our approach

- As an entrepreneurial Group focused on digital growth, DMGT stays ahead by continually fostering innovation and embracing new ideas. This is best reflected by DMGT's expectation of investing at least 5% of revenue in organic initiatives each year.
- As a company with a family heritage which encourages long-term thinking, DMGT can invest for the future. Throughout DMGT's history, innovation and diversification have been essential elements of how we do business, and have given us a wealth of experience to draw on in order to adapt to market changes.
- DMGT's investment approach enables us to remain close to customers through our portfolio of businesses, gaining greater insight and understanding into exactly what our customers value, engage with, and ultimately, want to buy.

## Machine Learning



### Context to DMGT

- **An ever-growing number of machines are producing, using, and communicating with virtually immeasurable amounts of information. Machine learning is what makes machines appear 'intelligent' by enabling them to understand concepts in their environment and also to learn. Through machine learning, a smart machine can change its future behaviour. These developments create opportunities for DMGT and its businesses.**

### Market trend

- Machine learning gives rise to a spectrum of smart machine implementations helping to unearth insights in discrete datasets that were previously impossible to see.

### Our approach

- DMGT's businesses help their customers to identify which information provides strategic value, access data from different sources and explore how algorithms leverage the Internet of Everything to fuel new business designs. This area is evolving quickly, and DMGT's businesses are embracing the opportunity.
- BuildFax uses different machine learning models, for instance, to estimate roof age from property characteristics where the business does not have high-confidence roof age data, and another model is used to estimate property conditions.
- We are developing products and services across a number of our businesses, including sensing technology at Genscape and statistical analytics at Hobsons and RMS.

## A competitive talent pool



### Context to DMGT

- **Across the global workforce but especially with millennials, top talent is drawn to companies that offer a compelling employee value proposition, incorporating purpose beyond profit, ongoing learning and development opportunities as well as competitive remuneration.**

### Market trend

- Demand for top talent is always fierce, however, in the critical areas of big data analytics, artificial intelligence and data science, demand in many labour markets outstrips supply.

### Our approach

- In competing for key employees, especially critical technology talent, DMGT is committed to enhancing its Group-wide employee proposition, defining the jobs of the future, for instance through its groundbreaking work in data science and predictive analytics.
- DMGT supports training and development in order to enhance employees' capabilities and transfer skills throughout the businesses. We also provide Group-wide initiatives such as our talent development programmes and workshops to encourage rising talent within DMGT.

# Delivering against clear strategic priorities

## CEO Review

### Overview

**In spite of challenging market conditions DMGT has delivered a resilient performance in a year of transformation at the Company.**

During the reporting period, we strengthened our balance sheet by reducing our holding in Euromoney; we agreed to divest assets; and we delivered cost savings through operational efficiency.

At the operating level, dmg media outperformed in its markets and many of our B2B companies delivered a robust performance, with the exception of Genscape and Xceligent. As a long-term investor, we continued to invest through the cycle, particularly at RMS, which successfully launched Risk Modeler on RMS(one), and dmg information. The Consumer Media business delivered good underlying profit growth, reflecting the progress made at MailOnline, which moved into operating profit during the final quarter. Adjusted operating and pre-tax profits declined year-on-year, mainly due to the reduced stake in Euromoney.

The challenging conditions in many of our markets served as a further reminder of the need to transform our business. This work has begun as part of our Company-wide Performance Improvement Programme, which we are rolling out to better position us for consistent long-term growth.

Already, we have made good progress on the strategic priorities laid out at the start of the year: improving operational execution, increasing portfolio focus and enhancing financial flexibility.

We have delayed management, reduced overheads, enhanced our talent and refocused each business's priorities. We have sharpened our focus on our strongest brands and our financial flexibility has improved with net debt to EBITDA now at 1.4 times, the lowest level in over 20 years.

I am confident that our programme of action will deliver long-term sustainable growth and shareholder returns.

## Key Strategic Priorities

### Delivering on our potential

|   |   |   |
|---|---|---|
|  <p style="color: #008000; font-weight: bold; margin-top: 10px;">Improving operational execution</p> |  <p style="color: #008000; font-weight: bold; margin-top: 10px;">Increasing portfolio focus</p> |  <p style="color: #008000; font-weight: bold; margin-top: 10px;">Enhancing financial flexibility</p> |
|---|---|---|

We are building on strong foundations, as shown by aspects of our performance in the past financial year. For the year covered by this report, operational highlights include the sustained strong revenue growth and transition to profitability of MailOnline following a multi-year investment strategy; the successful delivery of RMS(one) in the Insurance Risk sector; and the restructuring and refocusing of our EdTech business, Hobsons, into a more growth oriented model focused on student success.

Another focus area has been to strengthen our management team, both at the centre and throughout the businesses, ensuring we have the right talent to improve performance and position DMGT for the future.

We managed our portfolio more actively, initially with the reduction in our stake in Euromoney and subsequently with the sale of Elite Daily in Consumer Media and the Admissions business within the EdTech sector. This, coupled with a renewed focus on cash generation, has lowered our debt, strengthened our leverage ratios, and ultimately given us the financial flexibility to take advantage of opportunities as they arise.

The carrying values of Genscape, the Energy Information business, and two early-stage US Property Information businesses, Xceligent and SiteCompli, were impaired. This decision reflected a more cautious outlook for each of these businesses.

At Genscape, which faced challenging market conditions during the year with low levels of price volatility, a sustained low oil price and changes to solar energy distribution channels in the US, the carrying value of the business has been reduced to £141 million, resulting in an impairment charge of £140 million.

Expansion into the national market has been slower than previously expected at Xceligent and SiteCompli, notably Xceligent's revenue growth in New York, which it launched into during the year. Given the further investment required in Xceligent and the long path to cash generation, the prudent decision has been taken to incur a full impairment charge of £65 million in respect of both businesses.

I am confident, however, that DMGT is on track to becoming a higher performance business with a strong balance sheet to deliver on our long-term potential. We are laying the groundwork to position the Group for further success. Above all, our commitment remains to deliver on DMGT's full potential.

### Financial Performance

Group revenues grew by 1% on an underlying basis, reflecting good growth from our digital consumer business, MailOnline, and modest progress elsewhere in the Group. Operating profit declined by an underlying 2%, primarily due to our investments in the B2B businesses and amortisation costs at RMS. There was encouraging underlying profit growth at dmg media, driven by good cost control and increasing MailOnline profitability. This was offset by profit declines at dmg information and RMS. The performance of dmg information was adversely affected by the challenges at Genscape and Xceligent.





**Paul Zwillenberg**  
CEO

**In FY 2017, we started to deliver on the clear strategic priorities laid out at the start of the year; improving operational execution, increasing portfolio focus and enhancing financial flexibility.**

Reported results were impacted by the reduction in our stake of Euromoney to c.49% in December 2016, whereupon it became an associate for the final nine months of the financial year. Pro forma reported revenue, adjusting for the Euromoney transaction, increased by 3%, reflecting the benefit of the stronger US dollar versus the British pound. The Group's pro forma operating profit was up 2%, with an operating profit margin of 12%.

Group adjusted profit before tax and earnings per share were down 13% and 1% respectively, although up by 4% and 7% on a pro forma basis, and the recommended dividend per share was up 3%.

The Board remains committed to delivering dividend growth in excess of inflation, consistent with our dividend policy.

**“  
FY 2017 saw a major focus on strengthening our management teams, enhancing our performance management system and eliminating red tape to ensure that we are faster and more agile.”**

Statutory operating profit and profit before tax were adversely affected by the impairments at dmg information but statutory earnings per share increased 69% due to the gain on the Euromoney transaction.

Year end net debt of £464 million was £214 million lower than in FY 2016, reflecting the net operating cash inflow and disposal proceeds. The net debt to EBITDA ratio of 1.4 times was comfortably below the Group's preferred upper limit of 2.0 times.

The strengthening of the balance sheet was an important achievement during the year.

In the Financial Review (pages 25 to 31), Tim Collier, Group Chief Financial Officer, describes our financial performance in further detail. Key Performance Indicators (KPIs) are used to measure DMGT's performance at a Group level and there is an update on how these have progressed during the reporting period on pages 14 and 15 of the Strategic Report.

#### **2017 Strategic Priorities**

In December 2016, I outlined three strategic priorities that will help position DMGT for the future. While there is much more to do, we have made good, clear progress with the launch of our Performance Improvement Programme.

#### **Improving operational execution**

The first priority of improving operational execution included enhancing our performance management system and eliminating red tape to ensure that we are faster, fitter and more agile. These areas will help us deliver on our investments, ultimately driving value creation across the Group.

As a part of this, we remodelled and strengthened our central management team, drawing heavily on existing DMGT talent.

Key internal promotions included a Group Head of Strategy & Performance Management, Group HR Director, Group Chief Information Officer, and Group Head of M&A, alongside the external appointment of a new Group CFO. Among our businesses, we also made a number of senior appointments including new Presidents, CEOs and Chief Operating Officers, supplementing internal talent with external hires to broaden the industry expertise within the Group.

We have reduced the complexity of the management structure in the B2B portfolio, bringing the individual operating companies closer to the central management team. Above all, our aim has been to give each company the resources they require to fulfil their strategic ambitions, whilst supporting the extraordinary entrepreneurial spirit and talent that drives our success. In addition, we have increased our focus on nurturing and developing rising talent as well as bolstering skills critical for our future such as technology, customer solutions and data science capabilities.

From a business perspective, the operational improvements have driven significant progress in three particular areas.

Firstly, RMS executed the successful launch and rollout of the Risk Modeler application on RMS(one), the new platform for digitising risk for the insurance industry. RMS also delivered RiskLink17 and an unprecedented array of modelling solutions, with major updates to its core models and the release of several entirely new models. With the gradual client migration to RMS(one) and continued strong model development, RMS is poised to deliver good long-term growth and returns in support of the Insurance Risk sector's digital transformation.

# Delivering against clear strategic priorities

## CEO Review

Secondly, we have been encouraged by continued strong growth from MailOnline, where revenues reached £119 million, up an underlying 20%. The performance was driven by its growing global audience, content and distribution partnerships with global platforms Google, Facebook and Snapchat, and strong performance in programmatic advertising in the US and UK. The increased scale of the business, combined with a deep focus on operational efficiencies, resulted in MailOnline moving into operating profit during the final quarter of the financial year.

Finally, in the EdTech sector, Hobsons made good progress on strengthening its high growth Student Success solutions for US High School and College students

following a refocusing and restructuring of the business. In particular, the modernisation of the Naviance platform to improve customer experience is progressing well and will continue to be a core focus of Hobsons' activity this coming year. Looking forward, we are optimistic about the future growth prospects for its Naviance, Intersect and Starfish products.

### Increasing portfolio focus

By increasing our portfolio focus, DMGT is seeing the benefits of a more streamlined structure. In FY 2017 we began a major strategic review, working through every business in the portfolio to understand its potential growth and returns and the resources required to achieve this.

The first significant step in delivering increased portfolio focus was the reduction in our stake in Euromoney in December 2016 to c.49%. This was followed by the disposal of Elite Daily and closure of 7 Days in the Consumer Media sector. Within EdTech, we split the Hobsons business into the faster growing Student Success and the more mature Admissions and Solutions businesses to enable a distinct approach to managing the two parts. Both the Admissions and Solutions businesses were disposed of, in September and October 2017 respectively.

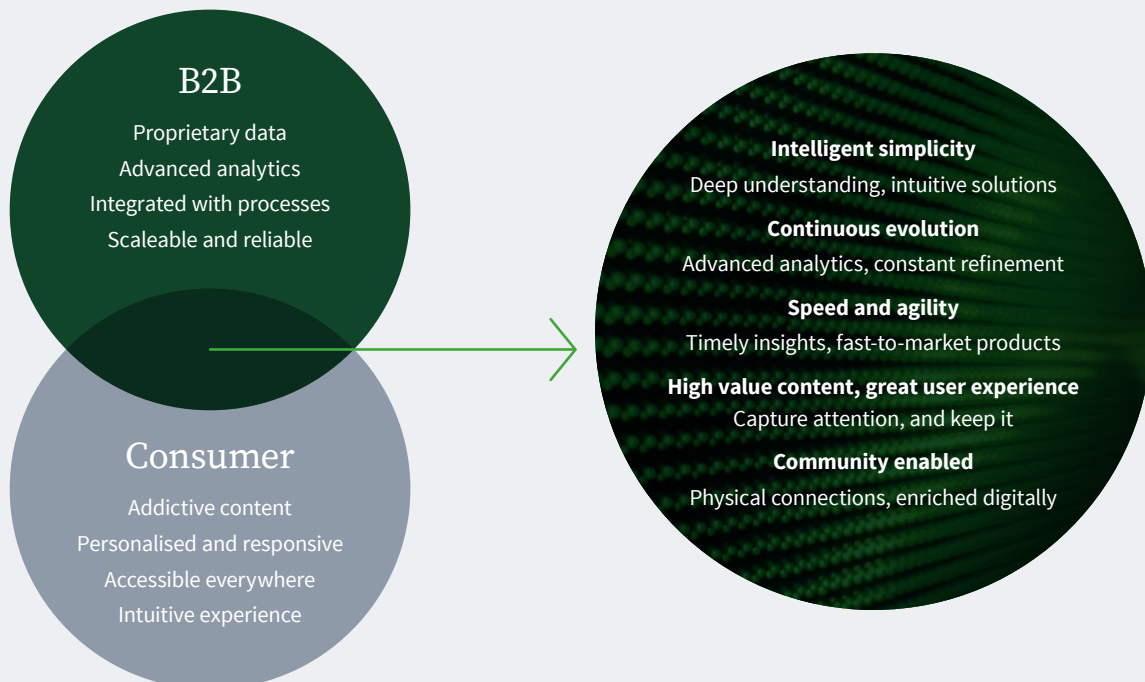
The disposal of EDR, the US Property Information business, is currently underway and will further sharpen DMGT's focus.

## A clear strategy and bold vision for the future

We have defined a new strategic vision for DMGT entitled 'Intelligent Insights. Consumer Connections'. Due to the Group's strengths and capabilities across B2B and Consumer Media, DMGT has a competitive advantage from two important converging trends across these sectors. Firstly, in B2B sectors, customers increasingly expect to have the same quality of user interface as they do with consumer products. Secondly, the most successful consumer products are built on robust use of data and analytics to gain insight. The agility, speed to market,

user engagement and audience understanding demonstrated by MailOnline can be applied within our B2B businesses. The advanced analytics and resilient and secure technology required in our B2B sectors can be applied to Consumer Media digital businesses. DMGT's strategy will be focused on seeking opportunities, either through organic initiatives or acquisition, which can exploit the converging trends across the B2B and Consumer Media sectors.

➤ [Read more in our Operating Reviews, pages 16 to 24](#)



## Investment criteria

We have conducted a rigorous evaluation of all our businesses as part of our strategic review. We aim to position DMGT for the future and, in particular, for what we refer to as a 'Digital 4.0' world, where artificial intelligence, machine learning on big data and the use of predictive analytics play an increasingly important role.

In maintaining a diversified portfolio, with a more focused investment approach, we can allocate resources according to each individual business's growth characteristics and funding requirements. The five broad investment criteria used are shown here:

| Investment criteria             | What we consider   |
|---------------------------------|--|
| Attractive and value creating   | Expected future revenue, profit and cash flow to deliver value |
| Scalability                     | End market size, growth rate and competitive position          |
| Long-term competitive advantage | Value of proprietary data and services                         |
| Affordability                   | Investment to achieve full potential                           |
| Achievability                   | Ability and resources of current business to execute           |

**Diversified portfolio, with more focused investment approach**

### Enhancing financial flexibility

Through our improved operational execution and increased portfolio focus, we have achieved a stronger balance sheet. At the year end, net debt was £464 million with a net debt to EBITDA ratio of 1.4 times, the lowest it has been in over 20 years, as a result of disposal proceeds and continuing healthy cash generation. We now have more flexibility to invest behind our businesses, both organically and via acquisition, to support long-term growth and value creation.

In pursuing a balanced capital allocation approach, we remain committed to increasing shareholder returns through sustainable real dividend growth.

### Strategy update

A new strategic vision has been defined based on the convergence of trends within B2B and Consumer Media and the strong position that DMGT is in given the breadth of expertise across the Group.

We have begun to execute on the Performance Improvement Programme, which will deliver results against our three key strategic priorities. Building on the solid foundations established through recent operational initiatives, DMGT's performance and execution will be improved through upgrading businesses' technology, sales force effectiveness and pricing capabilities. The increasing focus of the portfolio will

be driven by the Group's strengths, notably where the convergence of B2B and Consumer Media gives DMGT a competitive advantage. DMGT will also ensure it has the financial flexibility to pursue opportunities as they arise, notably to build scale in those sectors that can deliver focused growth.

### Outlook

We have started the new financial year with our businesses performing in line with our expectations. FY 2018 will be an important year of transition for DMGT as we continue to lay the necessary groundwork for the future.

The markets in which we operate continue to be disrupted by new technologies, volatile demand and changing consumption habits among the audiences we serve.

In B2B, the financial performance will be adversely affected by disposals. Despite challenging market conditions, we nevertheless expect B2B to deliver modest underlying revenue growth, reflecting the benefits of increased focus. On the Consumer Media side, digital revenues are expected to grow further, helping to offset anticipated circulation volume and print advertising declines, with advertising market conditions likely to remain volatile. The Consumer Media operating profit is expected to reflect lower overall revenues, continued cost efficiencies within the newspapers and MailOnline being profitable.

The Board remains confident that DMGT has good long-term prospects, supported by a more flexible balance sheet and by the entrepreneurialism, purpose and passion that are so distinctive in the Group.

I am confident that the Performance Improvement Programme will generate long-term sustainable growth. And it will help us to navigate near term challenging trading conditions. This will, in turn, enable us to maintain our progressive dividend policy, with a commitment to growing shareholder returns.

We look forward to delivering on DMGT's potential.



**Paul Zwillenberg**  
CEO

## Measuring our performance

# Key Performance Indicators

### The Board seeks to deliver sustained long-term growth for DMGT's shareholders.

DMGT is a portfolio of different companies. Many Key Performance Indicators (KPIs) that are targeted by our individual businesses, such as revenue per client as well as non-financial measures including customer numbers and audience reach, are not appropriate at a consolidated Group level. The KPIs shown below, however, are considered to be good indicators of the Group's overall progress against its strategic priorities.

A new KPI, Group adjusted cash operating income, has been introduced, reflecting the focus on improving the cash generation of the individual businesses within the portfolio over time. International revenues as a percentage of total revenues is no longer a KPI as DMGT is not targeting a specific change to the existing mix.

| Description                                  | Relevance  | Performance  | Narrative | Strategic priority |      |       |      |       |      |       |      |       |   |          |
|--|--|--|-----------|--------------------|------|-------|------|-------|------|-------|------|-------|---|----------|
| <b>Underlying revenue growth<sup>^</sup></b> | Underlying revenue growth compares revenues on a like-for-like basis and is an important indicator of the health and trajectory of the individual businesses and the Group as a whole. | <table border="1"> <tr><td>2017</td><td>+1%</td></tr> <tr><td>2016</td><td>+0%</td></tr> <tr><td>2015</td><td>+1%</td></tr> <tr><td>2014</td><td>+5%</td></tr> <tr><td>2013</td><td>+2%</td></tr> </table>           | 2017      | +1%                | 2016 | +0%   | 2015 | +1%   | 2014 | +5%   | 2013 | +2%   | <b>Underlying revenue growth</b><br><b>+1%</b><br><b>2016: +0%</b><br>The underlying revenue performance reflects the resilience of the B2B and consumer businesses despite challenging market conditions in many sectors.  | <br>     |
| 2017   | +1%  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2016   | +0%  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2015   | +1%  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2014   | +5%  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2013   | +2%  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| <b>Group adjusted profit before tax</b>      | DMGT actively manages its portfolio and allocates capital to increase adjusted profit before tax over the long term.   | <table border="1"> <tr><td>2017</td><td>£226m</td></tr> <tr><td>2016</td><td>£260m</td></tr> <tr><td>2015</td><td>£281m</td></tr> <tr><td>2014</td><td>£291m</td></tr> <tr><td>2013</td><td>£267m</td></tr> </table> | 2017      | £226m              | 2016 | £260m | 2015 | £281m | 2014 | £291m | 2013 | £267m | <b>Group adjusted profit before tax<sup>**</sup></b><br><b>£226m</b><br><b>2016: £260m</b><br><b>2016<sup>^</sup>: £217m</b><br>Group adjusted profit before tax declined by £34m, although increased by £9m on a pro forma <sup>^</sup> basis, reflecting the reduced profits from RMS and increased investment at Xceligent, offset by reduced corporate costs. | <br>     |
| 2017   | £226m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2016   | £260m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2015   | £281m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2014   | £291m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2013   | £267m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| <b>Adjusted earnings per share</b>           | Management seeks sustained long-term growth in adjusted earnings per share to maximise overall returns for DMGT's shareholders.  | <table border="1"> <tr><td>2017</td><td>55.6p</td></tr> <tr><td>2016</td><td>56.0p</td></tr> <tr><td>2015</td><td>59.7p</td></tr> <tr><td>2014</td><td>55.7p</td></tr> <tr><td>2013</td><td>49.9p</td></tr> </table> | 2017      | 55.6p              | 2016 | 56.0p | 2015 | 59.7p | 2014 | 55.7p | 2013 | 49.9p | <b>Adjusted earnings per share<sup>**</sup></b><br><b>55.6p</b><br><b>2016: 56.0p</b><br><b>2016<sup>^</sup>: 52.1p</b><br>Adjusted earnings per share declined by 1%, reflecting the Euromoney transaction although increased by 7% on a pro forma <sup>^</sup> basis.   | <br>     |
| 2017   | 55.6p  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2016   | 56.0p  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2015   | 59.7p  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2014   | 55.7p  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2013   | 49.9p  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| <b>Group adjusted cash operating income</b>  | This metric adds back depreciation and amortisation and deducts capital expenditure from Group adjusted operating profit. It reflects the cash generation of the Group's businesses.   | <table border="1"> <tr><td>2017</td><td>£199m</td></tr> <tr><td>2016</td><td>£254m</td></tr> <tr><td>2015</td><td>£278m</td></tr> <tr><td>2014</td><td>£267m</td></tr> <tr><td>2013</td><td>£263m</td></tr> </table> | 2017      | £199m              | 2016 | £254m | 2015 | £278m | 2014 | £267m | 2013 | £263m | <b>Group adjusted cash operating income<sup>**</sup></b><br><b>£199m</b><br><b>2016: £254m</b><br><b>2016<sup>^</sup>: £172m</b><br>Group adjusted cash operating income declined by £55m, reflecting the Euromoney transaction, although increased £27m on a pro forma <sup>^</sup> basis, reflecting the improving cash generation from RMS.                    | <br><br> |
| 2017   | £199m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2016   | £254m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2015   | £278m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2014   | £267m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |
| 2013   | £263m  |  |           |                    |      |       |      |       |      |       |      |       |   |          |

## Key strategic priorities



Improving operational execution



Increasing portfolio focus



Enhancing financial flexibility

| Description   | Relevance   | Performance   | Narrative | Strategic priority |      |       |      |      |  |      |      |      |  |      |
|---|---|---|-----------|--------------------|------|-------|------|------|--|------|------|------|--|------|
| <b>Net debt<sup>§</sup>/EBITDA ratio</b>                          | Management aims to maintain a strong balance sheet and retain DMGT's investment-grade status and consequently targets the net debt/EBITDA ratio to be no more than 2.0 times throughout the year.                                     | <table border="1"> <tr><td>2017</td><td>1.4x</td></tr> <tr><td>2016</td><td>1.8x</td></tr> <tr><td>2015</td><td>1.8x</td></tr> <tr><td>2014</td><td>1.5x</td></tr> <tr><td>2013</td><td>1.6x</td></tr> </table> | 2017      | 1.4x               | 2016 | 1.8x  | 2015 | 1.8x | 2014   | 1.5x | 2013 | 1.6x | <b>Net debt/EBITDA</b><br><b>1.4x</b><br><b>2016: 1.8x</b><br>Through increasing portfolio focus, strong operational cash flows and tight control of working capital, the net debt/EBITDA ratio remains comfortably below our preferred upper limit of 2.0 times and did so throughout the year. |      |
| 2017  | 1.4x  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2016  | 1.8x  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2015  | 1.8x  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2014  | 1.5x  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2013  | 1.6x  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| <b>Dividend per share</b>   | The Board's policy is to maintain dividend growth in real terms and, in the medium-term, to distribute about one-third of the Group's adjusted earnings.  | <table border="1"> <tr><td>1997</td><td>5.8p</td></tr> <tr><td>2017</td><td>22.7p</td></tr> <tr><td>2017</td><td>8.5p</td></tr> </table>  | 1997      | 5.8p               | 2017 | 22.7p | 2017 | 8.5p | <b>Dividend per share</b><br><b>22.7p</b><br><b>2016: 22.0p</b><br>We have proposed a full-year dividend of 22.7 pence, up by 3% from last year, continuing our strong track record of dividend growth and delivering a 7% cumulative annual growth rate over the past 20 years. |      |      |      |  |      |
| 1997  | 5.8p  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2017  | 22.7p   |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2017  | 8.5p  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| <b>Organic investment<sup>¶</sup> as a percentage of revenues</b> | Investing back into the businesses to support product innovation and effective use of technology is key to delivering DMGT's sustained long-term growth. The Board expects at least 5% of revenues to be used for organic investment. | <table border="1"> <tr><td>2017</td><td>9%</td></tr> <tr><td>2016</td><td>9%</td></tr> <tr><td>2015</td><td>7%</td></tr> <tr><td>2014</td><td>7%</td></tr> <tr><td>2013</td><td>7%</td></tr> </table>           | 2017      | 9%                 | 2016 | 9%    | 2015 | 7%   | 2014   | 7%   | 2013 | 7%   | <b>Organic investment as a % of revenues</b><br><b>9%</b><br><b>2016: 9%</b><br>DMGT continued to reinvest in the businesses during the year, notably in RMS and dmg information.  | <br> |
| 2017  | 9%  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2016  | 9%  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2015  | 7%  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2014  | 7%  |   |           |                    |      |       |      |      |  |      |      |      |  |      |
| 2013  | 7%  |   |           |                    |      |       |      |      |  |      |      |      |  |      |

➤ Read more in Financial Review, pages 25 to 31

<sup>^</sup> Underlying revenue growth is on a like-for-like basis, adjusted for constant exchange rates, the exclusion of disposals and closures and for the inclusion of the year-on-year organic growth from acquisitions. For events, the comparisons are between events held in the year and the same events held previously. For dmg media, underlying growth rates exclude the benefit of an additional 53rd week from the FY 2016 results and excludes low-margin newsprint resale activities. See page 31.

<sup>§</sup> See Note 16 for details of net debt.

<sup>#</sup> From continuing and discontinued operations.

<sup>\*</sup> Before exceptional items, other gains and losses, impairment of goodwill and intangible assets, amortisation of intangible assets arising on business combinations, pension finance charges and fair value adjustments; see Consolidated Income Statement on page 96 and the reconciliation in Note 13 to the Accounts.

<sup>Ω</sup> Pro forma FY 2016 figures have been restated to treat Euromoney as a c.67% owned subsidiary during the first three months and as a c.49% owned associate during the nine months to September 2016, consistent with the ownership profile during FY 2017. See reconciliation on page 28.

<sup>¶</sup> Organic investment is expenditure that is incurred with the objective of delivering long-term growth. It includes expenditure on product development, whether capitalised or expensed directly, and the adjusted operating losses from early-stage businesses.



# Operating Business Reviews

## B2B

### Summary

Our B2B companies operate in five sectors, namely Insurance Risk, Property Information, Education Technology (EdTech), Energy Information, Events and Exhibitions.

| Total B2B                     | 2017<br>£m | 2016<br>Pro forma <sup>Ω</sup><br>£m | Movement<br>% | Underlying <sup>Λ</sup><br>% |
|-------------------------------|------------|--------------------------------------|---------------|------------------------------|
| Revenue <sup>#</sup>          | 976        | 899                                  | +9%           | +2%                          |
| Operating profit <sup>*</sup> | 152        | 160                                  | (5)%          | (15)%                        |
| Operating margin <sup>*</sup> | 16%        | 18%                                  |               |                              |

# Revenue from continuing and discontinued operations.

\* Adjusted operating profit and operating margin; see pages 29 to 31 for details.

Λ Underlying growth rates give a like-for-like comparison; see page 31 for details.

Ω Pro forma FY 2016 figures have been restated to treat Euromoney as a c.67% owned subsidiary during the first three months and as a c.49% owned associate during the nine months to September 2016, consistent with the ownership profile during FY 2017. See reconciliation on page 28.

### Euromoney

In December 2016, DMGT reduced its stake in Euromoney and the company ceased to be a subsidiary of DMGT and became an associate. To allow a like-for-like comparison, 2016 pro forma results have been presented based on a c.67% stake in Euromoney during the first quarter of the year and a c.49% stake during the final three-quarters, consistent with the actual holding during FY 2017. Underlying revenue and operating profit growth rates exclude Euromoney. The results of Euromoney are described within JVs & Associates on page 24.

### Performance

Revenues from B2B totalled £976 million, up 9% on a pro forma basis, including the benefit of the stronger US dollar versus the British pound. On an underlying basis, B2B revenues grew 2%, with growth from Hobsons, dmg events, RMS and Genscape and stable revenues from the Property Information businesses. B2B adjusted operating profits, excluding any allocation

of Group corporate costs, were £152 million, a reduction of 5% on a pro forma basis and an underlying decline of 15%, largely driven by RMS, where amortisation costs increased, and within dmg information, by Xceligent and Genscape. The overall B2B operating margin declined to 16%, down from 18% on a pro forma basis in FY 2016, reflecting lower margins across each of RMS, dmg information and dmg events.

### dmg information restructure

DMGT has historically reported the results of Property Information, EdTech and Energy Information businesses within dmg information. In FY 2017, DMGT undertook a management delayering project to reduce complexity and move the operating companies closer to decision-making by the Group's central management team. For the purposes of this Annual Report, these businesses will appear as part of dmg information and from FY 2018 will be presented as part of the overall B2B portfolio, with dmg information no longer in place.

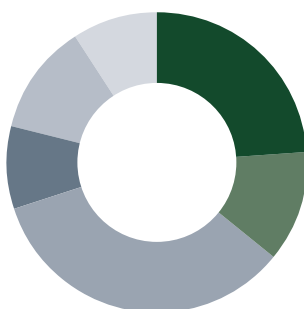
### Outlook

Our B2B companies are collectively expected to deliver low single-digit underlying revenue growth in FY 2018, although revenues will be adversely affected by the disposals that have taken place in the past year and the planned disposal of EDR. In the Insurance Risk sector, RMS will continue to expand the client base for the RMS(one) software platform and associated applications, laying the groundwork for revenue acceleration in FY 2019 and beyond. In the Property Information sector, the European businesses are expected to continue to experience relatively subdued market conditions and the remaining US businesses to continue to deliver growth. Following the disposal of Hobsons' Admissions and Solutions businesses, the remaining EdTech business is expected to benefit from increased focus and to continue to deliver growth. In the Energy Information sector, Genscape is also expected to deliver growth across most of its sub-sectors, albeit the challenging market conditions are expected to persist. Despite challenges in some Events and Exhibitions end markets, notably the energy sector and some Gulf Cooperation Council countries, and the expected reduction in revenues from Gastech reflecting the change in location in 2018, dmg events is well positioned to continue delivering underlying revenue growth.

There continues to be a focus on improving operational execution, combined with laying the foundations for long-term growth. The adjusted operating profit margin for B2B is expected to be in the mid-teens in FY 2018.

### Revenue<sup>#</sup> (%)

|                          |    |
|--------------------------|----|
| ● Insurance Risk         | 24 |
| ● EdTech                 | 12 |
| ● Property Information   | 34 |
| ● Energy Information     | 9  |
| ● Events and Exhibitions | 12 |
| ● Euromoney              | 9  |



### B2B Sectors

#### RMS

Insurance Risk

#### dmg information

Property Information

EdTech

Energy Information

#### dmg events

Events and Exhibitions

# Insurance Risk: RMS

B2B

Revenue

## £233m

Operating profit

## £33m

|                   | 2017<br>£m | 2016<br>£m | Movement<br>% | Underlying <sup>^</sup><br>% |
|-------------------|------------|------------|---------------|------------------------------|
| Revenue           | 233        | 205        | +14%          | +2%                          |
| Operating profit* | 33         | 36         | (9)%          | (25)%                        |
| Operating margin* | 14%        | 18%        |               |                              |

\* Adjusted operating profit and operating margin; see pages 29 to 31 for details.

<sup>^</sup> Underlying growth rates give a like-for-like comparison; see page 31 for details.

RMS is focused on execution and investment for organic growth, in both its core modelling business and the new risk management platform, RMS(one). RMS has delivered an unprecedented level of modelling solutions in FY 2017, with updates to the North American Earthquake and North American Hurricane models, new models for Asian earthquakes and typhoons, and further expansion into new lines of risk with the second release of our cyber models. The release of the second RMS(one) application, Risk Modeler, was also a key milestone for the business in FY 2017.

### Business model

RMS offers models, data, services and software to insurers, brokers and reinsurers. Its solutions are also increasingly in demand from capital market entrants into the risk and insurance market.

Revenues are derived mainly from annual subscriptions to its models and data intellectual property. RMS also offers a variety of analytical, managed and hosted services.

### Performance highlights

RMS produced underlying revenue growth of 2%. Reported revenues were up 14% to £233 million reflecting the benefit of the stronger US dollar versus the British pound. The business achieved this solid revenue performance, in line with expectations, despite the continuing adverse impact of some client consolidation. There was good demand for RMS core subscription services, with renewal rates remaining above 95%.

As previously indicated, capitalisation of RMS(one) development activities ceased and the amortisation of the RMS(one) asset started in August 2016. Consequently, operating profit declined by an underlying

25% to £33 million with an operating margin of 14%, broadly in line with the low-teens guidance provided in December 2016. RMS continue to invest strongly in its modelling business to underpin its market position and long-term growth trajectory. Excluding the benefit of the £13 million of RMS(one) capitalisation in the prior period, as well as depreciation and amortisation, the EBITDA margin was 24%, an improvement on the 17% in FY 2016.

RMS continues to lead in the risk modelling market. In April 2017, RMS released RiskLink17, which included updates to five models, notably North American Earthquake, and three new models: South East Asia Earthquake, Taiwan Typhoon and South Korea Typhoon.

A major milestone was achieved in April 2017, with the release of Risk Modeler, the second application to run on the RMS(one) risk management platform, and over a dozen clients are now using applications on RMS(one). Given the enterprise acceptance testing required during the clients' adoption processes and the relatively slow roll-out, the revenues from RMS(one) are expected to have a more significant impact on RMS's overall revenue growth and margin improvement in FY 2019 and beyond. The increasing pace of digitalisation across the risk and insurance market combined with the requirement for real-time risk assessment on one risk modelling evaluation platform that has integrated data analytics is expected to create progressive demand for the RMS(one) platform.

The appointment of a new President, reporting to the CEO, to lead RMS market-facing activities has increased the client focus during 2017, especially in the areas of client service and delivering high-value solutions to clients.

### Key developments

- Risk Modeler released in April 2017 – the second application to run on the RMS(one) risk management platform with clients starting to migrate onto the new system.
- Release of RiskLink17 with an unprecedented model release programme delivering updates to five models, notably the North American Earthquake model, and three new models covering natural disasters in Asia.
- Management team strengthened with a new RMS President appointed.

### Priorities in the year ahead

The main areas of focus for the RMS management team in FY 2018 will be on the continued successful development and delivery of its core and new models to clients and managing the gradual migration of clients to the RMS(one) platform.

The RMS model pipeline remains strong, reflecting an ongoing commitment to strengthen the business's market-leading position. The model pipeline for 2018 covers a wide range of perils, including North America Flood, Central and Western European Storm, Indian Flood, Japanese Earthquake and Typhoon and North American Wild Fire. The pipeline includes high definition models, which provide increased granularity, as a key differentiated offering.

 [Go online to read the RMS case study www.dmgmt.com](http://www.dmgmt.com)

# dmg information

B2B

Revenue

## £531m

Operating profit

## £69m

### Introduction

dmg information is a portfolio of companies with market-leading positions in the Property Information, EdTech and Energy Information sectors.

|                              | 2017<br>£m | 2016<br>£m | Movement<br>% | Underlying <sup>^</sup><br>% |
|------------------------------|------------|------------|---------------|------------------------------|
| <b>Revenue</b>               |            |            |               |                              |
| Property Information         | 328        | 307        | +7%           | +0%                          |
| EdTech                       | 114        | 115        | +0%           | +9%                          |
| Energy Information           | 88         | 76         | +16%          | +1%                          |
| <b>Total dmg information</b> | <b>531</b> | <b>498</b> | <b>+7%</b>    | <b>+2%</b>                   |
| Operating profit*            | 69         | 77         | (10)%         | (13)%                        |
| Operating margin*            | 13%        | 15%        |               |                              |

\* Adjusted operating profit and operating margin; see pages 29 to 31 for details.

<sup>^</sup> Underlying growth rates give a like-for-like comparison; see page 31 for details.

#### Property Information – key developments

- Stable underlying revenues despite challenging market conditions.
- Good revenue growth from US-based companies, despite subdued commercial property market.
- European property information delivered profit growth despite revenue decline.
- The carrying values of Xceligent and SiteCompli were both fully impaired, reflecting disappointing progress with expansion plans.
- Good product development and expansion into insurance sector by Landmark.

#### EdTech – key developments

- Refocus and restructure of Hobsons with disposal of Admissions and Solutions businesses in September and October 2017 respectively.
- Continued strong growth from Naviance, Starfish and Intersect.
- More challenging trading conditions for Admissions.
- Development underway to upgrade Naviance platform.
- Appointment of new CEO in May 2017.

#### Energy Information – key developments

- Robust performance from core Energy areas of power, oil and natural gas, despite sustained low oil prices and low price volatility impacting customer budgets.
- Solar business faced challenging market conditions.
- Continued investment in building global product offerings and in providing analytics and forecasts.
- Difficult market conditions resulted in an impairment to the carrying value of Genscape.

**For the purposes of this Annual Report for FY 2017, these businesses will appear as part of dmG information and from FY 2018 will be presented as part of the overall B2B portfolio, with dmG information no longer in place.**

#### Performance summary

dmG information revenues were £531 million, up 7% on a reported basis and 2% on an underlying basis. Growth from the US Property Information, EdTech and Energy Information businesses was partly offset by a decline in revenues from the European Property Information businesses.

Operating profit decreased by an underlying 13% to £69 million, with an operating margin of 13%. The decline in profit compared to the previous year was due in large part to investment in the roll-out of Xceligent, one of the US Property Information companies. More detail on the performance of each of the sectors can be found in the following Operating Business Reviews.

# dmg information

B2B

## Property Information

Revenue

# £328m

### Business model

The Property Information portfolio operates in the US, UK and Germany. Companies within the portfolio derive their revenues from providing services that use technology, data and workflow to streamline and help reduce the risk associated with commercial and residential property transactions. In addition, Trepp in the US provides risk, valuation and data solutions for the CMBS market. Revenues are generated from subscriptions as well as volume-related transactions.

### Performance highlights

The Property Information portfolio's revenues grew by 7%, including the benefit of the stronger US dollar and Euro relative to the British pound, and were in line with the prior year on an underlying basis. The five US-based businesses collectively delivered underlying revenue growth of 5%, offset by a 3% decline in underlying revenue in Europe. Adjusted operating profit declined by 4% on a reported basis and 9% on an underlying basis, reflecting planned investment in Xceligent, which more than offset operating profit growth from the European businesses.

### US

Trepp, the securitised mortgage data and analytics business, delivered another year of underlying revenue growth, reflecting continued investment in its core services. EDR, which is a leading provider of data and workflow for US commercial real estate due diligence, was adversely impacted by lower real estate transaction volumes and the business experienced an underlying decline in revenues in the year. EDR is pursuing growth opportunities in managed services, an area the market is expected to transition towards. Service industries are not a preferred area of growth for DMGT and consequently a process is underway to dispose of EDR to a more appropriate owner. This will further increase the focus within the portfolio and enhance DMGT's financial flexibility. The earlier stage businesses, Xceligent, SiteCompli and BuildFax,

continued to grow in the year. Xceligent's revenue growth in new markets, notably New York, has been slower than previously expected and, given the significant further investment and time required to achieve full national coverage, a decision has been taken to reduce the carrying value of the business to zero, resulting in an impairment charge of £42 million. Similarly, SiteCompli's planned expansion into the national retail market has proved more challenging than previously expected and an impairment charge of £24 million has been taken in respect of its carrying value. Xceligent now has a new management team in place and a strategic review of the business is in progress, whilst the SiteCompli management team are focusing on growth opportunities.

### Europe

The European Property Information businesses, which include Landmark and SearchFlow in the UK and On-Geo in Germany, experienced a modest underlying revenue decline as lower residential property transaction volumes and mortgage approvals adversely impacted trading. In the legal property market, SearchFlow delivered a major upgrade of its ordering platform while Landmark continued to deliver enhancements to its range of conveyancing searches. In the mortgage lending market, Landmark successfully deployed its new Valuation Risk Hub with the first lender and surveyor clients. Landmark has also made significant first steps into the UK household insurance market with long-term agreements to provide its risk models to leading providers in the industry. At the same time, Landmark has continued to focus on operational efficiencies, delivering operating margin improvement despite lower revenues, and evolving its cost base as the business develops.

### Priorities in the year ahead

In the US, there will be continued investment in several growth initiatives across the portfolio. There will also be ongoing product development at Trepp to enhance its market-leading position. In Europe, Landmark expects to continue with its dynamic new product development and launch programme.



Go online to read the Property Information case study [www.dmgmt.com](http://www.dmgmt.com)

## EdTech

Revenue

# £114m

### Business model

Hobsons operates in the education technology market and is a leading provider of college and career readiness and student success solutions in the US. Hobsons helps students identify their strengths, explore careers, create academic plans and match these to educational opportunities. Hobsons' revenues are mainly derived from subscription contracts with a wide range of educational institutions.

### Performance highlights

Hobsons produced another year of underlying growth with revenues up 9%. There was continued strong growth from its K-12 career and college planning platform, Naviance, its college matching business, Intersect and its higher education student retention business, Starfish. Hobsons' Admissions business was operating in an increasingly competitive environment and experienced declining revenue.

Following a strategic review of Hobsons, the business underwent a refocusing and restructuring programme. Hobsons was split into two distinct areas to provide a dedicated management team for each, namely the fast-growing student success businesses for college and career readiness, matching and retention (Naviance, Intersect and Starfish) and the more mature Admissions and Solutions businesses. Following this restructure, the Admissions and Solutions businesses were sold in September and October 2017 respectively.

# dmg information

B2B

Operationally, Hobsons made good progress in strengthening its core products and services. The first phase of Naviance platform modernisation was launched, improving the user interface and mobile responsiveness of the student-facing components of Naviance. Naviance was also successfully transitioned to a cloud computing platform during the year. A new centralised modern platform for Intersect was built. Two new products were delivered on the platform and progress is underway to incorporate all existing matching products into the new platform. In July 2017 Hobsons released Starfish 7 which includes predictive analytics based on the research and methodologies developed by PAR Framework, a business acquired in 2016, that will deliver useful data to advisers and institutional leadership teams. This product is expected to help support the continued growth of this early-stage business.

A major project to upgrade the sales force was also undertaken. A more structured, focused and data-driven approach has been adopted to enhance team capabilities and better profile and target customers.

## Priorities in the year ahead

FY 2018 will be another year of transition for Hobsons as it continues to refocus and strengthen its high-value, high-growth core products and services. Operational improvements are expected to flow through as the cost base is streamlined and an agile methodology is adopted across core internal processes. Hobsons will continue with its long-term objective to become the trusted partner for institutions and communities using digital solutions to drive student success.



Go online to read the EdTech case studies [www.dmgmt.com](http://www.dmgmt.com)

## Energy Information

Revenue

# £88m

### Business model

Genscape delivers innovative solutions to improve market transparency and efficiency across several asset classes including oil, power, natural gas and liquid natural gas, agriculture, maritime and renewables. Genscape provides its customers with fundamental data, intelligence and real-time alerts, workflow tools and predictive analytics to better manage volatility, make complex decisions and increase the efficiency of their supply chains. Revenues are mainly subscription based through annual and multi-year client contracts.

### Performance highlights

Genscape delivered underlying revenue growth of 1% in the year. The core businesses operating in the power, oil and gas sectors continued to grow despite the sustained low oil price and low price volatility environment, reflecting good ongoing product development and client expansion. The solar business, Locus Energy, experienced challenging market conditions, with sales of monitors adversely affected by a market shift in distribution channels.

There was a solid profit performance in core Energy areas which was more than offset by weaker trading performance at Locus Energy and our planned investment in building new products and enhancing existing services. Genscape is bringing transparency to global energy markets by building global product offerings and continuing to move up the value chain by providing analytics and forecasts. For example, Genscape Power has expanded its services to deregulated markets in Mexico and Japan. Genscape is developing a real-time, comprehensive and accurate global crude oil supply and demand product and is expanding its proprietary sensor network to monitor industrial facilities.

Given the continued challenges facing the Energy Information sector, notably solar, and the likely time required before the business becomes a major cash generator, the carrying value of the Genscape business has been reduced to £141 million, resulting in an impairment charge of £140 million.

### Priorities in the year ahead

Under Genscape's new management team, the business will continue to invest in new products and service development and its long-term growth trajectory remains strong, despite the current challenging market conditions. One of the key priorities will be to reposition the Locus Energy product suite given recent market changes in distribution.

After delivering some pricing model improvements this year, Genscape will continue to drive operational improvements, particularly around pricing and an enhanced go-to-market strategy.



Go online to read the Energy case study [www.dmgmt.com](http://www.dmgmt.com)



# Events and Exhibitions: dmg events

B2B

## Revenue

# £117m

|                   | 2017<br>£m | 2016<br>£m | Movement<br>% | Underlying<br>% |
|-------------------|------------|------------|---------------|-----------------|
| Revenue           | 117        | 105        | +11%          | +3%             |
| Operating profit* | 31         | 29         | +6%           | (7)%            |
| Operating margin* | 26%        | 28%        |               |                 |

\* Adjusted operating profit and operating margin; see pages 29 to 31 for details.

^ Underlying growth rates give a like-for-like comparison; see page 31 for details.

dmg events is focused on seeking new opportunities for customers in emerging markets, leading to 10 new events being launched in FY 2017 with five more planned for FY 2018. dmg events hosted over 50 events attracting over 300,000 visitors and exhibitors from more than 100 different countries.

### Business model

dmg events is an organiser of B2B exhibitions and associated conferences with industry-leading events in the energy, construction, interiors, hotel, hospitality and leisure sectors. The strong market and brand positions, emerging market experience and entrepreneurial culture create opportunities for growth through geo-cloning existing events into new locations and by creating spin-off sections to become standalone events. The key branded events are the Big 5, ADIPEC, INDEX, Gastech and The Hotel Show which all provide opportunities to develop our spin-off and geo-clone strategy. Revenues are derived from exhibitor, sponsorship and delegate fees and over 60% of revenues are generated from the top five events.

### Performance highlights

dmg events produced a resilient performance in FY 2017, delivering 3% underlying revenue growth, despite the continued weakness in the oil price. Reported revenues grew by 11% due to the strength of the US dollar relative to the British pound.

The key branded events of the Big 5, ADIPEC and Gastech all produced good levels of visitor and exhibitor growth. Gastech produced double-digit levels of revenue growth due to a larger conference programme, increased popularity with sponsors and exhibitors and the positive effect of changing the location to Japan, the world's largest liquefied natural gas market. The Global Petroleum Show, however, was impacted by the tough Canadian energy sector which has experienced strong headwinds during FY 2017.

dmg events continued to geo-clone shows by launching into new locations, including two South African events, The Hotel Show Africa and Oil & Gas Africa, as well as East Africa Big 5 and Saudi Stone. A number of new spin-off events launched into adjacencies from the existing construction, energy and hospitality sectors.

Operating profit declined by 7% on an underlying basis reflecting the tough conditions in the Canadian energy events market and investment in the strong launch programme for both FY 2017 and FY 2018. Action was taken to address the challenging market conditions, through disposing of five events and closing three events during the year. Operating margins were, however, a healthy 26% due to strong cost control, low overheads and a more effective digital marketing approach.

### Key developments

- Robust revenue growth despite challenging energy event market conditions: Gastech revenues in Japan grew by over 20% on the previous event.
- Geo-cloning: strong performance of new geo-clones in key sectors.
- Spin-offs: successful development of spin-off events.
- Prior year acquisition of Exhibition Management Services drove two new launches in FY 2017: Oil & Gas Africa and The Hotel Show Africa.

### Priorities for the year ahead

dmg events will remain focused on developing its key large-scale market-leading events. These events have the potential to continue to grow and are key brands capable of future geo-cloning and generating new spin-off events. The teams will continue to create new relevant event content whilst also focusing on enhancing the customer experience through the increased use of mobile technology and data analytics. The five launches planned for 2018 in North Africa, the Middle East and South East Asia illustrate the continued strong commitment to organic growth.

# dmg media

## Consumer Media

### Revenue

# £683m

### Operating profit

# £77m

|                   | 2017<br>£m | 2016<br>£m | Movement<br>% | Underlying <sup>A</sup><br>% |
|-------------------|------------|------------|---------------|------------------------------|
| Revenue           | 683        | 706        | (3)%          | +1%                          |
| Operating profit* | 77         | 77         | +0%           | +10%                         |
| Operating margin* | 11%        | 11%        |               |                              |

\* Adjusted operating profit and operating margin; see pages 29 to 31 for details.

<sup>A</sup> Underlying growth rates give a like-for-like comparison; see page 31 for details.

dmg media has continued to focus on delivering quality, popular journalism to a large audience on a global basis. A multi-year investment programme, positioning dmG media as a modern news media company, has ensured that the business has prospered in an increasingly digital-oriented consumer market. The combined strength of the Mail and Metro brands creates opportunities to position dmG media's proposition to advertisers through a sophisticated and targeted omni-channel approach.

### Business model

dmG media's portfolio of news media businesses includes two of the UK's most read paid-for newspapers, the Daily Mail and The Mail on Sunday, and MailOnline, which attracts an average 15 million unique browsers each day. The Mail brand has the largest reach of any commercial news media brand in the UK and has achieved scale in other geographic markets, including the US and Australia. Metro, dmG media's free newspaper, has the largest weekday newspaper readership in the UK each month. Combined, the Mail and Metro brands reach c.70% of the UK's adult population each month. dmG media's revenues are generated mainly from advertising and circulation revenues. While the newspaper businesses continue to generate strong profits and cash flow, the digital businesses are the driver of dmG media's future growth.

### Performance highlights

dmG media delivered an encouraging performance in the year. Revenues were up 1% on an underlying basis, with the decline in print advertising revenues of 5% being more than offset by digital advertising growth, up 18%, and a stable circulation performance.

Revenues were £683 million, representing an absolute decline of 3%, with the benefit of the strong US dollar and the inclusion of MailOnline Australia's revenue being offset by the disposal of Elite Daily in April 2017 and the decline in revenues from reselling newsprint. The disposal of Elite Daily has enabled dmG media to concentrate its digital resources on MailOnline.

Adjusted operating profit was £77 million, an underlying increase of 10%, reflecting growth in digital revenues, good progress on MailOnline's path to profitability and cost savings in the newspaper businesses, primarily the closure of the Didcot printing plant. These were partially offset by the decline in print advertising revenues. The operating margin remained relatively healthy at 11%.

### Mail businesses

Revenues for the combined newspaper and website businesses (the Daily Mail, The Mail on Sunday and MailOnline) were in line on an underlying basis, at £574 million, despite continued challenging conditions in the print advertising market. The 10% underlying decline in print advertising revenue to £131 million was offset by the strong performance at MailOnline, which grew revenues by an underlying 20% to £119 million, whilst circulation revenues of £308 million remained stable on an underlying basis.

### Key developments

- Another year of good performance with multi-year investment programme driving results.
- Strong digital advertising growth drove underlying increase in dmG media's profits.
- Mail Advertising, dmG media's cross-media partnership for advertising solutions, is gaining traction.
- Circulation and advertising outperformance of the market for the Daily Mail, The Mail on Sunday and Metro.
- Disposal of Elite Daily in April 2017 to focus digital resources on MailOnline.
- Cost reduction initiatives continue with the closure of the Didcot printing plant facilities.
- Successful launch of DailyMailTV joint venture in the US in September 2017.

Total advertising revenues from the Mail titles were £248 million, up £7m, representing an increase of 2% on an underlying basis. Whilst the UK newspaper advertising market continued to decline, Mail Newspapers outperformed the market. Print advertising decreased by an underlying 10%, compared to the 13% decline during FY 2016.

The Daily Mail and The Mail on Sunday continue to outperform their markets, holding significant market shares, averaging 23.4% and 22.1% for the year respectively. The robust revenue performance was achieved due to the full-year benefit of cover price increases in FY 2016 and FY 2017 offsetting the declining circulation volumes. Since the year-end the cover price of The Mail on Sunday increased from £1.70 to £1.80 in October 2017.

MailOnline generated strong levels of underlying revenue growth in FY 2017 of 20%. In the US, MailOnline's revenues grew by an underlying 36%, reflecting the increased traffic, further product innovation and the partnerships with Facebook and Snapchat. The audience on the core sites continues to grow, with 14.9 million average daily global unique browsers during the year, up 4%, and the site attracted on average 227 million monthly global unique browsers during the year.

Engagement levels have also increased which, alongside the growth in global audiences and ability to provide programmatic advertising solutions with data analytics, creates a compelling offering for advertising clients. MailOnline has continued to focus on increasing the size and engagement level of its global audience, particularly in the US and Australian markets. The growth strategy is far-reaching and includes providing new video advertising formats, working in collaboration with our key commercial partners, Facebook, Snapchat and Google. It also includes DailyMailTV, a joint venture which launched successfully in the US in September 2017 and which attracted an average of 1.3 million viewers a night by its eighth week. This makes DailyMailTV the highest-rated debut of a national news magazine show since 2007.

In the UK, the Mail Advertising team has created a compelling, multi-channel advertising solution which continues to gain traction and has supported continued market outperformance. dmg media's approach has created a more effective, creative and increasingly targeted proposition to advertisers which is vital in the dynamic market conditions in which we operate.

## Metro

Metro delivered a strong revenue performance in the context of a declining print advertising market, growing underlying revenues by 7% over the year. The performance reflects increased circulation in London as well as taking on four regional franchises from Trinity Mirror in January 2017. Metro has the largest circulation of any weekday newspaper in the UK, is read by an average of 3.1 million people each day and has the largest Monday to Friday advertising market share by volume. The challenging print advertising market conditions are expected to continue and Metro will remain focused on defending its profitability whilst ensuring that the quality of the newspaper and its creative approach to advertising remains.

## Priorities in the year ahead

dmg media will continue to harness the value of the Mail brands for both readers and advertisers and invest in the quality of its popular journalism to drive and engage its global audiences. Operating efficiently with a relentless focus on an agile cost base, combined with initiatives like the partnership advertising team, will also be important priorities. Significant investment has been made to establish MailOnline as a global market leader over the last few years and it is expected to achieve its first year of profitability in the coming year.

## Outlook

Consumer Media is expected to continue to benefit from digital advertising growth and to experience circulation volume and print advertising declines, although advertising revenues will remain volatile. In FY 2018, the underlying rate of decline of dmg media's revenues is expected to be in the mid-single digits. The operating margin is expected to be around 10% in FY 2018, compared to the 11% delivered in FY 2017, with the revenue reduction being partly offset by the benefit of continued cost efficiencies within the newspapers and by MailOnline achieving profitability for the full year in FY 2018.



Go online to read the dmg media case study [www.dmg.com](http://www.dmg.com)

# JVs & Associates

## Share of adjusted operating profit

# £69m

|  | 2017<br>£m | 2016<br>Pro forma <sup>Ω</sup><br>£m | Movement<br>% |
|--|------------|--------------------------------------|---------------|
| Euromoney Institutional Investor PLC   | 47         | 42                                   | +11%          |
| ZPG Plc                                | 25         | 21                                   | +15%          |
| Other                                  | (2)        | (3)                                  | (18)%         |
| <b>Total share of operating profit</b> | <b>69</b>  | <b>61</b>                            | <b>+14%</b>   |

Ω Pro forma FY 2016 figures have been restated to treat Euromoney as a c.67% owned subsidiary during the first three months and as a c.49% owned associate during the nine months to September 2016, consistent with the ownership profile during FY 2017. See reconciliation on page 28.

As well as a diverse portfolio of operating businesses, DMGT holds two large associate interests, in Euromoney Institutional Investor PLC (Euromoney) and ZPG Plc, formerly Zoopla Property Group Plc. Euromoney and ZPG are both UK listed companies and as at 30 September 2017 had a combined market value to DMGT of £1,101 million.

Other current JVs & Associates include:

- Insurance Risk – c.30% stake in Praedicat, which is dedicated to improving the underwriting and management of casualty risk;
- Property Information – c.40% stake in Real Capital Analytics, an authority on the deals, the players and the trends that drive the US commercial real estate investment markets;
- Consumer Media – c.24% stake in Excalibur, which operates the online discount businesses Wowcher and LivingSocial UK; and
- Consumer Media – c.50% stake in DailyMailTV.

In FY 2017, the Group's share of adjusted operating profits from its JVs & Associates was £69 million, including £47 million in respect of Euromoney for the nine months to September 2017, following the reduction in the Group's stake in Euromoney to c.49%.

## Euromoney – DMGT holding c.49%

Euromoney was founded in 1969 by the then City editor of the Daily Mail and has grown into a FTSE 250, international business-to-business information and events group. The portfolio consists of over 50 specialist businesses, spread across primary sectors including:

- Asset management – provides independent research, critical news and data and runs networks and conferences for the asset management industry – e.g. BCA Research, Ned Davis Research, Institutional Investor;
- Pricing, data and market intelligence – provides information and analysis critical to clients' business processes and workflows across the metals and mining, telecoms, insurance, airline and banking industries – e.g. Metal Bulletin, TelCap, CEIC;
- Banking and finance – provides market intelligence, news, training and conferences to the global finance industry – e.g. Euromoney, IMN, Global Capital; and
- Commodity events – leading conferences in the metals, agriculture and energy sectors – e.g. Indaba, Global Grain.

Following the reduction in stake to c.49%, Euromoney's balance sheet is now independent of DMGT's, increasing Euromoney's financial flexibility to be acquisitive and to accelerate the implementation of its strategy.

In April 2017, Euromoney completed the acquisition of RISI, the leading price reporting agency for the global forest products market, for US\$125 million.

## ZPG – DMGT holding c.30%

ZPG was founded in 2007 and has a highly experienced management team. The group has a multi-brand, multi-channel approach, with its portfolio consisting of:

- Zoopla – the UK's most comprehensive property website that combines hundreds of thousands of property listings with market data and local information;
- PrimeLocation – one of the UK's leading property websites, helping the middle and upper tiers of the market explore dream homes from the top estate and letting agents;
- uSwitch – the UK's leading comparison website for home services switching;
- Property Software Group – the UK's largest supplier of software and workflow solutions to the property industry; and
- Hometrack – the UK's leading provider of residential property market insights and analytics.

The share of adjusted operating profits from ZPG increased to £25 million. In October 2017 ZPG acquired Money.co.uk, one of the UK's leading financial services comparison websites.



Go online to read about  
Euromoney and ZPG  
[www.euromoneyplc.com](http://www.euromoneyplc.com)  
[www.zpg.co.uk](http://www.zpg.co.uk)

Focusing on driving long-term shareholder value

# Financial Review



**DMGT is making progress towards becoming a higher performance business with a strong balance sheet and the foundations for long-term growth.**

**Tim Collier**

Group Chief Financial Officer

**DMGT's long-term perspective and financial strength have enabled continued investment to support future growth opportunities.**

The Financial Review details DMGT's performance during a year of transition, where new strategic priorities were established and investment to drive long-term growth continued.

The statutory results reflect the exclusion of discontinued operations, namely Euromoney, from revenue, operating profit and profit before tax. As a result of the impairment of the carrying value of goodwill and intangible assets associated with Genscape, Xceligent and SiteCompli, businesses in the Energy Information and Property Information sectors, DMGT made an operating loss in the year. Profit for the year was £342 million, an increase of 60% on the prior year, benefiting from gains on disposals and, similarly, earnings per share grew 69%. Good progress was made strengthening DMGT's balance sheet during the year as borrowings reduced by 32% and the Group's defined benefit pension schemes' position improved, as they ended the year with a net surplus. The recommended total dividend for the year of 22.7 pence is up 3% on the prior year, continuing DMGT's track record of delivering annual real dividend growth and reflecting the Board's confidence in the Group's ability to deliver long-term earnings growth.

The Board and management team use adjusted results and measures, rather than statutory results, to give greater insight to the financial performance of the Group and the way it is managed. Similarly, adjusted results are used in setting management remuneration. Adjusted results exclude certain items which, if included, could distort the understanding of performance during the year and the comparability between periods and businesses. Consequently, the rest of this Financial Review focuses on adjusted measures. The explanations for the different types of adjustment and the reconciliations to statutory results are shown on pages 28 to 31. Similarly, when assessing revenue and operating profit growth, the Board and management focus on underlying growth rates as the most meaningful like-for-like comparison between the current year and the prior year. A more detailed explanation and the calculations are shown on page 31.

There has been good progress against the three strategic priorities during the year, with the reduced stake in Euromoney, from c.67% to c.49% in December 2016, being the first significant step in increasing our portfolio focus. Euromoney consequently changed from being a subsidiary to being an associate. To give a more meaningful year-on-year comparison, prior year pro forma figures have been prepared assuming the same holding profile as during FY 2017, as shown on page 28.

## Financial Highlights – Statutory Results

**Revenue**  
**£1,564m**

2016: £1,514m

**Operating (loss)/profit**  
**£(129)m**

2016: £91m

**(Loss)/profit before tax**  
**£(112)m**

2016: £202m

**Profit for the year\***  
**£342m**

2016: £214m

**Earnings per share\***  
**97.8p**

2016: 57.8p

**Dividend per share**  
**22.7p**

2016: 22.0p

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# Focusing on driving long-term shareholder value

## Financial Review

### Financial Highlights: Adjusted measures\*

#### Underlying<sup>^</sup> revenue growth

**+1%**

2016: +0%

#### Underlying<sup>^</sup> operating profit decline

**(2)%**

2016: (11)%

#### Operating margin

**12%**

2016<sup>o</sup>: 12%

#### PBT growth

**+4%**<sup>o</sup>

2016: (7)%

#### Cash operating income growth

**+16%**<sup>o</sup>

2016: (9)%

#### EPS growth

**+7%**<sup>o</sup>

2016: (6)%

#### Net debt<sup>§</sup>

**£464m**

2016: £679m

#### Net debt<sup>§</sup>/EBITDA

**1.4x**

2016: 1.8x

Footnotes are defined on the inside front cover with the exception of that below.

<sup>^</sup> Underlying adjusted revenue or adjusted operating profit growth is on a like-for-like basis, see page 31. Underlying results are adjusted for constant exchange rates, the exclusion of disposals and closures and for the inclusion of the year-on-year organic growth from acquisitions. For events, the comparisons are between events held in the year and the same events held the previous time. For dmg media, underlying growth rates exclude the benefit of an additional 53rd week from the FY 2016 results and underlying revenues only include the profit but not the gross-up, equivalent to the cost of sales, from low-margin newsprint resale activities.

### Performance highlights

Performance in the year was broadly in line with our expectations, delivering underlying revenue growth, highlighting the benefit of a diversified portfolio in challenging market conditions. Operating profit declined on an underlying basis, however, as a result of the combination of these conditions for some of the B2B information businesses and our planned investment in long-term growth opportunities.

The Group's revenue grew 1% on an underlying basis including an encouraging 5% for subscriptions and 3% for advertising, with digital growth driven by MailOnline outstripping the decline in print. Transaction revenues declined by an underlying 4%, reflecting challenging market conditions for European Property Information and the solar part of the Energy Information business. Revenues from events and training continued to grow whilst circulation revenues remained stable. Revenues grew 3% on a pro forma<sup>o</sup> basis and benefited from the stronger US dollar relative to the British pound.

The 2% underlying decline in Group adjusted operating profit was principally due to the increase in RMS(one) related amortisation costs, increased losses from dmg information's Xceligent business and reduced profits from Genscape, where the solar energy business had a particularly challenging year. Adjusted profit before tax and adjusted earnings per share were adversely affected by the Euromoney transaction but grew by 4% and 7% respectively on a pro forma<sup>o</sup> basis.

DMGT increased the strength of the balance sheet over the year, with the year-end net debt to EBITDA ratio reducing to 1.4, significantly below the Group's preferred upper limit of around 2.0 times. The improved financial flexibility reflects the benefit from disposal proceeds and continued good cash flow generation.

### Revenue performance

Group revenues in the financial year grew 1% on the prior year on an underlying basis. On a pro forma<sup>o</sup> basis, revenues rose by 3% to £1,660 million reflecting the stronger US dollar relative to the British pound.

The average exchange rate during the year was £1:\$1.27 compared with £1:\$1.42 in the prior year.

Revenues from B2B businesses grew 2% on an underlying basis, to £976 million. Within dmg information, continued underlying growth was achieved by the EdTech, US Property Information businesses and by the subscription based units within the Energy Information company, Genscape. This was, however, largely offset by declining transaction revenues from European Property Information and Genscape's solar business, reflecting challenging market conditions. RMS and dmg events also continued to deliver underlying revenue growth. Reported revenues benefited strongly from favourable exchange rates as described above.

Revenues from the Consumer Media business, dmg media, were £683 million, up 1% on an underlying basis, with strong growth from MailOnline more than offsetting the decline from print advertising, whilst circulation revenues remained stable.

The charts on page 27 demonstrate DMGT's diverse revenue profile.

➤ **Further detail on each operating business's revenue performance can be found on pages 16 to 23**

### Operating profit performance

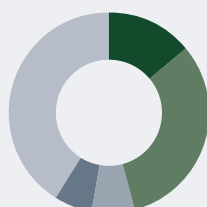
In the financial year, adjusted operating profit of £198 million was down by 2% on an underlying basis with the reduction being largely attributed to the lower margin, as expected, at RMS and increased losses from Xceligent, and grew by 2% on a pro forma<sup>o</sup> basis. The reported operating profit benefited from the stronger US dollar, as previously indicated. The overall operating

### Business performance

|                 | Revenues (FY 16 pro forma <sup>o</sup> ) |              |            |                         | Operating profit* (FY 16 pro forma <sup>o</sup> ) |            |            |                         |
|-----------------|--|--------------|------------|-------------------------|---|------------|------------|-------------------------|
|                 | FY 17                                    | FY 16        | Growth     |                         | FY 17   | FY 16      | Growth     |                         |
|                 | £m                                       | £m           | Reported   | Underlying <sup>^</sup> | £m  | £m         | Reported   | Underlying <sup>^</sup> |
| <b>B2B</b>      |  |              |            |                         |   |            |            |                         |
| RMS             | 233                                      | 205          | +14%       | +2%                     | 33  | 36         | (9)%       | (25)%                   |
| dmg information | 531                                      | 498          | +7%        | +2%                     | 69  | 77         | (10)%      | (13)%                   |
| dmg events      | 117                                      | 105          | +11%       | +3%                     | 31  | 29         | +6%        | (7)%                    |
| Euromoney       | 95                                       | 90           | +6%        | N/A                     | 19  | 18         | +6%        | N/A                     |
| <b>Consumer</b> |  |              |            |                         |   |            |            |                         |
| dmg media       | 683                                      | 706          | (3)%       | +1%                     | 77  | 77         | +0%        | +10%                    |
| Corporate costs |  |              |            |                         | (31)  | (42)       | +26%       | +26%                    |
| <b>DMGT</b>     | <b>1,660</b>                             | <b>1,604</b> | <b>+3%</b> | <b>+1%</b>              | <b>198</b>  | <b>195</b> | <b>+2%</b> | <b>(2)%</b>             |

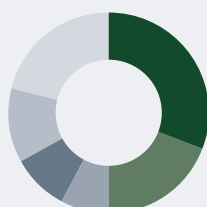
## Revenue profile

### By business (%)



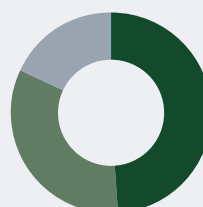
|                   |    |
|-------------------|----|
| ● RMS             | 14 |
| ● dmg information | 32 |
| ● dmg events      | 7  |
| ● Euromoney       | 6  |
| ● dmg media       | 41 |

### By type (%)



|                                    |    |
|------------------------------------|----|
| ● Subscriptions                    | 31 |
| ● Circulation                      | 19 |
| ● Events, conferences and training | 8  |
| ● Digital advertising              | 9  |
| ● Print advertising                | 12 |
| ● Transactions and other           | 21 |

### By destination (%)



|                     |    |
|---------------------|----|
| ● UK                | 49 |
| ● North America     | 33 |
| ● Rest of the World | 18 |

margin was 12%, in line with the pro forma<sup>o</sup> margin in the prior year.

The overall profit of the Group's B2B operations was £152 million, down from £160 million, on a pro forma<sup>o</sup> basis, with the reduction being attributable to RMS(one) amortisation, Xceligent losses and Genscape. The profit from dmg media was £77 million, an underlying increase of 10%, and corporate costs reduced by £11 million to £31 million.

### Cash operating income

Cash operating income is a performance metric used by DMGT to assess the cash generation of its businesses. It is calculated by adding back depreciation and amortisation expenses, which are non-cash items, to adjusted operating profit and then deducting capital expenditure. In the financial year, cash operating income for the Group as a whole was £199 million, up £27 million or 16% on a pro forma<sup>o</sup> basis, reflecting an improving profile at RMS.

### JVs & Associates

The Group's share of the adjusted operating profits\* of its JVs & Associates benefited by £43m from the inclusion of Euromoney as an associate for nine months of the year and,

as a result, increased by £46 million to £69 million. The increase was 14% on a pro forma<sup>o</sup> basis.

Further information on our JVs & Associates' performance can be found on page 24 of this report.

### Financing costs

Adjusted net finance costs increased by 5% to £42 million. DMGT benefited from lower average net debt levels during the year but the interest payable was adversely affected by the stronger US dollar and an increase in the share of associates' interest payable to £5 million, from £3 million in the prior year.

The pension finance charge, which is excluded from adjusted results, was £5 million for the year, in line with the prior year.

### Results before taxation

Adjusted profit before tax was £226 million, 4% growth on a pro forma<sup>o</sup> basis, with the increased finance costs partly offsetting the growth in operating profit and the share of profits from JVs & Associates.

### Taxation

The adjusted tax charge for the year, after adjusting for the effect of exceptional items, was £29 million, see Note 11, compared to

£30 million in the prior year on a pro forma<sup>o</sup> basis. The adjusted tax rate for the year of 12.8% reduced slightly from the pro forma<sup>o</sup> basis 13.9% in FY 2016, reflecting the increased use of historic UK tax losses, and was lower than previously anticipated due to the expected enactment of new UK legislation restricting the use of losses not taking place until after the year end. Due to the new legislation and to the geographical mix of profits, the effective tax rate is expected to increase to nearer 18% in FY 2018 and to increase further over the next few years, to over 20%.

The statutory tax charge for the year was £65 million. This excludes the charge of £4 million in respect of discontinued operations and £5 million in respect of joint ventures and associates. There were tax credits of £30 million in respect of the amortisation and impairment of intangible fixed assets, tax charges of £109 million in respect of tax losses that can no longer be recognised as deferred tax assets and tax credits of £35 million on other adjusting items.

### Profit after tax

Adjusted Group profit after tax and minority interests was £196 million, 7% growth on a pro forma<sup>o</sup> basis.

### Cash operating income

| £ million   | Source            | FY 2017    | FY 2016    | FY 2016 <sup>o</sup> |
|---|-------------------|------------|------------|----------------------|
| Adjusted Group operating profit                                     | Tables on page 30 | 198        | 277        | 195                  |
| Add: Depreciation of tangible fixed assets                          | Note 3            | 35         | 36         | 35                   |
| Add: Amortisation of intangible assets (e.g. products and software) | Note 3            | 44         | 28         | 24                   |
| Less: Purchase of tangible fixed assets                             | Cash flow         | (21)       | (27)       | (24)                 |
| Less: Expenditure on intangible assets (e.g. products and software) | Cash flow         | (58)       | (61)       | (59)                 |
| Add: Proceeds from tangible fixed assets                            | Cash flow         | 1          | 2          | 2                    |
| <b>DMGT Cash operating income</b>                                   |                   | <b>199</b> | <b>254</b> | <b>172</b>           |

# Focusing on driving long-term shareholder value

## Financial Review

### Earnings per share

Adjusted basic earnings per share were 55.6 pence, 7% growth on a pro forma<sup>a</sup> basis. The weighted average number of shares in issue during the year was 353.1 million, down slightly from 353.4 million in the prior year.

### Net debt and cash flow

Net debt at the end of the year was £464 million, a decrease of £214 million during the year, and the net debt:EBITDA ratio was 1.4. The Group generated operating cash flows of £175 million, a conversion rate of 88% of operating profits, compared with 72% in the prior year. Operating cash flows included £46 million of exceptional operating items and £79 million of capital expenditure. During the year there were also payments made for £78 million of dividends, £35 million of interest, £13 million of pension funding and £13 million of taxation.

Net proceeds from disposals, including expenditure on acquisitions, were £271 million, and included £218 million from the reduction of the stake in Euromoney, after adjusting for the de-consolidation of £96 million cash on Euromoney's balance sheet.

At the end of the financial year, the Group had £424 million of bonds with £216 million maturing in December 2018, £10 million maturing in April 2021 and £197 million maturing in June 2027. At the year-end, the committed bank facilities were £611 million, of which £565 million was unutilised, and cash balances were £7 million. Bond debt constitutes less than half of the debt available to DMGT.

DMGT's ratio of year-end net debt to adjusted profits before interest, tax, depreciation and amortisation (EBITDA) was 1.4 times, significantly below the Group's preferred upper limit of 2.0 times. DMGT has retained its BBB- investment grade corporate credit ratings from each of Standard & Poor's and Fitch.

### Pensions

The Group's defined benefit pension schemes provide retirement benefits for UK employees, largely in dmg media. These schemes are closed to new entrants. The financial position of the Group's defined benefit pension schemes, on an accounting basis, improved from a net deficit of £246 million at the start of the year to a net surplus of £62 million at 30 September 2017, calculated in accordance with IAS 19 (Revised). During the year, the value of the assets increased and there was a reduction in the value of the defined benefit obligation. Action was also taken to further reduce the

exposure to future investment, interest rate and inflation risk.

Funding payments into the main schemes were £13 million in the year and are expected to continue, since the schemes remain in deficit on an actuarial basis. The agreed funding plan includes payments of approximately £13 million p.a. to FY 2019 and £16 million p.a. from FY 2020 to FY 2027. Contributions may be discontinued should the schemes' actuary agree the schemes are no longer in deficit. The next formal actuarial valuation is scheduled for 31 March 2019.

### Dividends

The Board aims to deliver sustained dividend growth in real terms. The recommended final dividend is 15.8 pence which, if approved, would make the total dividend for the year 22.7 pence, an increase of 3% over the prior year. The recommended full year dividend is equivalent to 41% of adjusted earnings per share and continues DMGT's track record of increasing the dividend in excess of inflation. The Board's decision to recommend increasing the dividend, in real terms, despite the decline in adjusted earnings during the year reflects the Group's dividend policy and the Board's confidence

in the Group's ability to deliver future long-term earnings growth. The dividend policy is to grow the dividend in real terms and, in the medium term, to aim to distribute around one-third of the Group's adjusted earnings. This policy reflects the combined objectives of delivering a reliable and predictable dividend growth trajectory while also being sufficiently prudent to retain the flexibility to make significant investments in the long-term future growth of the business.

### Exceptional items, impairments and amortisation

As explained in more detail below, certain items, including exceptional costs, impairments and some amortisation, are excluded from adjusted results. Exceptional operating costs were £50 million in the year, compared to £58 million in the prior year, including our £7 million (2016 £4 million) share of JVs and Associates' exceptional operating costs. There were £17 million (2016 £25 million) of severance costs, including £11 million (2016 £4 million) in respect of dmg information, and £8 million (2016 £2 million) of restructuring costs, including £4 million in relation to the closure of the Didcot printing plant.

### Pro forma<sup>a</sup>

In December 2016, DMGT reduced its stake in Euromoney from c.67% to c.49% and Euromoney ceased to be a subsidiary of DMGT and became an associate. Euromoney is therefore treated as a discontinued operation and its performance is excluded from statutory results, other than earnings per share. DMGT's adjusted results include 100% of Euromoney's revenues and operating profits whilst it was a subsidiary during all of FY 2016 and the first quarter of FY 2017. Thereafter, from January to September 2017, the performance of DMGT's c.49% stake in Euromoney is only included within JVs & Associates, which is reflected in the adjusted profit before tax and adjusted earnings per share figures. Therefore, to allow for a like-for-like comparison, FY 2016 pro forma results have been presented based on treating Euromoney as a c.67% owned subsidiary during the first quarter and as a c.49% owned associate during the remaining nine months of FY 2016, consistent with the actual holding during FY 2017.

| £ million                    | FY 2017      | FY 2016  |          | Pro forma <sup>a</sup> |        |
|------------------------------|--------------|----------|----------|------------------------|--------|
|                              |              | Reported | Revision | Pro forma <sup>a</sup> | Growth |
| Revenue                      | <b>1,660</b> | 1,917    | (313)    | 1,604                  | +3%    |
| Operating profit             | <b>198</b>   | 277      | (82)     | 195                    | +2%    |
| Income from JVs & Associates | <b>69</b>    | 23       | 38       | 61                     |        |
| Net finance costs            | <b>(42)</b>  | (40)     | 1        | (40)                   |        |
| Profit before tax            | <b>226</b>   | 260      | (43)     | 217                    | +4%    |
| Tax charge                   | <b>(29)</b>  | (37)     | 7        | (30)                   |        |
| Minority interests           | <b>(1)</b>   | (24)     | 22       | (2)                    |        |
| Group profit                 | <b>196</b>   | 198      | (14)     | 184                    |        |
| Earnings per share           | <b>55.6p</b> | 56.0p    | (3.9)p   | 52.1p                  | +7%    |
| Revenue: B2B                 | <b>976</b>   | 1,212    | (313)    | 899                    |        |
| Operating profit: B2B        | <b>152</b>   | 242      | (82)     | 160                    |        |
| Earnings per share           | <b>55.6p</b> | 56.0p    | (3.9)p   | 52.1p                  |        |

Other exceptional costs comprised £14 million (2016 £2 million) of legal fees, principally in respect of the defence by Xceligent, the US Property Information business, of a complaint filed by a competitor, and £5 million (2016 £10 million) of consultancy charges.

The charge for amortisation of intangible assets arising on business combinations, including the share from joint ventures and associates, reduced by £2 million to £50 million. The Group also made an impairment charge against goodwill and intangible assets of £231 million, primarily in respect of the Energy Information business, Genscape, and two of the US Property Information businesses, Xceligent and SiteCompli. This does not affect the Group's cash flows.

Genscape faced challenging market conditions during the year, due to the sustained low oil price, a low price volatility environment and, most notably, a change in distribution channels for the US residential solar market. Given the continued challenges, particularly for solar, and the likely time required before Genscape becomes a major cash generator, the carrying value of the business has been reduced to £141 million, resulting in an impairment charge of £140 million.

Xceligent expanded into New York, the US's largest commercial real estate market, during the year and the revenue growth has been significantly slower than previously expected and, given the significant further investment and time required to achieve full national coverage, a decision was taken to reduce the carrying value of the business to zero, resulting in an impairment charge of £42 million. Similarly, SiteCompli's planned expansion into the national retail market has proved more challenging than previously expected and a full impairment charge of £24 million has been taken in respect of its carrying value.

The Group also incurred a £41 million impairment charge in respect of the Didcot printing plant which was closed during the year.

The Group recorded other net gains on disposal of businesses and investments of £530 million, compared to a net gain of £138 million in the prior year. DMGT recognised £509 million of gains in respect of the reduced holding in Euromoney, including the gain on the revaluation of the retained c.49% stake.

### Adjusted results

As explained earlier, the Board and management team use adjusted results and measures, rather than statutory results,

## Viability Statement

In accordance with provision C.2.2 of the 2014 Corporate Governance Code, the Directors have assessed the prospects of the Company. The Board used a three-year review period. The next refinancing of our bank debt facilities and 5.75% bonds is within the next three years (April 2019 and December 2018 respectively). Three years is also consistent with the Group's business planning cycle.

The Board's assessment of the Company's future prospects and viability determined the Group's overall risk capacity by considering banking and bond covenants, other financial commitments, and borrowing capacity to determine the maximum loss from risk events that the Group could endure whilst remaining viable. The assessment has also been made with reference to the Group's current position and prospects, the Group strategy, the Board's risk appetite and principal risks, which the Directors review at least annually. The key factors affecting the Group's future prospects and viability are:

- DMGT manages a portfolio of operating companies with diversity across sector, revenue stream and geography. See page 27 in the Financial Review for the Group's revenue profile.
- Financial flexibility through a strong balance sheet with continued good cash flow generation and net debt to EBITDA ratio comfortably below our preferred upper limit.
- The Group's ability to restructure quickly through the portfolio management of operating company subsidiaries and investments in JVs and Associates.
- The long-term view of the Company afforded by the family shareholding.

Group forecast revenue, operating profit, EBITDA and cash flows were subject to robust downside stress testing over the assessment period, which involved modelling the impact of a combination of hypothetical and severe adverse scenarios. This was focused on the impact of a number of the Group's principal risks crystallising, including:

- The impact of successive key product investment failures across the Group.
- The impact of a significantly accelerated decline in print advertising and lower growth in digital advertising affecting profits from the Consumer Media businesses.
- The impact of a significant decline in UK housing transaction volumes affecting profits of the European Property Information businesses and ZPG.
- The impact of a severe cyberattack resulting in the loss of high volumes of personal data, considering both the reputational impact, recovery costs and regulatory fines.
- The impact of macro-economic factors including large foreign exchange fluctuations, significant increases in interest rates and corporation tax increases.

Mitigations considered as part of the stress testing included a number of cost reduction programmes and disposals of operating company subsidiaries and dilution of the Group's stake in JVs and Associates.

Based on the analysis described above, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due over the next three years.

to give greater insight to the financial performance of the Group and the way it is managed. The tables on page 30 show the full list of adjustments between statutory operating profit and adjusted operating profit by business, as well as between statutory profit before tax and adjusted profit before tax at Group level for both FY 2017 and FY 2016.

Note 13 on page 124 shows the full list of adjustments between statutory and adjusted results. The table on page 30 shows a summarised version of the reconciliation from statutory profit before tax to adjusted profit before tax.

The explanation for each adjustment is as follows:

- Discontinued operations: the adjusted results for FY 2017 include the pre-disposal results of discontinued operations, namely Euromoney, in which DMGT reduced its stake from c.67% to c.49% in December 2016, whereas statutory results only include continuing operations.
- Exceptional operating costs: businesses occasionally incur exceptional costs, including severance and consultancy fees, in respect of a reorganisation that is incremental to normal operations. Similarly, for the Group's B2B businesses,



## Focusing on driving long-term shareholder value

# Financial Review

- there may be legal costs in respect of litigation that are outside the ordinary course of business and sufficiently material to be treated as an exceptional cost. These are excluded from adjusted results.
- iii. Impairment of plant: occasionally the carrying value of an asset in the balance sheet is considered to be greater than the value in use or fair value less costs to sell and it is appropriate to impair it. The associated charge is excluded from adjusted results since it is unrelated to the ongoing cost of doing business. The ongoing depreciation and amortisation of tangible assets and software, including products, is, however, an everyday cost of doing business and is included in both statutory and adjusted results. A reorganisation may also result in the write-off of the carrying value of tangible fixed assets, as was the case during FY 2017 when dmg media closed its Didcot printing plant, and this expense is excluded from adjusted results.
- iv. Intangible impairment and amortisation: when acquiring businesses, the premium paid relative to the net assets on the balance sheet of the acquired business is classified as either goodwill or as an intangible asset arising on a business combination and is recognised on DMGT's balance sheet. This differs to organically developed businesses where assets such as employee talent and customer relationships are not recognised on the balance sheet. Impairment and amortisation of intangible assets and goodwill arising on acquisitions are excluded from adjusted results as they relate to historical M&A activity and future expectations rather than the trading performance of the business during the year. An example is the impairment in FY 2017 of the goodwill and intangible assets associated with the US Property Information business, Xceligent.
- v. Profit on sale of assets: the Group makes gains or losses when disposing of businesses, for example on the disposal of Euromoney shares when DMGT reduced its stake from c.67% to c.49%. These items are excluded from adjusted results as they reflect the value created since the business was formed or acquired rather than the operating performance of the business during the year.
- vi. Pension finance charge: the finance charge on defined benefit schemes is a formulaic calculation that does not necessarily reflect the underlying economics associated with the relevant pension assets and liabilities. It is effectively a notional charge and is excluded from adjusted results.
- vii. Other adjustments: other items that are excluded from adjusted results include changes in the fair value of certain financial instruments and changes to future acquisition payments. They are considered to be unrelated to the ongoing cost of doing business. The share of joint ventures' and associates' tax charges is included in statutory profit before tax but, since it is a tax charge, is excluded from

## Reconciliation of statutory operating profit to adjusted operating profit: FY 2017

| £ million                              | RMS       | dmg information | dmg events | Euromoney | dmg media | Corporate costs | JVs & Associates | Group        | Explanation |
|--|-----------|-----------------|------------|-----------|-----------|-----------------|------------------|--------------|-------------|
| <b>Statutory operating profit</b>      | 30        | (197)           | 28         | –         | 26        | (33)            | 17               | <b>(129)</b> |             |
| Discontinued operations                | –         | –               | –          | 13        | –         | –               | (1)              | 12           | i           |
| Exceptional operating costs            | 3         | 27              | 3          | 1         | 9         | 2               | 7                | 50           | ii          |
| Impairment of plant                    | –         | –               | –          | –         | 42        | –               | –                | 42           | iii         |
| Intangible impairment and amortisation | –         | 239             | –          | 5         | 1         | –               | 36               | 282          | iv          |
| Exclude JVs & Associates               |           |                 |            |           |           |                 | 59               | (59)         |             |
| <b>Adjusted operating profit</b>       | <b>33</b> | <b>69</b>       | <b>31</b>  | <b>19</b> | <b>77</b> | <b>(31)</b>     |                  | <b>198</b>   |             |

## Reconciliation of statutory operating profit to adjusted operating profit: FY 2016

| £ million                              | RMS       | dmg information | dmg events | Euromoney  | dmg media | Corporate costs | JVs & Associates | Group      | Explanation |
|--|-----------|-----------------|------------|------------|-----------|-----------------|------------------|------------|-------------|
| <b>Statutory operating profit</b>      | 33        | 47              | 27         | –          | 28        | (50)            | 5                | <b>91</b>  |             |
| Discontinued operations                | –         | –               | –          | 41         | –         | –               | (2)              | 39         | i           |
| Exceptional operating costs            | 3         | 6               | 1          | 13         | 24        | 9               | 4                | 58         | ii          |
| Intangible impairment and amortisation | –         | 24              | 1          | 46         | 25        | –               | 11               | 107        | iv          |
| Exclude JVs & Associates               |           |                 |            |            |           |                 | 17               | (17)       |             |
| <b>Adjusted operating profit</b>       | <b>36</b> | <b>77</b>       | <b>29</b>  | <b>100</b> | <b>77</b> | <b>(42)</b>     |                  | <b>277</b> |             |

Pro forma<sup>a</sup> adjusted operating profit of £18 million for Euromoney and £195 million for Group.

## Reconciliation of statutory profit before tax to adjusted profit before tax

| £ million                              | FY 2017      | FY 2016 | Explanation |
|--|--------------|---------|-------------|
| <b>Statutory profit before tax</b>     | <b>(112)</b> | 202     |             |
| Discontinued operations                | 523          | 45      | i           |
| Exceptional operating costs            | 50           | 58      | ii          |
| Impairment of plant                    | 42           | –       | iii         |
| Intangible impairment and amortisation | 282          | 107     | iv          |
| Profit on sale of assets               | (530)        | (138)   | v           |
| Pension finance charge                 | 5            | 5       | vi          |
| Other adjustments                      | (33)         | (19)    | vii         |
| <b>Adjusted profit before tax</b>      | <b>226</b>   | 260     |             |

Pro forma<sup>a</sup> FY 2016 adjusted profit before tax of £217 million.

adjusted profit before tax. The share of joint ventures' and associates' interest charges is reclassified to financing costs in the adjusted results.

### Underlying growth

When assessing the performance of the different businesses, the Board considers the adjusted results. The year-on-year change in adjusted results may not, however, be a fair like-for-like comparison as there are a number of factors which can influence growth rates but which do not reflect underlying performance.

When calculating underlying growth, adjustments are made to give a like-for-like comparison. For example, the adjusted results in FY 2017 benefited from the strengthening of the US dollar relative to the British pound. To calculate underlying growth, the prior year comparatives are restated using the FY 2017 exchange rates.

Similarly, adjustments are made to completely exclude disposals from both

years. When businesses are acquired, the prior year comparatives are adjusted to include the acquisition.

The timing of events can also be a distortion. To give a fair like-for-like comparison when calculating underlying growth, the FY 2016 comparative is amended to include the revenues and profits from the previously held events for each FY 2017 show.

In FY 2017, DMGT's revenues grew by 3% on a pro forma<sup>a</sup> basis and the adjusted operating profit grew by 2% on the same basis. The growth rates benefited from the stronger US dollar. After adjusting for this factor as well as others, such as acquisitions and disposals, the underlying growth rates were 1% for revenues and a 2% decline in adjusted operating profit, as shown in the table below.

### Outlook

DMGT's financial results for the year reflect the difficult market environment faced by some of our businesses, particularly in the Energy Information and Property

Information sectors and print advertising market. Nevertheless, the Group's relatively resilient performance demonstrates the benefits of our diversified portfolio and the strength of our market-leading businesses. Looking forward, we will remain focused on prudent financial management to maintain our strong balance sheet, alongside delivering on the long-term revenue, profit and cash flow potential which the Group has developed. In 2018, in line with our strategic priorities, we will continue to deliver further operational efficiencies, increase the portfolio focus and enhance our financial flexibility to invest in our chosen segments and markets while increasing shareholder returns.



**Tim Collier**  
Group Chief Financial Officer

### Underlying performance

| £ million               | FY 2017      |              |             |              | FY 2016      |              |                |             |              | Underlying growth |
|-------------------------|--------------|--------------|-------------|--------------|--------------|--------------|----------------|-------------|--------------|-------------------|
|                         | Reported     | M&A          | Other*      | Underlying   | Reported     | M&A          | Exchange rates | Other       | Underlying   |                   |
| <b>Revenues</b>         |              |              |             |              |              |              |                |             |              |                   |
| RMS                     | 233          | -            | -           | 233          | 205          | -            | 25             | -           | 230          | +2%               |
| dmg information         | 531          | (33)         | -           | 498          | 498          | (49)         | 41             | -           | 490          | +2%               |
| dmg events              | 117          | -            | -           | 117          | 105          | (1)          | 11             | (1)         | 114          | +3%               |
| Euromoney               | 95           | (95)         | -           | -            | 403          | (403)        | -              | -           | -            | N/A               |
| dmg media               | 683          | (5)          | (34)        | 645          | 706          | (18)         | 4              | (52)        | 640          | +1%               |
| <b>DMGT</b>             | <b>1,660</b> | <b>(133)</b> | <b>(34)</b> | <b>1,493</b> | <b>1,917</b> | <b>(471)</b> | <b>79</b>      | <b>(53)</b> | <b>1,473</b> | <b>+1%</b>        |
| <b>Operating profit</b> |              |              |             |              |              |              |                |             |              |                   |
| RMS                     | 33           | -            | -           | 33           | 36           | -            | 8              | -           | 44           | (25)%             |
| dmg information         | 69           | (12)         | -           | 57           | 77           | (16)         | 5              | -           | 66           | (13)%             |
| dmg events              | 31           | -            | -           | 30           | 29           | -            | 3              | -           | 33           | (7)%              |
| Euromoney               | 19           | (19)         | -           | -            | 100          | (100)        | -              | -           | -            | N/A               |
| dmg media               | 77           | 5            | -           | 82           | 77           | 6            | (2)            | (6)         | 75           | +10%              |
| Corporate costs         | (31)         | -            | -           | (31)         | (42)         | -            | -              | -           | (42)         | +26%              |
| <b>DMGT</b>             | <b>198</b>   | <b>(27)</b>  | <b>-</b>    | <b>172</b>   | <b>277</b>   | <b>(109)</b> | <b>14</b>      | <b>(6)</b>  | <b>175</b>   | <b>(2)%</b>       |

\* Other underlying adjustments include the timing of events, the exclusion of low-margin newsprint reselling and the additional 53rd week for dmg media in FY 2016.

### Statutory results<sup>†</sup>

| £ million                 | FY 2017 | FY 2016 | Movement |
|---------------------------|---------|---------|----------|
| Revenue                   | 1,564   | 1,514   | +3%      |
| Operating (loss)/profit   | (129)   | 91      | (242)%   |
| (Loss)/profit before tax  | (112)   | 202     | (156)%   |
| Profit for the year       | 342     | 214     | +60%     |
| Earnings per share        | 97.8p   | 57.8p   | +69%     |
| Dividend per share        | 22.7p   | 22.0p   | +3%      |
| Net assets                | 919     | 529     | +74%     |
| Borrowings                | 480     | 705     | (32)%    |
| Pension surplus/(deficit) | 62      | (246)   | (125)%   |

<sup>†</sup> Statutory revenue, operating profit and profit before tax figures are for continuing operations only (excluding Euromoney). The FY 2016 statutory results have been reclassified accordingly.



# Entrepreneurialism, Purpose and Excellence

## Our People and Our Communities

DMGT encourages curiosity and innovation amongst our people. We value people who stretch themselves to achieve high standards, who also act with a clear sense of purpose and who value the communities in which they live and work. In turn our people can expect an environment that allows them to reach their full potential with the support of experienced leaders, high-quality learning and development tools and the career opportunities afforded by working within a diverse, international portfolio of businesses.

### Our values

The way DMGT thinks about its business and its people is embodied in our three overarching values:

- Entrepreneurialism
- Purpose
- Excellence

### Entrepreneurialism

Entrepreneurs have been a driving force for DMGT's business since brothers Alfred and Harold Harmsworth invented popular journalism with the launch of the Daily Mail in 1896.

DMGT is dedicated to backing great ideas and the people who make them a reality, from home-grown success stories like MailOnline and Euromoney to early investments in innovative businesses like RMS, Hobsons and Trepp.

DMGT seeks out entrepreneurs renowned in their industries for growing businesses and provides them with the backing and resources of a multinational public company. Many of DMGT's operating businesses continue to be led by the entrepreneurs who founded them, a testament to DMGT's culture of nurturing and developing talented entrepreneurial people.

### Purpose

Alongside our commitment to entrepreneurialism, DMGT's businesses and our people operate with a clear sense of purpose, beyond profit.

DMGT is able to invest for long-term sustainable growth and quality, and in businesses that share our ethos, whether that's providing insights that make it possible to 'insure the uninsurable', driving towards ever-greater transparency across property markets, enriching connections between businesses and communities with industry-leading exhibitions or holding authority to account through high-quality journalism.

DMGT is a responsible business, dedicated to its people and communities, and operates to a clear set of principles and ethical standards. Through a range of local partnerships within the communities our businesses serve and Group-wide programmes such as our CR Champions network, DMGT supports and encourages purpose within our community.

➤ [Read more about our communities programme on page 33](#)

### Excellence

DMGT is committed to excellence, demonstrated through its dedication to creating the highest quality content, proprietary data and products.

Our aim is to be at the forefront of cutting edge technology and within new, exciting, high-potential growth sectors.

As a driver in technological innovation, DMGT is defining the jobs of the future through its ground-breaking work in data science, artificial intelligence, machine learning and predictive analytics found across businesses including Genscape, Hobsons and RMS.

DMGT holds a wealth of top leadership talent and sector expertise at Group level and across its operating companies. Our people are supported by a range of tailored local and Group-wide learning and development programmes.

In FY 2017, the Group initiated a programme to leverage our scale and the expertise of our people and improve sharing of best practice across the Group. The aim is to support the Group's operating companies through Centres of Expertise.

DMGT established and upgraded a number of business functions including Group HR, M&A and performance management, building on expert knowledge and best practice from around the Group.

### Our People Agenda

DMGT's people agenda plays a key role in helping the Group to deliver against its strategic priorities, particularly improving operational execution.

### HR centre of expertise

In FY 2017, led by the Group HR Director, DMGT embarked on a fundamental re-shaping of its central HR function to ensure that the Group's operating companies have access to a world-class people operation, backed by the scale and expertise of DMGT.

The HR centre offers a set of services across talent, reward and communications that support the operational HR business partners with leadership, employee development and best practice with the aim of achieving:

- Better connectivity across our business;
- An increased level of support for HR services within operating companies; and
- A more efficient structure for delivering key HR services across the business.

### Keeping our people informed

One of the challenges of a geographically diverse organisation is ensuring that we can effectively communicate with all of our people. This year we have launched a new global employee portal with increased functionality, enabling easier employee connectivity, which complements local intranet sites. We began our employee engagement programme to help ensure that our colleagues have the opportunity to have their voice heard. We also operate DMGT Daily, our daily email news bulletin and we have a number of topic-specific employee networks such as the Cyber working group, bringing people together from across the Group to discuss common themes, share our strengths and improve local operational practices.

### Talent

The DMGT talent centre provides talent acquisition and development support for the Group's operating businesses including carrying out executive talent reviews and identifying and delivering a learning and development curriculum.

### Reward

The reward centre provides operating companies with access to accurate salary benchmarking as well as managing employee benefits across the Group.

### Communications

The DMGT communications centre provides a range of support services including internal communications, media relations and corporate branding.

### Global Mobility

In line with our commitment to support and reward exceptional employees, creating international opportunities, DMGT promoted a number of internal candidates to Group-level leadership, including roles in Performance Management & Strategy, Corporate Development and M&A, HR and Technology and we will continue to develop our capabilities at the HR Centre to support global employment advancement opportunities. DMGT offers short-term secondment opportunities such as the Guest Auditor Programme. (See case study for more details.)

### Responsible business

DMGT is a responsible business that adheres to strong ethical standards with a clear, robust Code of Conduct.

Our Code of Conduct sets the standards for our corporate and individual conduct. The code includes standards for equal opportunities, anti-bribery, conflicts of interest, share dealing and fair competition among other topics. Many of the topics in the Code are supported by detailed policies and procedures.

In a climate where employees, customers and other stakeholders are increasingly interested in the way companies do business, the things we do to encourage responsible business practice across the Group contribute to the credibility and value of DMGT's reputation and employer brand.

These include:

- Strong governance and leadership which promote responsible business attitudes and actions across the Group;
- Ensuring DMGT employees understand key legal and reputational issues;
- Operating effective risk management and internal controls; and
- Business level participation in CR and community support.

### Our Communities

As a diverse, international business, DMGT focuses its community efforts on a combination of Group-level partnerships that allow it to make the most of its scale and size, and support for local community initiatives and relief efforts, through its CR Champions network.

Total charitable donations during the year were £817 thousand. Funds donated are in addition to initiatives which encourage our businesses to allow employees to volunteer their time to support local charities.

Following the terrible fire at Grenfell Tower, over 80 employees volunteered their time to help victims of this tragedy, coordinated by DMGT's local charity partner the K&C Foundation. DMGT responded with a £150,000 donation to the Grenfell Tower Appeal and matched individual employee donations.

Following Hurricane Harvey, which hit the US Gulf Coast at the end of August this year, colleagues from Genscape, Hobsons, RMS and Xceligent all helped out with the relief effort. Volunteers assisted at food banks and DMGT and Hobsons matched individual fundraising donations with US\$50,000.

## Guest Auditor Programme

Run by DMGT's Internal Audit function. The aim is to offer an opportunity for employees from finance and IT across all our businesses to join the Internal Audit team on a review of another operating company within the DMGT portfolio.

The benefits of this programme are multifaceted. It offers the individual a development opportunity, exposing them to a different operating company. It helps them compare, contrast and suggest new or improved processes that could be implemented in their own team. The programme also assists with sharing of knowledge and best practice, and professional networking across the Group.

**"The Guest Auditor Programme is a brilliant initiative. I took part working with the DMGT Internal Audit team at our RMS office based in California. I spent a week with the managers of RMS understanding their business, processes and controls alongside a high-performing Internal Audit team. I had the opportunity to share my experience whilst utilising ideas from RMS that could apply to my own job. I would highly recommend the programme to anybody wanting to broaden their financial skillset".**

James Traynor (Commercial Analyst, dmg events)

At a Group level, the programme helps to further highlight and promote the importance of a controlled financial and IT Security environment. The business under review gains an understanding of its importance, at the same time the guest auditor will return to their home business and cascade information on the importance of maintaining this control.

Entrepreneurialism, Purpose and Excellence

# Our People and Our Communities

## CR Champions Network

A network of individuals representing each operating business who meet by video call each quarter to discuss CR at a grassroots level.

The CR Champions share ideas and lessons learnt from CR initiatives they have carried out to encourage best practice. They promote Group initiatives such as the Community Champions Awards and coordinate efforts for unexpected events and disasters in communities where our businesses operate.



**Fran Sallas**  
Company Secretary  
& Head of CR Champions  
Network, DMGT



**Michael Collins**  
Data Specialist and  
Corporate Responsibility  
Officer, BuildFax



**John Boanno**  
Human Resources  
Administrator, EDR



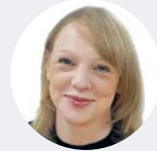
**John Whitaker**  
Digital & Data  
Director, dmg events



**Kate Gregory**  
PA to CEO & CR Champion,  
Landmark



**Alexandria Elia**  
Communications  
Executive,  
dmg media



**Carrie Patterson**  
Application  
Administrator,  
dmg media Finance Services



**Niki Lee**  
Vice President,  
Human Resources,  
Treppe



**Premila Braganza**  
Head of HR,  
dmg events –  
Middle East & Asia



**Rebecca Spitzer**  
Head of Corporate  
Communications  
& Corporate Social  
Responsibility, RMS



**Susan Hotchkiss**  
Director, Human  
Resources, EDR



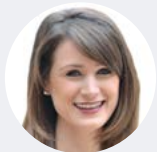
**Dan Via**  
Head of  
Administration,  
Xceligent



**Merabeth Martin**  
Chief People Officer,  
Genscape



**Victoria Halfhide**  
PA to Company  
Secretary, DMGT



**Karen Farrelly**  
Finance Controller,  
Harmsworth Printing  
dmg media

➤ To find out more about the CR Champions network go to [www.dmgt.com/corporate-responsibility](http://www.dmgt.com/corporate-responsibility)

## Community Champion Awards

The DMGT Community Champions Awards are designed to recognise some of the outstanding work DMGT's people do to support the communities they work and live within. The awards attracted over 100 nominations from across the Group with winners for the 2017 awards selected by members of the DMGT CR Champions Network.



- The scheme is detailed at [www.dmgmt.com/corporate-responsibility](http://www.dmgmt.com/corporate-responsibility)
- Videos of the Awards ceremonies can be found at [www.youtube.com/user/dmgmtplc](http://www.youtube.com/user/dmgmtplc)

### Community Champions Awards winners 2017

#### Personal Achievement Award – Susan Caesar & Community First

Susan Caesar, Head of Customer Service, dmg media, secured the Personal Achievement Award for her work with Community First UK. Susan supported founders Carol Malone and Pauline Lockhart to formally set up Community First UK, a not-for-profit social enterprise that facilitates projects and initiatives that act locally.

Community First is a start-up. Carol and Pauline came up with the concept of Community First in 2014 as they were delivering digital support within the county of Angus, Scotland.

Susan provided essential business advice in helping them identify and decide on the structure and requirements of a not-for-profit social enterprise. With Susan's wealth of knowledge and business acumen, this advice was invaluable in formalising the company.

The funds raised by Community First will be going towards two main objectives: creating an employability and digital training programme which will produce a talent bank to connect delegates with local employers; and creating public training courses to promote digital inclusion in the local community.



Susan said, "This is amazing! I'm so pleased to be able to gift £5,000 to Community First from DMGT, they deserve the recognition and will be able to change more people's lives for the better. A massive thank you to everyone who voted for me."

#### Team Award – Jade Woodall and Bjorn Sirum, Livingstone Tanzania Trust (LTT)

Jade Woodall, Project Manager, and Bjorn Sirum, Commercial Sales Manager, dmg events, were the winners of this year's Team Award. dmg events have been supporting the LTT for over six years, and Jade and Bjorn helped the charity with a project to fund and build the Sawe Primary School in Tanzania.

The project will give hundreds of young children every year the opportunity to receive an education in a safe environment and in total, they raised funds for the Sawe School Project.

During a trip in 2017 to Tanzania and the Sawe village, they worked alongside builders and volunteers from the community to complete the foundations of three classrooms.

Commenting on their win, Jade and Bjorn said, "The Livingstone Tanzania Trust is a charity we are very passionate about, so finding out we had won was a really exciting moment! We have been overwhelmed with everyone's support at DMGT and feel extremely proud to have received as many nominations as we did, let alone actually win! We are excited to see the Sawe Primary School Project progress to the next stage."



#### Green Award – RMS Green Team

The RMS Green Team won the Award for their work during RMS Green Week. They ensured the changes they made were sustainable throughout the year.

Across six RMS offices it is estimated that a total of 120 hours were used to plan and participate in environmentally friendly activities.

Activities included various events and several e-waste collections throughout the offices, employees signing on pledge boards and hosting a clothing drive for an organisation that helps provide outfits to low-income individuals, enabling them to make a good impression at their job interviews.

In a few RMS offices, guest speakers were invited to lecture on:

- Waste Management, which covered the various ways in which to recycle and reuse waste products;
- Sustainable Textiles and the environmental and social impact of buying a certain piece was given by one of the RMS flood modellers;
- Ways to compensate for greenhouse gas emissions; and
- Thinking about diet! Explanation on how a vegetarian or vegan diet helps to reduce CO<sub>2</sub> and methane gas emissions.

Rebecca Spitzer, Head of Corporate Communications & Corporate Social Responsibility, RMS, said, "Ensuring that our company is conscious of our environment and continues to be 'green'



is one of the pillars of our CSR teams across the company. The prize reflects the work we have done and continues to motivate us in our efforts. This initiative benefits our earth and reminds us to stay cognitive of what is necessary to maintain and improve the environment around us. We will continue to try to make smart choices."



## Actively monitoring and managing our risks

# Principal Risks

### A robust and detailed assessment of the Group Risk Register and the Group’s risk management processes was carried out by management and overseen by the Audit & Risk Committee.

The Group’s risks are categorised as either strategic or operational. Strategic risks are linked to the Group’s strategic priorities and impact the whole Group. Operational risks are those arising from the execution of the business functions and typically impact on one or more of the principal businesses.

➤ Further details of the Group’s risk management process, the governance structure surrounding risk and the Audit & Risk Committee can be found in the Governance Report on pages 50 to 55.

#### Strategic risks

| Description and impact   | Examples   |
|--|--|
| <p><b>Market disruption</b></p> <p>Market disruption creates opportunities as well as risks. Disruption enables us to move into new markets and geographies to grow the business.</p> <p>Failure to anticipate and respond to market disruption may affect the demand for our products and services and our ability to drive long-term growth.</p>   | <p>Market disrupters include changes to customer behaviours and demands, new technologies, the emergence of competitors or structural changes to markets. Examples from the operating companies include:</p> <ul style="list-style-type: none"> <li>• Consumer Media: decline in print advertising revenue and fast-changing digital advertising environment;</li> <li>• Insurance Risk: convergence of reinsurance with capital markets and consolidation in insurance industry in RMS;</li> <li>• EdTech: politically driven change to public school funding and/or the regulation of post-secondary education; and</li> <li>• Energy Information: rapidly evolving solar industry.</li> </ul>   |
| <p><b>Success of new product launches and internal investments</b></p> <p>A lack of innovation in response to competitive pressures or failure to successfully develop our products and services may compromise their appeal.</p> <p>Some may fail to achieve customer acceptance and yield expected benefits. This could result in lower-than-expected revenue and/or impairment losses.</p> <p>Uncertainty also results from geographic expansion into new and emerging markets.</p> | <p>The Group is continually investing in our products and services, developing new lines and enriching existing products and services. Examples include:</p> <ul style="list-style-type: none"> <li>• Consumer Media: increased monetisation of our online user base and execution of DailyMailTV;</li> <li>• Insurance Risk: client adoption of RMS(one) and the launch of new models;</li> <li>• Property Information: geographical expansion of Xceligent across the US and Trepp’s entrance into Collateralized Loan Obligations market;</li> <li>• Energy Information: Genscape launch of new real-time power generation platform and maritime voyages service; and</li> <li>• Events and Exhibitions: the geo-cloning of events across new locations.</li> </ul>   |
| <p><b>Portfolio management<sup>Ⓜ</sup></b></p> <p>Increasing portfolio focus is key to the Group’s strategy. This could be compromised by portfolio changes not delivering expected benefits, acquisitions and investments not delivering as expected or not divesting from non-core businesses at the right time.</p>   | <ul style="list-style-type: none"> <li>• Growth opportunities and potential synergies lost through failure to identify or succeed with acquisition and investment targets.</li> <li>• Underperforming acquisitions and investments may lead to reduced return on capital and/or impairment losses.</li> <li>• Underperforming acquisitions and investments could result in a diversion of management time.</li> <li>• Optimal value may not be achieved from divestments.</li> </ul>   |
| <p><b>Economic and geopolitical uncertainty</b></p> <p>The Group performance could be adversely impacted by factors beyond our control such as the economic conditions in key markets and sectors, and political uncertainty.</p>  | <ul style="list-style-type: none"> <li>• Property Information: volatility in residential and commercial property transactions could impact revenue.</li> <li>• Consumer Media: a weakening of the UK economy, particularly if consumer-led, could accelerate the decline in print advertising revenue.</li> <li>• Energy Information: fluctuations in the global commodities markets could impact Genscape’s revenues.</li> <li>• Insurance Risk: sustained low interest rates could weaken the sector’s overall performance and impact RMS.</li> <li>• Events and Exhibitions: fluctuations in the global oil markets could impact revenue from associated trade shows if discretionary revenue from delegates, exhibitors and sponsorships decline. Political uncertainty, particularly in the Middle East, could impact execution of events in the region.</li> </ul> |



<sup>Ⓜ</sup> Referred to as ‘Acquisitions and disposals’ in the 2016 Annual Report.



## Changes in principal risks during the year

1. The risk of 'Major change projects' disclosed last year primarily related to the execution of simplification and reorganisation initiatives, which are now mostly implemented. For this reason the risk is not currently considered a principal risk for the Group. The operating companies continue to undertake operational change projects and the associated risks are tracked on the Group's risk register.
2. The principal risk examples below do not include Euromoney's risks as they are no longer consolidated into the Group's overall risk profile.

 Risk increased     
  Risk did not change     
  Risk decreased

| Mitigation   | Trend  |
|--|--|
| <ul style="list-style-type: none"> <li>• The Group's diverse and balanced portfolio of businesses and products reduces the overall Group impact.</li> <li>• Organic investment initiatives across the Group to innovate our products and services and to remain competitive in the markets we serve. Organic investment was 9% of total revenues in FY 2017.</li> <li>• The Executive Committee, supported by the Performance Management and Strategy function and operating companies' management teams, monitor markets, the competitive landscape and technological developments.</li> <li>• Analysis of the performance management dashboard and detailed financial management information for each operating company to highlight and react to early indicators of market disruption.</li> <li>• DMGT executive membership of operating business boards.</li> </ul>                               |   |
| <ul style="list-style-type: none"> <li>• The autonomous culture of the Group encourages an entrepreneurial approach to identifying growth opportunities and new products.</li> <li>• The Executive Committee, supported by the Performance Management and Strategy function, provide oversight of progress from the centre. Analysis of the performance management dashboard and detailed financial management information to monitor achievement of key milestones.</li> <li>• Performance Management and Strategy function partners with operating company senior management teams to support achievement of key milestones where necessary.</li> <li>• Significant investments are approved by the Investment &amp; Finance Committee and/or the Board.</li> </ul>  |   |
| <ul style="list-style-type: none"> <li>• The Executive Committee conducted (and continues to conduct) a rigorous evaluation of the Group's portfolio in order to allocate resources according to individual business growth characteristics and funding requirements.</li> <li>• Investments and divestments are approved by the Investment &amp; Finance Committee.</li> <li>• Extensive due diligence conducted pre-acquisition and comprehensive integration plan implemented post-acquisition by dedicated function.</li> <li>• The Executive and Investment &amp; Finance Committees, supported by the Performance Management and Strategy function, monitor post-acquisition performance, and support proactive intervention if performance milestones are not being met.</li> <li>• DMGT executive membership of operating business boards and associate boards (Euromoney and ZPG).</li> </ul> |  <p>This risk increased over FY 2017 due to the increasing number of transactions, particularly divestments, in the portfolio in the year including the reduction in Euromoney holding.</p> |
| <ul style="list-style-type: none"> <li>• The Group's diverse and balanced portfolio of businesses and products reduces the overall impact of any one disruption or change.</li> <li>• Analysis of the performance management dashboard and detailed financial management information by the Executive Committee and operating companies' management teams to highlight early trends and impacts from economic and geopolitical uncertainty.</li> </ul>   |  <p>This risk increased over FY 2017 reflecting the continued uncertainty in political and economic landscapes in which we operate.</p>   |

## Actively monitoring and managing our risks

# Principal Risks

## Strategic risks continued

| Description and impact  | Examples   |
|---|--|
| <p><b>Talent<sup>‡</sup></b><br/>Our ability to identify, attract, retain and develop the right people for senior and business-critical roles could impact the Group's performance.</p> <p><small>‡ Referred to as 'Securing and retaining talent' in the 2016 Annual Report.</small></p> | <ul style="list-style-type: none"> <li>• Entrepreneurship and leadership skills are a priority for the Group and key to the continued success of many of our operating companies.</li> <li>• Technology and software development skills remain crucial to many of our businesses, particularly RMS, Genscape and MailOnline where collectively there is significant investment in product development.</li> <li>• The strategy to build out our data analytics capabilities places focus on developing and attracting data scientists and specialists in machine learning, artificial intelligence and other emerging technologies. These skills are in high demand which makes attracting and retaining people with these skills more competitive.</li> <li>• Enterprise sales and operational execution expertise with market and product knowledge are vital, particularly in our businesses with significant expansion plans.</li> </ul> |

## Operational risks

| Description and impact   | Examples   |
|--|--|
| <p><b>Information security breach or cyberattack</b><br/>An information security breach, including a failure to prevent or detect a malicious cyberattack, could cause reputational damage and financial loss. The investigation and management of an incident would result in remediation costs and the diversion of management time.</p> <p>A breach of data protection legislation could result in financial penalties for the business affected and potentially the Group.</p> | <p>The risk is relevant to all businesses in the Group due to the nature of products and services across the portfolio. Examples which could impact the Group include:</p> <ul style="list-style-type: none"> <li>• Loss or unauthorised access to personal information and sensitive client data;</li> <li>• Unavailability or disruption of online products and services;</li> <li>• Integrity of online products, services and data compromised;</li> <li>• Disruption to critical systems which support business operations; and</li> <li>• Theft of intellectual property.</li> </ul> |
| <p><b>Reliance on key third parties</b><br/>Certain third parties are critical to the operations of our businesses. A failure of one of our critical third parties may cause disruption to business operations, impact our ability to deliver products and services and result in financial loss. The reputation of our businesses may be damaged by poor performance or a regulatory breach by critical third parties, particularly outsourced service providers.</p>             | <p>Key third parties include:</p> <ul style="list-style-type: none"> <li>• Data centre and cloud service providers;</li> <li>• IT development support;</li> <li>• Data providers for core product;</li> <li>• Newsprint, flexographic plate and ink suppliers;</li> <li>• Newspaper distribution and wholesale; and</li> <li>• Event venues.</li> </ul>  |
| <p><b>Compliance with laws and regulations</b><br/>The Group operates across multiple jurisdictions and sectors. Increasing regulation increases the risk that the Group is not compliant with all applicable laws and regulations across all of the jurisdictions in which it operates, which could result in financial penalties and reputational damage.</p> <p>Increasing regulation also results in increasing costs of compliance.</p>                                       | <p>Particular areas of focus for DMGT businesses are:</p> <ul style="list-style-type: none"> <li>• Data protection, including the EU General Data Protection Regulation (GDPR) and the proposed ePrivacy Regulation;</li> <li>• Competition and anti-trust legislation;</li> <li>• EU Market Abuse Regulation;</li> <li>• Libel legislation;</li> <li>• Tax compliance;</li> <li>• UK Bribery Act;</li> <li>• Trade sanctions; and</li> <li>• Entering regulated markets or sectors.</li> </ul>  |
| <p><b>Pension scheme deficit</b><br/>Defined benefit pension schemes, although now closed to new entrants were in operation across the newspaper business, certain other UK businesses and DMGT head office. The schemes remain ultimately funded by DMGT, with Pension Fund Trustees (Trustees) controlling the investment allocation.</p> <p>There is a risk that the funding of any deficit could be greater than expected.</p>   | <p>Future pension costs and funding requirements could be increased by:</p> <ul style="list-style-type: none"> <li>• Adverse changes in investment performance;</li> <li>• Valuation assumptions and methodology; and</li> <li>• Inflation and interest rate risks.</li> </ul>   |




| Mitigation  | Trend  |
|---|--|
| <ul style="list-style-type: none"> <li>The Group has established a centre of expertise for HR specialising on recruitment, succession planning, critical skills planning, identifying and developing internal talent, and reward.</li> <li>Executive management is involved in the recruitment of all operating company leadership roles and their ongoing development.</li> <li>Retention of key management in businesses.</li> <li>Payment of competitive rewards for key senior roles, developed using industry benchmarks and external specialist input.</li> <li>Employee engagement initiatives including Group-wide employee survey with follow-up action plans in place in each operating company.</li> </ul>   | <p>↑</p> <p>The risk increased over FY 2017 as a result of the reorganisational changes implemented. As these changes are embedded in the operating companies, we expect the risk to stabilise.</p>                                  |
| <ul style="list-style-type: none"> <li>Establishment of an Information Security Steering Committee led by the CEO to provide oversight of information security initiatives in the Group.</li> <li>Appointment of a Group Chief Information Officer and a Group Chief Information Security Officer.</li> <li>Commissioned by the Information Security Steering Committee, a Group-wide independent review of information security posture within the operating companies.</li> <li>This review has resulted in actionable roadmaps for improvement where necessary.</li> <li>Group information security policy and detailed information security standards with regular reviews against these standards reported to the Information Security Steering Committee. Periodic reviews of the standards themselves are performed to ensure they keep pace with best practice.</li> <li>Working group with representatives from across the Group meeting regularly and sharing information security best practice.</li> <li>Information security is reviewed as part of every internal audit of an operating company.</li> <li>Cyber insurance policies in place.</li> </ul> | <p>↑</p> <p>This risk increased over FY 2017 as the inherent threat of an information security breach or cyberattack continues to increase. This is partially offset by continuous improvement in information security controls.</p> |
| <ul style="list-style-type: none"> <li>The Group's diverse and balanced portfolio of businesses and products reduces the overall impact of the failure of an individual third party.</li> <li>Operational and financial due diligence is undertaken for key suppliers on an ongoing basis.</li> <li>Close management of key supplier relationships including contracts, service levels and outputs.</li> <li>Robust business continuity arrangements for the disruption to key third parties.</li> <li>Dedicated newsprint-buying team.</li> <li>Event cancellation and business interruption insurance policies.</li> </ul>  | <p>→</p>   |
| <ul style="list-style-type: none"> <li>Changes in laws and regulations are monitored and potential impacts discussed with the relevant persons, Board, or Committee, or escalated as appropriate.</li> <li>Developments in the legal and regulatory landscape are reviewed by the Audit &amp; Risk Committee.</li> <li>Implementation and monitoring of Group-wide policies to address new legislation and regulation where applicable.</li> <li>Group-wide working groups in readiness for key emerging compliance areas, such as the GDPR.</li> </ul>   | <p>→</p>   |
| <ul style="list-style-type: none"> <li>The agreed funding plan gives certainty over the financial commitment until FY 2019.</li> <li>Monitoring and management of pension risks is performed by the DMGT Pension Sub Committee.</li> <li>Company-appointed Trustees.</li> </ul>   | <p>↓</p> <p>This risk has decreased over FY 2017 as the Group's defined benefit schemes are in surplus, and exposure to future investment and inflation risk was further reduced.</p>  |

Governance

# Board of Directors and Company Secretary



### Key to Board and Committees

-  Audit & Risk Committee
-  Remuneration & Nominations Committee
-  Investment & Finance Committee

Francisco Balsemão, Nicholas Berry, Stephen Daintith, John Hemingway, and Suresh Kavan each served on the Board for part of the year.

## 1. The Viscount Rothermere

Chairman ● ●

Appointed to the Board: 1995  
Appointed Chairman: 1998

### Skills and experience:

Lord Rothermere brings significant experience of media and newspapers. He worked at the International Herald Tribune in Paris and the Mirror Group before moving to Northcliffe Newspapers in 1995. In 1997 he became Managing Director of the Evening Standard.

**Other appointments:** Euromoney Institutional Investor PLC Board and Nominations Committee until November 2017.

## 2. P A Zwillenberg

CEO ● ●

Appointed to the Board and CEO: 2016

### Skills and experience:

Paul Zwillenberg has over 25 years' experience across the media industry. He has a breadth of experience across DMGT's portfolio and a broad knowledge of the Group, having set up the digital division of dmg media (formerly Associated Newspapers digital) in 1996. Prior to joining DMGT, Paul was the Global Leader Media Sector and Senior Partner and Managing Director at The Boston Consulting Group and before that founded an early interactive media company and launched a European technology services firm.

**Other appointments:** Euromoney Institutional Investor PLC Board, Remuneration and Nominations Committee until November 2017.

## 3. T G Collier

Group Chief Financial Officer ●

Appointed to the Board and Group Chief Financial Officer: 2017

### Skills and experience:

Prior to joining DMGT, Tim Collier was Chief Financial Officer of Thomson Reuters Financial and Risk Business where he was responsible for driving financial and risk performance, optimising resources and enhancing growth through organic and strategic investments. Tim's experience has spanned media and business information industries and functions including banking, corporate finance, treasury, insurance, internal audit, accounting and M&A.

**Other appointments:** Euromoney Institutional Investor PLC Board, Nominations and Audit Committee from November 2017.

## 4. K J Beatty

Executive Director

Appointed to the Board: 2004

### Skills and experience:

Kevin Beatty brings a number of years' media industry experience. He is CEO of dmg media. He was Managing Director of the Scottish Daily Record and Sunday Mail. Kevin has been Managing Director of The Mail on Sunday, the Evening Standard and London Metro, COO of both Associated New Media and Northcliffe Newspapers.

**Other appointments:** ZPG Plc, and Euromoney Institutional Investor PLC Board, Nominations and Remuneration Committee from November 2017.

## 5. P M Dacre

Executive Director

Appointed to the Board: 1998

### Skills and experience:

Paul Dacre brings unparalleled experience of the UK newspaper industry. He joined the Group as US Bureau Chief in 1979. Appointed Editor of the Evening Standard in 1990, he has been Editor of the Daily Mail since 1992 and Editor-in-Chief of Associated Newspapers since 1998, years in which saw the launches of Metro and MailOnline, respectively.

## 6. Lady Keswick

Independent Non-Executive Director

Appointed to the Board: 2013

### Skills and experience:

Lady Keswick's extensive career is based in public policy and international affairs, particularly in Asia. She is Deputy Chairman of the Centre of Policy Studies and was a Special Policy Adviser to the Rt. Hon. Kenneth Clarke QC MP, working at the Departments for Health, Education and Science, the Home Office and HM Treasury. She previously worked in advertising and journalism. In September 2013, Lady Keswick was elected as Chancellor of the University of Buckingham.

No other appointments.

## 7. A H Lane

Non-Executive Director ● ●

Appointed to the Board: 2013

### Skills and experience:

Andrew Lane brings a range of experience of dealing in complex legal and regulatory matters. He is a partner at Forsters LLP and specialises in private client law.

**Other appointments:** Trustee of the Pension Fund of the Royal Agricultural Society of England.

## 8. F L Morin

Non-Executive Director  
(Canadian)

Appointed to the Board: 2017

### Skills and experience:

François Morin brings a broad range of experience and skills to the Board arising from his role as Partner at the Canadian law firm Borden Ladner Gervais. He is a qualified lawyer admitted to the Québec Bar. In particular, he brings an international perspective relevant to the Group's global operations and experience of regulatory matters across a range of areas. François also has a strong record of community involvement including as director on a number of charitable boards.

## 9. D H Nelson

Non-Executive Director ● ● ●

Appointed to the Board: 2009

### Skills and experience:

David Nelson provides the Board and Audit & Risk Committee with relevant financial expertise, gained through a career in accounting. He is Senior Partner at Dixon Wilson, Chartered Accountants, and a Non-Executive Director of a number of family companies. He is an adviser to UK-based families and their businesses, advising on financial and tax matters in the UK and overseas. He is a trustee of a number of substantial UK trusts.

## 10. K A H Parry

Independent Non-Executive Director ● ●

Appointed to the Board: 2014

### Skills and experience:

Kevin Parry is a chartered accountant who brings a broad range of experience and skills to the Board. He serves on a number of listed company boards and has previously been a Non-Executive Director of Schroders plc and Knight Frank LLP. He has extensive experience chairing audit and risk committees and being a member of remuneration and nominations committees. He was Group CEO of Management Consulting Group PLC and the managing partner of KPMG's information, communications and entertainment practice in London.

**Other appointments:** Intermediate Capital Group plc, Nationwide Building Society, Standard Life Aberdeen plc and Royal National Children's SpringBoard Foundation.

## 11. J H Roizen

Independent Non-Executive Director  
(American) ●

Appointed to the Board: 2012

### Skills and experience:

Heidi Roizen provides the Board with experience in digital media, entrepreneurial growth and business development in both public and private companies in the US. She teaches entrepreneurship at Stanford University. Heidi was Vice President of Worldwide Developer Relations for Apple Computers, as well as being CEO and co-founder of pioneering consumer software company T Maker.

**Other appointments:** DFJ.

## 12. D Trempont

Independent Non-Executive Director  
(American) ● ●

Appointed to the Board: 2011

### Skills and experience:

Dominique Trempont brings experience as a Chief Executive Officer, Chairman and Independent Board Director in large multinational high-tech companies and start-ups. He has extensive knowledge of online B2C and B2B markets. He is currently on the board of one US public company (Real Networks) and one private company (ON24), focusing on disruptive innovation and emerging markets.

**Other appointments:** ON24, Real Networks

## F L Sallas

Company Secretary

Appointed as Company Secretary: 2017

### Skills and experience:

Fran Sallas is Secretary to the Board, Audit & Risk Committee, Remuneration & Nominations Committee and the Investment & Finance Committee. Fran is a Fellow of the Institute of Chartered Secretaries and Administrators.

Claire Chapman stood down as Company Secretary in July 2017.



Governance

# Chairman’s Statement on Governance



**The Viscount Rothermere**  
Chairman

**In this section**

|   |    |
|---|----|
| Chairman’s Statement on Governance          | 42 |
| Corporate Governance                        | 44 |
| Executive Committee Report                  | 49 |
| Investment & Finance Committee Report       | 49 |
| Audit & Risk Committee Report               | 50 |
| Remuneration & Nominations Committee Report | 56 |
| Remuneration Report                         | 57 |
| Statutory Information                       | 81 |
| Annual General Meeting 2018: Resolutions    | 84 |

Strong governance is essential to the way we operate throughout the Group. It is a key factor in our ability to achieve growth in a profitable, responsible and sustainable manner and in how we maximise shareholder value over the long term. In practice, this means that the Board establishes a framework within which our businesses operate and deliver shareholder value. DMGT’s approach to governance is distinctive, as in addition to typical corporate procedures, we are able to rely on and utilise the significant benefits from the family shareholding and the long-term view that this permits.

The Board continues to be fully supportive of the strategic objectives set out by Paul Zwillenberg as described in the CEO’s Review on pages 10 to 13. Areas of particular focus for the Board include our approach to our portfolio of businesses and their continued growth, as well as divestments, rigorous financial management, balanced capital allocation and managing a strong balance sheet. Additionally the Board has focused on our people agenda and leadership capabilities.

Our Board was strengthened by the appointment of Tim Collier as Group Chief Financial Officer in May 2017 and François Morin as a Non-Executive in February 2017 as detailed on page 3.

I would like to thank John Hemingway and Francisco Balsemão for their contribution to the DMGT Board as they both stood down at the Annual General Meeting (AGM) in February 2017. I would also like to pay tribute to Nicholas Berry for his contribution to the Board, who sadly died in December 2016.

This year we have continued to focus the Governance Report on the key information for shareholders in order to encourage clear and concise reporting. More routine information such as our Investor Relations calendar and the Committee responsibilities and Terms of Reference can be found on our website.

 [www.dmgt.com/about-us/board-and-governance](http://www.dmgt.com/about-us/board-and-governance)

**The Viscount Rothermere**  
Chairman

“  
**Strong governance is essential to the way we operate throughout the Group.**”

## Committee structure

The Board Committee structure is set out in the diagram below.



## Family shareholding

Rothermere Continuation Limited (RCL) is a holding company incorporated in Bermuda. The main asset of RCL is its holding of DMGT Ordinary Shares. RCL is owned by a trust (Trust) which is held for the benefit of Lord Rothermere and his immediate family. Both RCL and the Trust are administered in Jersey, in the Channel Islands. The directors of RCL, of which there are seven, included two directors of DMGT during the reporting period: Lord Rothermere and François Morin.

RCL has controlled the Company for many years. RCL maintains that the Company should be managed in accordance with high

standards of corporate governance for the benefit of all shareholders; this has been the case throughout the period of RCL's control.

RCL has again indicated to the Company that its intentions for the Company's governance are long-term in nature and that it will discuss with the Board of the Company any material change in its intentions. In particular, RCL has confirmed its intention that the Company will:

- Continue to observe the Listing Principles in their current form;
- Continue to maintain a securities dealing code for certain of its employees;

- Continue to voluntarily observe the UK Corporate Governance Code on a 'comply or explain' basis; and
- Have an appropriate number of Independent Non-Executive Directors on its Board.

It is also intended by RCL that the Company's independent Directors would take decisions on behalf of the Company in relation to any proposed transaction between the Company and RCL, or between the Company and an associate of RCL, where any such proposed transaction would have been a related party transaction under Chapter 11 of the Listing Rules.

## Governance

# Corporate Governance

## UK Corporate Governance Code

The UK Corporate Governance Code (Code) is an important part of how we operate. It allows a 'comply or explain' approach to achieving best governance practice. We have chosen to explain our governance practices if these do not fully meet the provisions of the Code. This allows us to recognise our requirements under the Code and the benefits of our shareholding structure. Our explanations where we deviate from the code are set out in the relevant sections of this Corporate Governance Report.

Information required under DTR 7.2.6 is provided on page 81 and forms part of this Report.

## Leadership

The Board has a duty to promote the long-term success of the Company for its shareholders. This includes: the review and monitoring of strategic objectives; approval of major acquisitions, disposals and capital expenditure; financial performance; reviewing the effectiveness of the Group's systems of internal controls; governance; risk management; and training and development.

## Persons Discharging Managerial Responsibility

As part of the Company's continuing obligation to ensure compliance with the Listing Rules and related regulations, we have identified that Directors and other senior executives who have regular access to inside information and the power to make managerial decisions affecting the future development and business prospects of the Company are those on the Board, Executive Committee and regular attendees at the Investment & Finance Committee.

## How the Board operates

There is a schedule of matters reserved to the Board. This details key matters in respect of the Company's management that the Board does not delegate. This can be seen at [www.dmgt.com/about-us/board-and-governance](http://www.dmgt.com/about-us/board-and-governance). If any Director had any concerns about the way the Board was operating, these would be recorded in the minutes. No such concerns were raised during the reporting period. Day-to-day management of the Company is the responsibility of the Executive Committee and of the executive management of the operating businesses.

## Delegation of authority

The Board has delegated certain activities to Board Committees, under formal terms of reference, details of which are set out on pages 49 to 56.

 **Full Terms of Reference can be found on DMGT's website at [www.dmgt.com/about-us/board-and-governance](http://www.dmgt.com/about-us/board-and-governance)**

## Division of Chairman and CEO responsibilities

In accordance with the Code, the roles of Chairman and CEO are separate. The Chairman is responsible for leading the Board and overseeing operations and strategy. The CEO is responsible for the execution of the strategy and the day-to-day management of the Group and is supported by the Executive Committee.

## Non-Executive Directors

The Non-Executive Directors, as members of the Board and its Committees, are responsible for ensuring the Company has effective systems of internal controls and risk management and additionally, for monitoring financial performance. All Committee Chairmen report to the Board on Committee activity at each Board meeting.

## Senior Independent Director

The Chairman has an interest in all the Ordinary Shares of the Company through the Trust and so there is no need for a Senior Independent Director to represent Ordinary Shareholders. Accordingly the Board has not appointed a Senior Independent Director as recommended under Code provision A.4.1. The Remuneration & Nominations Committee (without the Chairman being present) annually assesses the Chairman's performance. Other Directors consider that they can represent themselves freely to the Chairman. However, when a situation arises that would best be handled by an individual Independent Non-Executive Director, the most appropriate person is appointed by the Board (with or without the Chairman being present, as appropriate).

## Independence

The Board has determined that Lady Keswick, Kevin Parry, Heidi Roizen and Dominique Trempont are independent within the meaning of the Code.

David Nelson, Andrew Lane and François Morin are not considered to be independent within the meaning of the Code, as they are each advisers to the Chairman and to RCL. 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 employees.

The Board believes that its current composition is appropriate taking into account the heritage of the Group, the interests of our operating businesses represented on the Board, and that a good balance is achieved from the Board's Non-Executive Directors in terms of skill and independence. The Board keeps this under review. Less than half of the Board are Independent Non-Executive Directors, which is not in line with provision B.1.2 of the Code.

## Effectiveness

The Board reviewed its effectiveness within the context of the provisions of Section B of the Code. In addition to its review of independence and the Board evaluation process, discussed separately, the Board discharged its Code duties as follows:

- **Appointments:** the Remuneration & Nominations Committee is responsible for referring potential appointments to the Board for approval and is assisted by the CEO. Further details are in the Remuneration & Nominations Committee Report on page 56;
- **Time:** the time commitment of each Non-Executive Director is set out in his/her Letter of Engagement. Each Letter of Engagement is renewed annually following a review by the Remuneration & Nominations Committee and the shareholder vote at the AGM;
- **Multiple commitments:** the Remuneration & Nominations Committee recognises that Board members may be directors of other companies and that additional experience is likely to enhance discussions at the Board. Details of any additional directorships are on pages 40 and 41. Executive Directors are generally permitted to hold non-executive directorships as long as it does not lead to conflicts of interest or time;

- **Development and information:** on joining, Directors receive a comprehensive, tailored induction programme, which includes time with the Company Secretary and the Legal Adviser, the Executive Directors and a range of senior managers across the Group. During the year, the Board has received updates on key areas of finance and governance as well as areas of the business; and
- **Re-election:** in line with the Code, all Directors are eligible to stand for re-election annually and will do so at the 2018 AGM.

## Relations with shareholders

Any concerns raised by shareholders in relation to the Company and its affairs are communicated to the Board through regular briefings. Summaries of analysts' reports are circulated to the Board. Feedback from meetings held with the executive management, or the Investor Relations team and institutional shareholders, are also communicated to the Board.

DMGT understands the importance of considering a company's responsibilities to a broad stakeholder group. When making decisions, the Board considers the impact on its employees, customers, the communities in which we operate, its shareholders and its suppliers.

The Company's website, [www.dmgmt.com](http://www.dmgmt.com), provides the latest news, historical financial information, details about forthcoming events for shareholders and analysts, and other information regarding the Group.

## Board Evaluation

In 2017, the Board undertook a review of its own performance and those of its Committees, which built on the results of the 2016 review. The review was conducted through an internal process facilitated by the Company Secretary. A questionnaire was used focusing on the remit and key issues facing the Board. In particular, the Board considered how it was discharging its strategic remit and reviewed key issues facing the Group and its businesses.

Completed questionnaires were submitted and reviewed by the Chairman. A summary of findings were presented to the Board in a manner that did not identify individual specific responses, ensuring that the follow-up discussion with the entire Board was open. The responses showed that the Board welcomed the process and that overall, the Board was content with the progress during the year and that the Board and its Committees continue to function well.

There was a continuous monitoring programme to ensure that items addressed in the FY 2016 evaluation were addressed during the year.

Actions arising from the evaluation included ensuring that time on the Board agenda was allocated for:

- Reviews of major projects and lessons learnt during the year;
- Continued review of the composition of the Board through the Remuneration & Nominations Committee;
- Continued follow-up on key matters and actions arising at Board meetings; and
- Continued reviews of strategy, with close alignment of the Board and the Executive Committee agenda.

# Governance

## Corporate Governance

### Board composition and diversity

We have continued to review the composition of the Board during FY 2017 to ensure that we have the right mix of members to contribute effectively to the development of our strategy and how we operate. We consider diversity in its broadest sense in reviewing how the Board operates and its composition.

François Morin and Tim Collier were appointed to the Board on 8 February 2017 and 2 May 2017 respectively to ensure the mix of skills and expertise represented complements our strategic goals.

Stephen Daintith and Suresh Kavan stood down as Directors during the year.

The split of the Group's profits between our US and other businesses, the global nature of our operations and the range of activities undertaken across the Group has been reflected over recent years in our Board appointments. Maintaining this broad range of appropriate skills, international and specific sector experience will continue to be a factor in our Board succession planning.

The Board is aware of and takes into account the principles regarding diversity of its senior management. This is considered as part of the senior management appointment process. Further details on our approach are included in the Remuneration & Nominations Committee Report on page 56.

### DMGT Board – membership

| Member  | Member for the full period | Meetings held             | Meetings attended |
|---|----------------------------|---------------------------|-------------------|
| <b>Chairman</b><br>The Viscount Rothermere          | Yes                        | 5                         | 5                 |
| <b>CEO</b><br>P A Zwillenberg                       | Yes                        | 5                         | 5                 |
| <b>Group Chief Financial Officer</b><br>T G Collier | No<br>Joined<br>02/05/2017 | 3<br>After<br>02/05/2017  | 3                 |
| <b>Executive Directors</b>                          |                            |                           |                   |
| K J Beatty  | Yes                        | 5                         | 5                 |
| P M Dacre   | Yes                        | 5                         | 5                 |
| <b>Non-Executive Directors</b>                      |                            |                           |                   |
| Lady Keswick  | Yes                        | 5                         | 5                 |
| A H Lane  | Yes                        | 5                         | 5                 |
| F L Morin   | No<br>Joined<br>08/02/2017 | 4<br>After<br>08/02/2017  | 4                 |
| D H Nelson  | Yes                        | 5                         | 5                 |
| K A H Parry   | Yes                        | 5                         | 5                 |
| J H Roizen  | Yes                        | 5                         | 5                 |
| D Trempont  | Yes                        | 5                         | 5                 |
| <b>Former Board members</b>                         |                            |                           |                   |
| F P Balsemão<br>Non-Executive Director              | No<br>Until<br>08/02/2017  | 1<br>Before<br>08/02/2017 | 0                 |
| N W Berry<br>Non-Executive Director                 | No<br>Until<br>25/12/2016  | 1<br>Before<br>25/12/2016 | 0                 |
| S W Daintith<br>Finance Director                    | No<br>Until<br>06/04/2017  | 2<br>Before<br>06/04/2017 | 1                 |
| J G Hemingway<br>Non-Executive Director             | No<br>Until<br>08/02/2017  | 1<br>Before<br>08/02/2017 | 1                 |
| S Kavan<br>Executive Director                       | No<br>Until<br>31/03/2017  | 2<br>Before<br>31/03/2017 | 1                 |



## The Board's focus in 2017

Board members have visited, received presentations and functional area updates from DMGT's operating businesses on a rolling basis. During the year, as part of the Directors' ongoing development, these updates were a combination of presentations to the whole Board and smaller groups as deemed appropriate and detailed below.

### Portfolio management and strategy

- A strategic review of our portfolio.
- Future size and shape of the Group.
- Non-Executive Director Dominique Trempont attended RMS Exceedance in Miami in May 2017.
- Presentations by the majority of operating businesses.
- The New York Board meeting incorporated site visits to RMS, Trepp and MailOnline.

### Risk management

- The Group's risk appetite for 2018 as part of the Viability Statement approval process.
- With the support of the Audit & Risk Committee, review of principal risks, other key risk areas and performance against risk appetite.

### People

- Approval of the appointment of the Group Chief Financial Officer and Non-Executive Director.
- Discussions regarding senior appointments and succession planning.
- Updates on talent management.

### Finance and capital

- Assessment and monitoring on a regular basis, performance against agreed financial targets, budget and returns on investment.
- Approval of authority limits and process for investments.
- Assessment and monitoring of approach to pensions and tax policy.

### Governance

- Regular updates throughout the year including on Market Abuse Regulation, Tax Policy publication, failure to prevent criminal facilitation of tax evasion, Payments Practices Reporting, Gender Pay Gap Reporting, Modern Slavery and Human Trafficking, General Data Protection Regulation as well as from the Committee Chairmen.
- Approval and changes to updated versions of Terms of Reference and matters reserved to the Board.
- Review of the quality of the External Audit.

accounting; investor relations; strategy; risk; internal audit; corporate tax; treasury; insurance; and HR.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. This process has continued throughout the year and up to the date of approval of the financial statements. Monitoring is an ongoing process and principal risks are formally reviewed at half-year and year-end.

### Risk management function

The Group has separate Risk and Internal Audit functions. The Board believes that this separation minimises the threat of self-review across our 'three lines of defence' model (see page 48). The Risk function provides an increased focus on priority risk areas. It is responsible for maintaining the Group risk management process, facilitating change for selected risks, evolving our approach to operational compliance, and working with other Group functions. The Risk function engages specialist external expertise to maintain best practice approaches. To ensure an open discussion of emerging risks, the Chairman of the Audit & Risk Committee meets separately with the Head of Risk independent of operational management.

### Internal Audit

The Internal Audit function undertakes an agreed programme of independent assurance reviews. The function sources external expertise as required from specialist suppliers. This mix of internal and specialist resource works well. Internal Audit seeks to comply with relevant professional standards, notably those issued by the Institute of Internal Auditors.

The Internal Audit Charter (The Charter) sets out the purpose and objectives of Internal Audit. The Charter takes a systematic and disciplined approach to the evaluation and improvements in control and governance processes. It strengthens the function's independence and objectivity by means of the function's reporting lines and access to all records, personnel, property and operations of the Group. To ensure his independence from management, the Director of Internal Audit reports directly to the Chairman of the Audit & Risk Committee. The Charter confirms the high-level responsibilities of operational management (first line of defence) and ensures that the Internal Audit function undertakes its third line of defence duties, avoiding any first or

## Board oversight of risk management and internal controls

The Board delegates day-to-day oversight of management's operations of internal controls and risk management to the Audit & Risk Committee. The Board considers that the Audit & Risk Committee possesses the requisite skills and experience to meet its obligations and provide the relevant assurance to the Board. Operating and investment decisions are delegated to the Investment & Finance Committee. Further details of the activities of these Committees are on pages 49 to 55.

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management and internal controls. This system provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board.

The Group's operating businesses have a level of autonomy regarding the establishment of risk management and internal control systems, but are overseen by a central management team which reports to the Board. Certain functions are undertaken centrally, including: Group

# Governance

## Corporate Governance

second line duties. The Charter is reviewed annually and updated as required to take account of changing practices and standards. The Audit & Risk Committee is satisfied that the provisions of the Charter have been achieved in the year.

The Board formally evaluated the system of risk management and internal control in conjunction with the Audit & Risk Committee during the year (see pages 50 to 55). This evaluation focused on material controls relating to principal risks and entity-level controls, as well as additional controls and

processes required to support the Company's Viability Statement (see page 29). The evaluation also considered any control weaknesses identified by Internal or External Audit, or as a result of incidents of fraud. Controls over the recording of amounts in the Group's consolidated financial statements relating to investments have also been assessed and considered as appropriate.

Although DMGT does not have the ability to dictate or modify controls at its material associates, namely Euromoney and ZPG,

the Directors review the effectiveness of the systems of risk management and internal control at these entities via Board representation.

### Monitoring and oversight

The Group operates a 'three lines of defence' model. The benefits of this approach are shown in the table below. The Board delegates day-to-day responsibility for internal controls to operational management with oversight by the Executive Committee and the Audit & Risk Committee.

### Three lines of defence table

| First line of defence   | Second line of defence   | Third line of defence  |
|---|--|--|
| Each operating business is responsible for the identification and assessment of risks, understanding the Group's risk strategy and operating appropriate controls.  | Risk, supported as appropriate by other functional areas, particularly legal, tax and finance, reviews the completeness and accuracy of risk assessments, reporting and adequacy of mitigation plans.  | Internal Audit provides independent and objective assurance on the robustness of the risk management framework and the effectiveness of internal controls.   |
| <b>Benefits</b> <ul style="list-style-type: none"> <li>Ownership and responsibility remains close to the operating businesses and their attendant performance.</li> <li>Promotes a strong culture of adhering to limits and managing risk exposures in accordance with each business's risk appetite and the regulatory environment.</li> <li>Promotes a healthy risk culture and long-term approach to risk management.</li> </ul> | <b>Benefits</b> <ul style="list-style-type: none"> <li>Understand aggregated risk positions.</li> <li>Objective oversight and challenge to the business areas and internal control and risk management framework used in the first line.</li> <li>Provide ongoing training and support on Group-wide risks to the operating businesses.</li> </ul> | <b>Benefits</b> <ul style="list-style-type: none"> <li>Independent assurance on the system of risk management and internal controls.</li> <li>Assessment of the appropriateness and effectiveness of internal controls.</li> <li>Internal Audit provides assurance to the Audit &amp; Risk Committee.</li> </ul> |

### Key features of the risk management and internal controls system

The main features of the system of risk management and internal controls in relation to the financial reporting process are described below:

#### 1. Confirmation of key internal controls, and the fraud and bribery assessment

Each operating business confirms the operation of key internal controls to Group Finance and Internal Audit annually. The purpose of the assessment is to confirm the operation of a framework of internal controls, including anti-fraud controls, which are expected to be in place in each business unit. These internal controls are intended to provide standards against which the control environments of DMGT's business units can be monitored. An annual fraud and bribery risk assessment is completed simultaneously, detailing risks and mitigating controls. In each case, the Internal Audit team reviews and follows up on these submissions, as appropriate.

#### 2. Review of relevant and timely financial information

Each of the operating businesses and DMGT executive management regularly review relevant and timely financial information. This is produced from a financial information system operated across the Group. It is supported by a framework of forecasts as well as annual budgets that are approved by the Executive Committee and confirmed by the Investment & Finance Committee.

#### 3. Senior Accounting Officer sign-off

The Group Chief Financial Officer is the Senior Accounting Officer and is required, by HMRC, to certify that the Company, and its subsidiaries, have established and maintained appropriate arrangements to ensure that tax liabilities are calculated accurately in all material respects.

### Fair, balanced and understandable

One of the key governance requirements of a group's Annual Report is for it to be fair, balanced and understandable. The coordination and review of Group-wide input into the Annual Report is a specific project,

with defined time frames, which runs alongside the formal audit process undertaken by the External Auditor. The Audit & Risk Committee's and the Board's confirmations of satisfaction with the process and the statements being made is underpinned by:

- Comprehensive guidance being provided to the operating businesses in respect of each of the requirements for, and each of their contributions to, the Annual Report;
- A verification process in respect of the factual context of the submissions made;
- Comprehensive sign-off process by owners of all statements made; and
- Comprehensive reviews undertaken at different levels of the Group with the aim of ensuring consistency and overall balance.

As a result of this process, the Audit & Risk Committee and the Board are satisfied with the overall fairness, balance and understandability of the Annual Report.

## Board Committees

### Executive Committee

The Executive Committee is responsible for the day-to-day operation of the Group in line with the overall strategic aims set by the Board.

#### Membership

| Member                  | Member for full period     |
|-------------------------|----------------------------|
| The Viscount Rothermere | Yes                        |
| P A Zwillenberg         | Yes                        |
| T G Collier             | No<br>Joined<br>02/05/2017 |
| K J Beatty              | Yes                        |
| <b>Former members</b>   |                            |
| C Chapman               | No<br>Until 01/07/2017     |
| S W Daintith            | No<br>Until 06/04/2017     |
| S Kavan                 | No<br>Until 31/03/2017     |

The Executive Committee meets regularly. It has a broad remit covering strategy and its execution, and operational performance oversight.

#### Key activities

- Business reviews with all operating businesses at least twice yearly.
- Performance management review and analysis.
- Talent acquisition and management.
- Review of key investment and divestment opportunities and capital allocation decisions.
- Budget approval and tracking against budget.

#### Governance

The Executive Committee is designed to represent key businesses. It ensures that there is appropriate support for and challenge to all of the operating businesses.

### Investment & Finance Committee

The Investment & Finance Committee evaluates the benefits and risks of investment opportunities and financing proposals up to a value threshold with the Board. The Investment & Finance Committee provides regular updates to the Board including monitoring returns on investments made and progress against agreed targets.

#### Membership

There were 7 meetings held in the year.

| Member                             | Member for the full period |
|------------------------------------|----------------------------|
| The Viscount Rothermere (Chairman) | Yes                        |
| P A Zwillenberg                    | Yes                        |
| T G Collier                        | No<br>Joined<br>02/05/2017 |
| A H Lane                           | Yes                        |
| D H Nelson                         | Yes                        |
| K A H Parry*                       | No<br>Joined<br>01/04/2017 |
| <b>Former members</b>              |                            |
| N W Berry*                         | No<br>Until<br>25/12/2016  |
| S W Daintith                       | No<br>Until<br>06/04/2017  |
| J G Hemingway                      | No<br>Until<br>08/02/2017  |

\* Independent

The Investment & Finance Committee has been supported in its activities during the year by the Deputy Finance Director, Director of Performance Management & Strategy, Group Head Corporate Development and M&A, and the Technology Advisor to the Chairman and CEO.

#### Key activities

- Reviewing all acquisitions, disposals and capital expenditure within its remit, including presentations made by operating businesses to request support in line with strategic objectives.
- Reviewing performance against budget and plan including reviewing debt position, tracking performance against the original investment case and assumptions for acquisitions and investments.
- Oversight of the Company's pension scheme planning, including discussions with the various Scheme Trustees and their advisers and the latest triannual valuations.
- Reviewing the Company's dividend planning activities.
- Reviewing and approving the Company's tax strategy.
- Reviewing the Committee's effectiveness.

#### Governance

- The Investment & Finance Committee reviewed its membership and approved that Lord Rothermere continue as its Chairman.
- The Investment & Finance Committee reviewed its Terms of Reference.
- The Investment & Finance Committee confirmed that it had complied with its Terms of Reference throughout the year and reviewed its effectiveness.

# Governance

## Corporate Governance

### Audit & Risk Committee: Chairman's Introduction

In the context of our changing business, we focus our audit work on judgemental areas of accounting and auditing, and our risk work on high impact possible events.

There is a comprehensive process to review significant business risks to the Group including financial risk, operational risk and compliance risk that could affect or impact the achievement of the Group's strategy and business objectives.

The following pages set out the Audit & Risk Committee's Report for the financial year. The Report is structured in four parts:

- How the Audit & Risk Committee operates: membership, key responsibilities, governance, effectiveness and operating practices;
- Review of the year: key activities and the significant financial reporting and auditing issues;
- Oversight: Risk and controls, and Internal Audit; and
- External Auditor: appointment, independence, effectiveness and objectivity.

### Dear Shareholders

I am pleased to present the Audit & Risk Committee Report.

The combination of the former Audit and Risk Committees has progressed well with care being taken to give appropriate emphasis to both aspects of our work in line with the financial reporting cycle. To recognise the extra workload, we introduced an extra meeting in July that concentrated on risks.

Risk has hardly been out of the news over the last 12 months. We have addressed macro-risks such as Brexit, the minority UK government and sanctions, as well as corporate risks such as cyber-crime and data protection legislation.

The Group changed significantly during the year with the partial disposal of the stake in Euromoney Institutional Investor PLC (Euromoney) which is now no longer a subsidiary. As part of the transitional services agreement, Internal Audit continued to provide its services for the first half of the financial year. As the Group no longer has management responsibility for Euromoney, the work of Internal Audit in respect of that business is not addressed in this report, but will be described in the Annual Report of Euromoney Institutional Investor PLC.

The Audit & Risk Committee spent time at the half-year and year-end reviewing and challenging the effectiveness of the communication of the Group's results in the light of Euromoney becoming an associate company.

The completion of the scheduled triennial external review of Internal Audit was timely in the light of the de-scoping of its responsibility to the Euromoney Audit Committee. The independent review has resulted in a blueprint for the future development of the function that has been embraced by both the Director of Internal Audit and the Audit & Risk Committee. Further details are set out in the oversight section.

**Kevin Parry**

Audit & Risk Committee Chairman

### Membership

| Member                  | Member for full period | Meetings held         | Meetings attended |
|-------------------------|------------------------|-----------------------|-------------------|
| K A H Parry (Chairman)* | Yes                    | 5                     | 5                 |
| A H Lane                | Yes                    | 5                     | 5                 |
| D H Nelson              | Yes                    | 5                     | 5                 |
| D Trempont*             | Yes                    | 5                     | 5                 |
| <b>Former members</b>   |                        |                       |                   |
| N W Berry*              | No<br>Until 25/12/2016 | 1<br>Until 25/12/2016 | 1                 |
| J G Hemingway           | No<br>Until 08/02/2017 | 1<br>Until 08/02/2017 | 1                 |

\* Independent.

The Audit & Risk Committee meets at least four times a year. This year the Committee met five times to incorporate a meeting to focus specifically on risk matters.

All members of the Audit & Risk Committee are Non-Executive Directors and two are Independent Non-Executive Directors. The Committee members continue to represent the necessary range of financial, risk, control and commercial expertise required to provide an effective level of challenge to management. Kevin Parry is a former senior audit partner, former chief financial officer and has extensive experience as an audit committee chairman. David Nelson is the senior partner of an accounting practice. Dominique Trempont is a former chief financial officer and has extensive experience as an audit committee chairman and member. Consequently Kevin Parry, David Nelson and Dominique Trempont are designated for Code purposes as the financial experts with competence in accounting and auditing.

### Key responsibilities

The Audit & Risk Committee's terms of reference are on our website at [www.dmgt.com/about-us/board-and-governance](http://www.dmgt.com/about-us/board-and-governance).

### Governance

The integrity of the Group's financial results and internal control systems are important to the Directors and the shareholders. Consequently, the Audit & Risk Committee encourages and seeks to safeguard high standards of integrity and conduct in financial reporting and internal control. The Committee tests and challenges the results and controls in conjunction with management and the Internal and External Auditors.

The Committee has fulfilled its responsibilities during the year and confirms the Group is in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Committee is permitted to obtain its own external advice at the Company's expense. No such advice was sought during the year.

Andrew Lane and David Nelson are advisers to the Harmsworth family and not Independent Directors. This is a deviation from Code Provision C.3.1. The Board considers that their membership adds to the deliberations of the Audit & Risk Committee and I, as the Committee Chairman confirm there was no conflict of interest during the year.

### Effectiveness

The Audit & Risk Committee reviews its Terms of Reference and effectiveness annually. The review confirmed that the Committee is effective at meeting its objectives, the provisions of the Code and the needs of the Group.

The Committee embraced greater emphasis being placed on cyber risks and restructurings of businesses and management.

### Operating practices

During the year the Audit & Risk Committee meetings were scheduled to take place just prior to Board meetings to maximise the efficiency of interactions. Reports are made to each Board meeting on the activities of the Committee, focusing on matters of particular relevance to the Board in the conduct of its work.

The Committee has been supported in its activities during the year by the CEO, Group Chief Financial Officer, Risk team, and Director of Internal Audit as well as the External Auditors. These individuals generally sponsor Committee papers, which are typically distributed one week prior to meetings. The Committee works with all contributors to discuss judgemental issues at an early and relevant opportunity.

The Group Chief Financial Officer, the Deputy Finance Director, the Group Financial Controller, the Director of Internal Audit, the Risk managers and the External Auditor are invited to each meeting but are recused when appropriate. This approach results in informed decisions based on quality papers and discussion which provides a thorough understanding of facts and circumstances.

The Committee met regularly and separately with: the External Auditor, Director of Internal Audit, the Group Chief Financial Officer and Head of Risk, without other executive management being present.

## Review of the year

### Key activities

Key activities undertaken by the Audit & Risk Committee during the year included:

#### Audit

- Agreeing the scope of internal and external audit work.
- Challenging management's accounting judgements.
- Commissioning an external effectiveness review of the Internal Audit function.
- Reviewing and discussing Internal Audit reports to maintain their contribution to improving the control environment.
- Reviewing the disclosure of the Group tax policy.
- Auditing the basis of alternative performance measures.
- Reviewing the effectiveness of external audit.

#### Risk

- Reviewing the Group's risk management processes and the Group risk register.
- Robust challenge to the assumptions supporting the Group's Viability Statement.
- A rolling programme of focused risk topics including information security and cyber resilience.
- Recommending the establishment of a dedicated Information Security Steering Committee reviewing the output of associated benchmarking undertaken by a consultancy specialising in the prevention of cyber-crime.
- Preparing for compliance with the General Data Protection Regulations (GDPR).
- Compliance with legislation relating to anti-bribery and corruption; trade sanctions; health and safety; modern slavery and whistleblowing.
- Business continuity and incident management.



# Governance

## Corporate Governance

### Financial reporting and auditing issues

The Audit & Risk Committee considered and discussed the significant matters relating to financial reporting and accounting, as set out in the table below.

| The issue and its significance  | Focus of work   | Comments and conclusion  |
|---|---|--|
| <p><b>Financial reporting</b></p> <p>The content of the Annual and Half-Year Reports and trading updates needs to be appropriate, complying with laws and regulation.</p> | <p>We reviewed the reports to improve their clarity, focusing particularly on disclosures in connection with the partial disposal of Euromoney and impairment charges.</p> <p>We specifically reviewed:</p> <ul style="list-style-type: none"> <li>• All accounting policies for continued appropriateness and consistency of application;</li> <li>• All sections of the Annual Report having particular regard for the Audit &amp; Risk Committee's responsibilities for the financial statements;</li> <li>• Reports from financial management, Legal, Risk and Internal Audit which confirmed compliance with regulations; and</li> <li>• The financial risks and papers to support the going concern basis of accounting.</li> </ul> | <p>A materiality threshold of £5 million has been set for exceptional items unless there was continuation of an activity previously disclosed as exceptional.</p> <p>There were no significant changes to accounting policies. Based on our enquiries with management and the External Auditors, we concluded the policies were being properly applied.</p> <p>We were satisfied that judgemental matters were explained.</p> <p>We were satisfied that the Group complied with reporting requirements.</p> <p>We designed additional disclosures in connection with the disposal of Euromoney to allow the performance of the Group to be readily understood.</p>   |
| <p>Taken as a whole, the Annual Report needs to be fair, balanced and understandable so that it is relevant to readers.</p>   | <p>We continued our practice of comparing our Annual Report with those of other relevant companies and asked our External Auditors for improvement recommendations.</p> <p>Drafts of the Annual Report were reviewed by both the Audit &amp; Risk Committee and the Board. We used the Executive Directors', the External Auditors' and the Committee's knowledge to determine the overall fairness, balance and understandability of the Report, prior to its final approval by the Board.</p>   | <p>We received confirmation that individuals' responsibilities had been fulfilled and confirmed that the overall Report was consistent with the Directors' knowledge. This allowed the Audit &amp; Risk Committee and the Board to be satisfied that the Annual Report taken as a whole is fair, balanced and understandable. We were satisfied that the information presented in the Strategic Report was consistent with the performance of the business reported in the financial statements. In particular, we were satisfied that the estimates, outlook and quantified risk disclosures in the financial statements are consistent with those identified in the Strategic Report. The Committee concluded that appropriate judgements had been applied in determining the estimates and that sufficient disclosure has been made to allow readers to understand the uncertainties surrounding outcomes.</p> <p>We were satisfied that the Viability Statement should be over a three-year period, consistent with the Group's business planning cycle and the next refinancing of our short-term bank debt facilities.</p> <p>We will continue to monitor feedback for future enhancements to the Annual Report.</p> |
| <p>The Annual Report includes a number of non-GAAP measures. See Note 13 and page 124.</p>  | <p>In addition to the disclosure of operating profit, before and after specified adjustments, other non-GAAP measures (known as alternative performance measures) are disclosed in the Annual Report, e.g. underlying revenue growth, net debt to EBITDA ratio. We commissioned Internal Audit to review other alternative performance measures to ensure whenever possible that they were third-party sourced or otherwise robustly compiled.</p> <p>We also sought to ensure that equal prominence was given to statutory measures and that explanations accompanied all alternative measures including pro forma figures quoted throughout the accounts.</p>   | <p>We decided to continue to adjust operating profit for intangible asset amortisation and for compensation payments which were capital in nature because they are akin to investment payments which are capitalised. Additional adjustments have been made to exclude the impact of exceptional costs, impairments and other fair value adjustments. These adjustments assist understanding the outcome for the reporting period.</p> <p>We enhanced the prominence of GAAP numbers and improved the reconciliation of APMs to GAAP.</p> <p>We determined that the published data was of a high quality and helps shareholders understand progress (particularly in the digital arena). Sources of data are disclosed.</p>  |

| The issue and its significance   | Focus of work   | Comments and conclusion   |
|--|---|---|
| <p><b>Accounting judgements</b></p> <p>The Group has capitalised software development costs, other intangible assets and goodwill associated with acquisitions. Goodwill and intangible assets represent 40% (2016 185%) and 23% (2016 94%) respectively of net assets. The carrying values need to be justified by reference to future economic benefits to the Group (see Notes 21 and 22).</p>              | <p>We ensured capitalised costs were separately identifiable and met the requirements of relevant accounting standards.</p> <p>We considered whether there have been events triggering an impairment review. Where there was such an event and whenever impairment testing was otherwise required, we reviewed papers prepared by executive management to determine whether an impairment event had taken place. As there were significant impairments in the second half we specifically reassessed the timing of the recognition of the impairments to ensure that they were recognised in the correct period. We focused on facts, assumption, methodologies and discount rates. We received input from both operational and financial management and also reviewed relevant external commentaries and valuations.</p> | <p>We were satisfied that costs that had been capitalised were appropriately held on the balance sheet.</p> <p>Our reviews embraced sensitivities to changes in assumptions which allowed us to understand the materiality of conclusions in the context of our financial reporting.</p> <p>We focused on RMS, Genscape, Hobsons, Xceligent and SiteCompli.</p> <p>We were satisfied with the impairments in respect of goodwill, capitalised software, and other intangibles were charged in the appropriate period and in appropriate amounts.</p> <p>The Audit &amp; Risk Committee noted that the conclusions were sensitive to future outcomes. Some combined downside sensitivities could trigger impairments if they occur in the future. Appropriate disclosures were included in financial statements.</p> |
| <p>The Group carries deferred tax assets in respect of brought-forward losses and deferred interest that represent 7% (2016 32%) of net assets (see Note 37).</p>  | <p>At the year end, the Group recognised deferred tax assets of £61.5 million (2016 £169.3 million) in respect of brought-forward losses and deferred interest.</p> <p>We ensured deferred tax assets were reduced in line with the reduced trading outlook in the B2B businesses, notably those which triggered impairment reviews.</p> <p>We reviewed papers prepared by executive management in respect of overseas tax losses that can no longer be recognised as deferred tax assets.</p>  | <p>The assets on the balance sheet were recognised following a detailed review of how the brought-forward tax losses would be utilised and we were satisfied that changes to tax laws internationally did not adversely impact the carrying value of the total assets.</p> <p>Where required tax assets were written off in the year.</p>   |
| <p>The Group actively manages its portfolio of investments and consequently is active in making acquisitions and disposals. Transactions that contain unusual terms and/or innovative structures would require the accounting treatment to be carefully considered.</p> <p>During the year, £26.7 million was incurred on acquisitions and £215.8 million was realised on disposals (see Notes 17 and 18).</p> | <p>The Audit &amp; Risk Committee carefully considers judgemental accounting and the carrying value of intangible assets and goodwill.</p> <p>The Committee considered the accounting treatment for both the sell-down of Euromoney and the dilution of DMGT's stake in ZPG. We considered the complexity of the Euromoney sell-down and the adequacy of the explanation of its new status as an associate.</p> <p>We reviewed the valuation of fair value of the Group's remaining c.49% stake.</p> <p>The Internal Audit team audits all significant acquisitions within 12 months of the relevant acquisition where consideration exceeds £10 million.</p>   | <p>The Investment &amp; Finance Committee oversees all acquisition and disposal activity. There are three common Committee members. We were satisfied with the judgements made in the year.</p> <p>We performed a robust review of the treatment of disposals during the year and were satisfied with the treatments and calculations.</p> <p>The Audit &amp; Risk Committee reassessed the timing of reviews of acquisitions by Internal Audit and approved revised practices.</p>   |
| <p>The Group has multiple sources of revenue, including subscriptions, software sales, display and native advertising, branded and pre-roll videos and licence fees. Consequently revenue recognition can be intricate.</p>  | <p>We reviewed the accounting policies for revenue recognition and determined their appropriateness. We also reviewed deviations in the applications of policies and sought to eliminate differences in preparation for the adoption of IFRS 15 in the year ending 30 September 2018.</p> <p>Internal Audit visits all businesses on a rotational basis taking account of changed circumstances and perceived risk. Their work includes the testing of revenue recognition.</p>   | <p>One immaterial difference was identified as a result of the review.</p>  |

## Governance

# Corporate Governance

## Other financial matters

In addition to the significant matters addressed above, the Audit & Risk Committee maintains a rolling agenda of items for its review, including: capital strategy; financial and treasury management; feedback from analysts and investors; reconciliations of reported financial results with management accounts; tax management; and litigation. Nothing of significance arose in respect of those reviews during the year. There was no interaction with the Financial Reporting Council's (FRC) corporate reporting team during the year.

There was no disagreement over accounting or reporting outcomes with management or the External Auditors during the reporting period.

## Oversight

The Audit & Risk Committee has oversight responsibility for risks and controls and direct responsibility for the operation of the Internal Audit function.

The Committee approves separate annual audit and risk plans that are flexible enough to embrace intra-year changes due to changed circumstances, such as acquisitions, disposals, extensive management change etc. The plans changed during the year to extend from a one-year to a flexible three-year planning cycle.

At each Committee, the Risk Managers and the Director of Internal Audit address key matters which have arisen, focusing on the most significant findings. Additionally, common themes are drawn out so that management can make early enquiries of businesses not recently visited by the assurance functions with a view to heading off potential issues.

In addition to formal reporting, the Audit & Risk Committee Chairman meets with the Risk team and the Director of Internal Audit.

## Risk and controls

A Group-wide risk assessment process is managed biannually by the Risk function, reviewing risks to the achievement of business plans in operating businesses. This process assists management in identifying internal and external threats and prioritising responses to them. The results are collated and an overall Group-wide risk plan is derived from these results which is approved by the Audit & Risk Committee. The work evaluates whether the system, including reporting and controls, adequately supports the Board in its risk oversight. The Audit & Risk Committee focuses on insights into

material changes and trends in the risk profile. For example, the complexity of cyber risks and data governance and security risks increased during the year. The principal risks and mitigating actions are set out on pages 36 to 39.

The Committee's view is that financial risks are not the principal risks that the Group faces but it places emphasis on the maintenance of high standards for controlling financial risks. In addition to an annual confirmation from financial officers that the environment has operated effectively, it gains independent assurance from internal audits. During the year the Committee reviewed the top financial risks facing the Group, including: foreign exchange and interest rates; liquidity; credit; counterparty and capital management. Further, two reports were received on proposed developments in the systems for financial control and reporting.

During the year a new Group Chief Financial Officer, Tim Collier was appointed. To simplify reporting lines all operational CFOs report to him directly in addition to their CEOs. The Committee monitored and participated in his induction and was satisfied that the more direct reporting line of operational companies to the central finance function improved transparency. The Audit & Risk Committee closely monitored changes in financial management and reviewed the competence and quantity of the financial management resource in discussion with the Group Chief Financial Officer. The Committee was also satisfied that the Company remained able to fulfil its first line of defence duties and that there is a culture of continuous improvement.

The Committee reviewed the whistleblowing arrangements in place, which enable employees to raise concerns in confidence. The Committee received analysis of the types of concerns raised by employees. No significant matters were reported in the year and the number of reports made was consistent with prior years of operation.

## Internal Audit

The Audit & Risk Committee reviewed and approved the Internal Audit Charter. Amendments were made to adopt a three-year cycle and maintain compliance with evolving best practice.

The scope of Internal Audit work is considered for each operating company (including Head Office) and takes account of assessments of risk, input from senior management and the Committee, and previous findings. Some thematic audits are undertaken for the Group as a whole. For example, this year

there was a further Group-wide emphasis on cash collection management, information security (including the General Data Protection Regulation), cyber-crime and anti-fraud and bribery procedures. Other issues selectively audited included revenue recognition and payroll. At each meeting, the Committee assesses recommended changes to the annual plan to ensure that total coverage meets its requirements and that the budget and resource levels are adequate.

Throughout the year, there was a range of outcomes from internal audits. The Audit & Risk Committee welcomes the identification of areas for improvement and places higher emphasis on actions taken as a result of review points than on particular findings at the time of review. Whenever deficiencies or opportunities for improvements are identified, the Audit & Risk Committee's emphasis is on the appropriateness of the reaction to the identified issue. The Committee looks to management to take timely and proportionate steps to eliminate weaknesses. The Audit & Risk Committee monitors their adherence to agreed timescales.

During the year, as planned, the Audit & Risk Committee commissioned an external review of the effectiveness of the Internal Audit function. The review was conducted by Deloitte LLP in February 2017 and their overall assessment was that in delivering its remit, the Internal Audit function is providing an effective service to DMGT.

Recommendations for future developments were welcomed by the Director of Internal Audit and the Committee and provide a blueprint for development over the next three years. Some changes have already been introduced, such as audit analytics and use of audit technology.

## External Auditor

PricewaterhouseCoopers (PwC) is the External Auditor. The Group lead audit partner is Neil Grimes, who has led the audit since the beginning of the relationship. Its first audit of DMGT was in respect of the year ended 30 September 2015. The Audit & Risk Committee has responsibility for making recommendations to the Board on the reappointment of the External Auditor, for determining its fees and for ensuring its independence of the Group and management. The External Auditor stand for reappointment at the Annual General Meeting, but absent concerns over the quality of their service or opinion, we anticipate retaining PwC as our auditors for at least the next two years.

## Auditor independence

The Audit & Risk Committee considered the safeguards in place to protect the External

Auditor's independence. In particular, the Committee has ensured that the Company's policy on the External Auditor's independence is consistent with the Ethical Standard set out by the FRC in the UK. PwC reviewed its own independence in line with this criteria and its own ethical guideline standards. PwC confirmed to the Committee that following this review it was satisfied that it had acted in accordance with relevant regulatory and professional requirements and that its objectivity is not compromised.

To ensure no conflicts of independence arising from Auditors being responsible for non-audit work, the Audit & Risk Committee reviewed and approved the policy on non-audit services. The review included consideration of the process to manage the engagement of PwC, regulatory changes and good practice.

The audit fee payable to PwC amounts to £3.0 million (2016 £2.7 million). The Audit & Risk Committee is satisfied that the fee is commensurate with permitting PwC to provide a quality audit. In addition to the Group's policy, PwC has confirmed that any non-audit work commissioned by the Group is reviewed for compliance with its internal policy on the provision of non-audit services. The cap on non-audit service fees is set at 70% of the average audit fees for the preceding three years. The total non-audit fees paid to PwC amounted to £0.8 million (2016 £0.8 million) which is within the 70% of audit fees. The Committee is satisfied that PwC was selected based on individuals' particular expertise, knowledge and experience and that the work did not impair PwC's independence as External Auditor (see Note 5 to the accounts). All non-audit work undertaken by PwC was approved by the Committee unless it was de minimis and not prohibited under our policy.

The Committee, having taken account of PwC's confirmations, is satisfied that PwC is independent of DMGT and its subsidiaries.

### Audit quality and materiality

The Audit & Risk Committee places great importance on ensuring that there are high standards of quality and effectiveness in the external audit process.

The Committee has reviewed the quality of PwC's audit by way of interviews and completion of a questionnaire by Audit & Risk Committee members, by regular attendance at Audit & Risk Committees and by financial management. The Audit & Risk Committee is satisfied that its requirements were met with some improvement actions in respect of communications being noted.

In addition, the Committee reviewed PwC's scope and approved the external audit plan to ensure that it is consistent with the scope of the external audit engagement. The Committee discussed significant and elevated risk areas that are most likely to give rise to a material financial reporting error or those that are perceived to be of a higher risk and requiring audit emphasis (including those set out in PwC's Report on pages 86 to 92). It considered the audit scope and materiality threshold. This included the Group-wide risks and local statutory reporting, enhanced by desktop reviews for smaller, low-risk entities. 79% (2016 75%) of the revenue and 76% (2016 71%) of adjusted profit was fully audited; 8% (2016 8%) of revenue was subjected to specific procedures and the balance of revenue and profit was covered by desktop reviews. As scheduled this year's audit included Genscape.

We have discussed the accuracy of financial reporting (known as materiality) with PwC, both as regards to accounting errors that will be brought to the Audit & Risk Committee's attention, and as regards to amounts that would need to be adjusted so that the financial statements give a true and fair view. Errors can arise for many reasons, ranging from deliberate errors (fraud), to good estimates that were made at a point in time that, with the benefit of more time, could have been more accurately measured. Overall audit materiality has been set at £9 million (2016 £10.0 million). This equates to approximately 4% (2016 4%) of adjusted pre-tax profit, as reported in the income statement. This is within the range that audit opinions are conventionally thought to be reliable. The absolute decline in materiality results from Euromoney no longer being a subsidiary. To manage the risk that aggregate uncorrected errors become material, we agreed that audit testing would be performed to a lower materiality threshold of £6.8 million (2016 £7.5 million). PwC has drawn the Committee's attention to all identified uncorrected misstatements greater than £0.5 million. The aggregate net difference between the reported adjusted profit before tax and the Auditor's judgement of net adjusted profit before tax was less than £1.2 million which, was significantly less than audit materiality. The gross differences were attributable to various individual components of the income statement. No audit difference was material to any line item in either the income statement or the balance sheet. Accordingly, the Committee did not require any adjustment to be made to the financial statements as a result of the audit differences reported by the External Auditor.

As in the prior year, we asked PwC to write to us to explain how they would respond to the findings of the Audit Quality Review team of the FRC in its annual review of their firm (in so far as comments are relevant to DMGT). Additionally, the Committee Chairman, Group Chief Financial Officer and Group Financial Controller discussed with PwC in detail the work it carried out on the audit of DMGT's Annual Report. The Audit & Risk Committee was satisfied with the specific responses to both sets of enquiries.

PwC has outlined to the Audit & Risk Committee the professional development programme applicable to the partners and employees engaged on our audit, has reviewed key judgements taken during the course of the audit, and confirmed the audit complies with their internal independent review procedures. We have reviewed the professional skills, knowledge and scepticism of key members of the audit team including the Group team and partners responsible for the divisional audits.

We have reviewed PwC's latest available transparency report. We have enquired whether the audit of DMGT was subject to either a quality assurance process undertaken internally by PwC or externally by the FRC.

The Audit & Risk Committee met in private with PwC at the conclusion of the audit to confirm that they had received a high level of cooperation from management and to receive private feedback on the quality of financial management.

During the year, the Audit & Risk Committee reviewed the quality of the 2016 audit, taking account of PwC's internal assessment, management's assessment and the Committee's assessment. The Committee was satisfied with the robustness of the opinion and with the audit service. In particular the Audit & Risk Committee was pleased with an overall improvement in service scores, whilst asking PwC to put added emphasis on the service provided to some US subsidiaries. Based on the information currently available, which draws on the enquiries outlined above and informal soundings of management, the Audit & Risk Committee anticipates it will conclude there has been a robust, high-quality audit for the year ended 30 September 2017, both in respect of PwC's opinion and service. The Committee has consequently recommended that PricewaterhouseCoopers LLP be reappointed as Auditor at the 2018 Annual General Meeting.

### Kevin Parry

Audit & Risk Committee Chairman



# Governance

## Corporate Governance

### Remuneration & Nominations Committee

The Remuneration & Nominations Committee meetings are held together. Remuneration items are taken separately to the Nominations items.

The Remuneration element of the Committee is described within the Remuneration Report on pages 57 to 80. The Nominations element of the Committee keeps under regular review the structure and composition of the Board and its Committees, particularly the skills, knowledge and experience of the Directors to ensure that these remain aligned with the Group's developing requirements and strategic agenda.

#### Membership

The Remuneration & Nominations Committee has been supported in its activities during the year by the CEO, the Group Chief Financial Officer, the Reward Director and the Global HR Director. Membership and meetings are shown below.

| Member                             | Member for full period    | Meetings held | Meetings attended |
|------------------------------------|---------------------------|---------------|-------------------|
| The Viscount Rothermere (Chairman) | Yes                       | 7             | 6                 |
| D H Nelson                         | Yes                       | 7             | 7                 |
| J H Roizen*                        | Yes                       | 7             | 7                 |
| <b>Former members</b>              |                           |               |                   |
| N W Berry*                         | No<br>Until<br>25/12/2016 | 2             | 1                 |

\* Independent

#### Governance

- The Committee confirmed that it had complied with its Terms of Reference throughout the year.
- The combined Remuneration & Nominations Committee reviewed and updated its Terms of Reference to take effect from 30 November 2017.
- The Committee paid particular attention to extending the term of any Non-Executive Director that has served a term in excess of six years.
- The Committee reviewed the independence of its Non-Executive Director members and agreed to recommend that Heidi Roizen continued to be considered independent in accordance with the Code Provisions.
- The process for appointing Directors depends on which role is being filled. External recruiters and other methods have been used to identify potential candidates.
- In line with Code Provision A.4.2 the Non-Executive Directors met with the Chairman without the Executive Directors present.
- Following the death of Nicholas Berry the Committee reviewed its composition. Independent Non-Executive Director Dominique Trempont was appointed on 1 November 2017.
- The Chairman of the Committee is Lord Rothermere and the majority of its members are not considered to be independent under the Code. Although this does not meet Code Provision B.2.1, as holder of all the Ordinary Shares of the Company through the Trust, the Board considers that Lord Rothermere's interests are fully aligned with those of other shareholders. Additionally, the Committee is confident that its membership ensures that it carries out all aspects of its role with proper and appropriate regard to long-term shareholder interests.

#### Key activities of the Nominations element of the Remuneration & Nominations Committee

- Reviewing potential candidates for Board appointments including Tim Collier and François Morin.
- Reviewing the Letter of Engagement with each Non-Executive Director to ensure the provisions remain in line with best practice, following shareholder approval at the AGM.
- Re-engaging the service of Non-Executive Directors for a further period of a minimum of one year.
- Reviewing time commitments required by Non-Executive Directors and confirming that it was satisfied that the Directors had met or exceeded the time commitment required.
- In line with the Code, recommending that all Directors stand for re-election at the AGM.
- Discussing Board and Committee composition and longevity of service, and Board independence.
- Reviewing Committee's effectiveness and governance activities against best practice.

Looking ahead, the Committee's key activities for the forthcoming year are:

- Reviewing the composition of the Board to ensure that the right skills and experience to support the Group's strategy are represented;
- Reviewing Committee membership to ensure that there is a balance of skills reflected;
- Continuing to review succession planning for the Executive Directors; and
- Reviewing the Committee's effectiveness.



**The Viscount Rothermere**  
Chairman



## Governance

# Remuneration Report



**The Viscount Rothermere**  
Chairman

|  |    |
|--|----|
| Chairman's statement on remuneration             | 57 |
| Remuneration at a glance                         | 59 |
| Annual report on remuneration                    | 60 |
| Remuneration Policy                              | 72 |
| Implementation of Remuneration Policy in FY 2018 | 77 |

## Chairman's statement on remuneration

On behalf of the Board, I am pleased to present the Directors' Remuneration Report.

Pay for performance continues to be a key objective for the business and we believe that the refinements we have made to both our short and long-term incentives this year will ensure that we achieve this. We continue to focus on standardising bonus terms and conditions for senior executives across all our global operations whilst recognising the different countries, sectors and stage of development of each business.

Our incentive schemes across our businesses are designed to reward sustainable profitable growth and we focus on ensuring that performance targets are in line with our long-term strategy and the creation of sustained shareholder value.

## Executive Directors' bonus payments for FY 2017

In FY 2017 we broadened the metrics used in the Executive Bonus Plan to include a revenue and cash flow component in addition to a profit metric. The previous weighting given to strategic objectives has been removed. In FY 2018 it is our intention to refine this further and to use two metrics, revenue and cash operating income. Cash operating income (operating profit plus depreciation and amortisation less capital expenditure) is a metric that captures both profit and underlying cash generation of the business.

The FY 2017 plan introduced an adjustment, to ensure that participants do not benefit from, and are not penalised by, short-term currency fluctuations beyond their control. This will continue in FY 2018.

The purpose of the Executive Bonus Plan is to focus the participants on delivering sustainable profitable growth. In this year of transformation, the Committee considered it was fair and appropriate to use its discretion to apply adjustments to account for strategic re-structuring decisions during the year. These decisions were taken to set the business up to deliver long-term shareholder value but impacted on the ability to meet the performance parameters of the plan. As such, the Committee was satisfied that an outcome of 85% of target was reflective of overall DMGT financial and non-financial performance.

Kevin Beatty's bonus, as CEO of dmg media, reflects the relatively strong performance of the Consumer Media business in a challenging environment. Paul Dacre does not participate in the annual bonus scheme.

Details of the Executive Directors' bonuses can be found on page 62.

## Pay Review for FY 2018

We regularly review the competitive position of remuneration for the Company's Executive Directors. Base pay increases in the last few years have been modest and in line with increases for the general DMGT workforce and the relevant external market. Salaries for FY 2017 were frozen for all Executive Directors and there was a targeted and modest salary increase for other employees across the Group. The Committee is keeping base pay under review and retains the discretion to authorise subsequent increases.

## Remuneration Policy

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), shareholders are provided with the opportunity to endorse the Company's Remuneration Policy through a binding vote. The current policy was agreed at the Annual General Meeting (AGM) on 8 February 2017 and the policy has been operated, as described, from that date.

“  
Pay for performance continues to be a key objective for the business and we believe that the refinements we have made to both our short and long-term incentives this year will ensure that we achieve this.”

Governance

# Remuneration Report

## Key strategic priorities



Improving operational execution



Increasing portfolio focus



Enhancing financial flexibility

### 2016 Long-term incentive award

Our new Long-Term Executive Incentive Plan was introduced in 2017. The performance period in respect of the 2016 award will be from FY 2017 to the end of FY 2019. The plan is intended to:

- provide a direct link between pay and performance of the business – with the opportunity for exceptional levels of reward linked to truly exceptional business performance; and
- reward the delivery of sustainable long-term growth and capital efficiency.

To achieve this, the plan has been designed to give participants a share of profit growth before tax above a minimum growth threshold – ensuring that the award is appropriately challenging and an Executive Director is not rewarded unless a minimum performance threshold is reached.

To ensure that shareholders' capital is used efficiently, a capital charge (or credit) will be applied, business-by-business, for any additional capital used (or released) relative to the starting level. The total reward for each participant is subject to a cap.

At the same time we have also increased the shareholding guidelines for the CEO (and Chairman) to 500% of base salary.

The outcome of the 2016 LTIP award will be delivered in shares upon vesting at the end of FY 2019.

In FY 2018 we intend to make LTIP awards on the same basis.

### Long-term incentive awards vesting in FY 2017

The vesting of the award made in December 2012 was measured against the following priorities:

- growing B2B business;
- investing in strong brands of digital consumer media, particularly MailOnline;
- growing sustainable earnings and dividends; and
- increasing the Company's exposure to growth economies and international opportunities.

We have continued to make progress against these priorities. Over the last five years, B2B revenues (excluding Euromoney) achieved an average increase of 7% on an underlying basis; MailOnline revenues have grown from £28 million in FY 2012 to £119 million in FY 2017 and made good progress on its path to profitability; dividends continued to grow in real terms and international revenues increased from 37% to 51% of total revenue. Given this, the Committee has determined that the award should vest in full in December 2017. For more information see table 6.1 on page 64.

The award made in December 2014 to Paul Dacre is measured against the following priorities:

- ensuring the financial stability of the Mail Titles; and
- investing in strong brands of digital consumer media, particularly MailOnline.

We have made good progress against these priorities and the Committee has determined that the award should vest in full in December 2017. For more information see table 6.3 on page 65.

The award to Kevin Beatty made in December 2010 under the 2008 Long Term Incentive Plan which vested at 53.9% in September 2013 became fully realisable in December 2016. For more information see table 4 on page 62.

### Changes to the Executive Directors

Stephen Daintith and Suresh Kavan both stood down from the Board during the year and I would like to thank them for their contribution to the business.

Under the terms of his service contract, Suresh Kavan was entitled to a pro-rated bonus for FY 2017. On resignation, Stephen Daintith was not eligible to participate in the bonus for FY 2017 and unvested share awards were forfeited in full. Further details can be found on page 66.

Tim Collier was appointed as Group Chief Financial Officer in May 2017. Details of his compensation arrangements can be found on page 59. His appointment terms are in line with DMGT's Remuneration Policy and include a one-off award of DMGT shares. The award is intended to compensate him for the forfeiture of unvested incentives from his previous employer. The award will vest in two tranches in December 2018 (188,284 shares) and December 2019 (136,681 shares), subject to continuing employment.

Reflecting our emphasis on pay for performance, the fixed pay (base salary and pension allowance) agreed for Tim Collier is lower than his predecessor's, with a greater focus on variable pay elements.

### The Viscount Rothermere Chairman

## Remuneration at a glance

### FY 2017 Remuneration outcomes for the Executive Directors

The table below summarises the remuneration for the Executive Directors in FY 2017:

|                                    | The Viscount Rothermere<br>£000 | P A Zwillenberg<br>£000 | T G Collier<br>£000 | K J Beatty<br>£000 | P M Dacre<br>£000 | S W Daintith<br>£000 | S Kavan<br>£000 | Total<br>£000 |
|------------------------------------|---------------------------------|-------------------------|---------------------|--------------------|-------------------|----------------------|-----------------|---------------|
| Salary 2017                        | 837                             | 750                     | 207                 | 744                | 1,448             | 368                  | 275             | 4,629         |
| Bonus (including deferred amounts) | 640                             | 446                     | 124                 | 304                | -                 | -                    | -               | 1,514         |
| As a % of salary                   | 76.5%                           | 59.5%                   | 59.5%               | 40.9%              | -                 | -                    | -               |               |
| Taxable benefits                   | 55                              | 29                      | 6                   | 29                 | 68                | 7                    | -               | 194           |
| Pension benefits                   | 310                             | 225                     | 52                  | 275                | -                 | 111                  | -               | 973           |
| LTIP awards vesting in year        | -                               | -                       | -                   | 976                | 856               | -                    | -               | 1,832         |
| <b>Total remuneration FY 2017</b>  | <b>1,842</b>                    | <b>1,450</b>            | <b>389</b>          | <b>2,328</b>       | <b>2,372</b>      | <b>486</b>           | <b>275</b>      | <b>9,142</b>  |
| Total remuneration FY 2016         | 1,961                           | 458                     | -                   | 2,571              | 1,514             | 2,605                | 328             | 9,437         |

### The key elements of remuneration for the Executive Directors

The key elements of remuneration applicable for the current Executive Directors in FY 2017 are described below:

|                                | Salary                                    | Annual bonus opportunity                          | Annual bonus deferral  | LTIP  | Pension                    | Benefits  |
|--------------------------------|---|---|--|---|----------------------------|---|
| <b>The Viscount Rothermere</b> | £837,000 (including Euromoney Board fees) | 180% of salary maximum<br>90% of salary on target | None applies   | Percentage of eligible profit with calibrated on-target value of c.90% of salary vesting after three years  | Allowance of 37% of salary | Car allowance and driver<br>Family medical insurance, Life Assurance              |
| <b>P A Zwillenberg</b>         | £750,000 (including Euromoney Board fees) | 140% of salary maximum<br>70% of salary on target | Any amount above target deferred into nil cost options for two years | Percentage of eligible profit with calibrated on-target value of c.100% of salary vesting after three years | Allowance of 30% of salary | Car allowance and driver<br>Family medical insurance, Life Assurance              |
| <b>T G Collier</b>             | £500,000 (£206,522 since appointment)     | 140% of salary maximum<br>70% of salary on target | Any amount above target deferred into nil cost options for two years | Percentage of eligible profit with calibrated on-target value of c.90% of salary vesting after three years  | Allowance of 25% of salary | Car allowance<br>Family medical insurance, Life Assurance                         |
| <b>K J Beatty</b>              | £744,000                                  | 60% of salary maximum<br>30% of salary on target  | Any amount above target deferred into nil cost options for two years | Percentage of eligible profit with calibrated on-target value of c.60% of salary vesting after three years  | Allowance of 37% of salary | Car allowance and driver<br>Family medical insurance, Life Assurance              |
| <b>P M Dacre</b>               | £1,448,000                                | -   | -  | Award with a value equivalent to 70% of salary vesting after three years subject to performance conditions  | -                          | Company car and driver, car allowance<br>Fuel benefit<br>Family medical insurance |

Note

1. Suresh Kavan stood down from the Board on 12 January 2017, Stephen Daintith stood down from the Board on 6 April 2017 and Tim Collier joined the Board on 2 May 2017.

# Governance

## Remuneration Report

### Annual Report on Remuneration

#### Remuneration and Nominations Committee role and activities

The Committee’s responsibilities with respect to remuneration include:

- Group remuneration policy; and
- Setting the remuneration, benefits and terms and conditions of employment of the Company’s Executive Directors and other senior executives.

The Committee’s Terms of Reference are available on the Company’s website. The Committee is chaired by Lord Rothermere with Committee members David Nelson and Heidi Roizen. Dominique Trempont was appointed with effect from 1 November 2017.

The UK Corporate Governance Code (the Code) recommends that a remuneration committee should be composed entirely of Independent Non-Executive Directors. The Board considers that, as the beneficiary of the Company’s largest shareholder, Lord Rothermere’s interests are fully aligned with those of other shareholders. The Committee is confident that its make-up ensures that it carries out all aspects of its role with proper and appropriate regard to long-term shareholders’ interests and that this alignment is, in fact, stronger as a direct consequence of its membership. The Non-Executive Directors meet regularly and independently outside of the formal meetings.

The Committee spends a large portion of its time reviewing the remuneration and incentive plans of businesses which are diverse both in geography and sector. There are a variety of incentive plans requiring significant consideration and oversight, which are designed to reflect each business type and stage of development, the market it operates in and aims to incentivisation of the delivery of its strategic plan. The Committee’s objective is to combine the necessary attention to short-term financial performance, through annual bonus plans, with a stronger focus on the fundamentals that drive long-term growth, through long-term incentive schemes.

#### Committee Performance and Effectiveness

In September 2017, the Committee conducted a formal review of its effectiveness and concluded that it had fulfilled its remit and had been effective in the year.

#### Risk and reward

During the year, the Committee reviewed and confirmed that the plans in operation throughout the Group did not incentivise excessive risk and, in particular, that the remuneration incentives in the Company are compatible with its risk policies and systems.

#### Advice to the Remuneration Committee

The Committee received advice from members of the senior management team during the year. KPMG also provided advice in relation to valuation of subsidiaries for the purpose of long-term incentive schemes. Fees paid to KPMG amounted to £16,000 during FY 2017.

### Remuneration Committee discussion topics

| Date                                 | Agenda items  |
|--------------------------------------|---|
| <b>November 2016</b><br>(2 meetings) | <ul style="list-style-type: none"> <li>• Vesting of FY 2012 DMGT LTI awards.</li> <li>• Approval of FY 2017 DMGT LTI structure.</li> <li>• FY 2016 outcome of executive bonus schemes.</li> <li>• Approval of FY 2017 executive bonus targets.</li> <li>• Suresh Kavan leaving arrangements.</li> </ul> |
| <b>February 2017</b>                 | <ul style="list-style-type: none"> <li>• Approval of 2017 DMGT LTI participants and awards.</li> <li>• Developments in Reward and Corporate Governance.</li> <li>• Approval of CFO recruitment terms.</li> <li>• Preparation for Gender Pay reporting.</li> </ul>                                       |
| <b>April 2017</b>                    | <ul style="list-style-type: none"> <li>• Operating businesses compensation and appointments.</li> </ul>   |
| <b>June 2017</b>                     | <ul style="list-style-type: none"> <li>• Operating businesses compensation and appointments.</li> </ul>   |
| <b>September 2017</b>                | <ul style="list-style-type: none"> <li>• Review of Remuneration Committee Effectiveness.</li> <li>• Annual Salary Review.</li> </ul>  |

**Table 1: Single figure of remuneration paid to Executive Directors for FY 2017 (Audited)**

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in FY 2017 and FY 2016. Details of the calculation of the annual bonus figure for FY 2017 can be found in the section variable pay awards vesting in FY 2017, on page 62.

|                         | Financial year | Salary and fees <sup>1</sup><br>£000 | Taxable benefits <sup>2</sup><br>£000 | Pension benefits<br>£000 | Total fixed<br>£000 | Annual bonus <sup>3</sup><br>£000 | Total annual remuneration<br>£000 | LTIP <sup>4</sup><br>£000 | Total remuneration<br>£000 |
|-------------------------|----------------|--------------------------------------|---------------------------------------|--------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------------|----------------------------|
| The Viscount Rothermere | 2017           | 837                                  | 55                                    | 310                      | 1,202               | 640                               | 1,842                             | -                         | 1,842                      |
|                         | 2016           | 837                                  | 58                                    | 310                      | 1,205               | 756                               | 1,961                             | -                         | 1,961                      |
| P A Zwillenberg         | 2017           | 750                                  | 29                                    | 225                      | 1,004               | 446                               | 1,450                             | -                         | 1,450                      |
|                         | 2016           | 250                                  | 7                                     | 75                       | 332                 | 126                               | 458                               | -                         | 458                        |
| T G Collier             | 2017           | 207                                  | 6                                     | 52                       | 265                 | 124                               | 389                               | -                         | 389                        |
|                         | 2016           | -                                    | -                                     | -                        | -                   | -                                 | -                                 | -                         | -                          |
| K J Beatty              | 2017           | 744                                  | 29                                    | 275                      | 1,048               | 304                               | 1,352                             | 976                       | 2,328                      |
|                         | 2016           | 744                                  | 29                                    | 275                      | 1,048               | 211                               | 1,259                             | 1,312                     | 2,571                      |
| P M Dacre               | 2017           | 1,448                                | 68                                    | -                        | 1,516               | -                                 | 1,516                             | 856                       | 2,372                      |
|                         | 2016           | 1,448                                | 66                                    | -                        | 1,514               | -                                 | 1,514                             | -                         | 1,514                      |
| S W Daintith            | 2017           | 368                                  | 7                                     | 111                      | 486                 | -                                 | 486                               | -                         | 486                        |
|                         | 2016           | 714                                  | 16                                    | 214                      | 944                 | 384                               | 1,328                             | 1,277                     | 2,605                      |
| S Kavan <sup>5</sup>    | 2017           | 275                                  | -                                     | -                        | 275                 | -                                 | 275                               | -                         | 275                        |
|                         | 2016           | 221                                  | 4                                     | 1                        | 226                 | 102                               | 328                               | -                         | 328                        |
| <b>Total</b>            | 2017           | <b>4,629</b>                         | <b>194</b>                            | <b>973</b>               | <b>5,796</b>        | <b>1,514</b>                      | <b>7,310</b>                      | <b>1,832</b>              | <b>9,142</b>               |
|                         | 2016           | 4,214                                | 180                                   | 875                      | 5,269               | 1,579                             | 6,848                             | 2,589                     | 9,437                      |

## Notes

- Salary shown for The Viscount Rothermere and Paul Zwillenberg includes fees of £43,333 as Directors of Euromoney which increased from £30,000 p.a. to £50,000 p.a. during the year. The salary shown for Suresh Kavan is for the period from 1 October 2016 to 11 January 2017 whilst he was a Board member.
- Taxable benefits comprise car or equivalent allowances which are £34,000 p.a. for The Viscount Rothermere; £18,000 p.a. for Paul Zwillenberg; £16,000 p.a. (pro-rated) for Tim Collier; £14,000 p.a. (pro-rated) for Stephen Daintith; and £16,000 p.a. for Kevin Beatty. Paul Dacre has a company car with a taxable value of £33,775 p.a. plus a car allowance of £10,000 p.a.. Paul Dacre also received a fuel benefit of £15,433 p.a.. The Viscount Rothermere, Paul Zwillenberg, Kevin Beatty and Paul Dacre also received benefits in respect of home-to-work travel which was not included in the 2016 report. Amounts, including tax paid by the company, are £18,042; £7,371; £9,898 and £6,745 respectively for 2017. The taxable benefits amounts for 2016 have also been adjusted to reflect the amount relating to this benefit during the year. Each of the Executive Directors received medical benefits with a cost to the Company of approximately £3,000 p.a.
- The bonuses shown include amounts that will be deferred into shares but do not have any further performance conditions attached. A deferral applies for Kevin Beatty in FY 2017. Details of the calculation of the bonus and deferral are shown on page 62.
- Awards made in December 2012 under the 2012 Long-Term Executive Incentive Plan vest in full in December 2017. The award made to Paul Dacre under the 2012 Long-Term Executive Incentive Plan in December 2014 also vests in full in December 2017. The value of the award shown is calculated using the average share price for the fourth quarter FY 2017 which was £6.30. Under the rules of the 2012 Long-Term Executive Incentive Plan, participants are entitled to the value of the dividends that they would have received between the award date and the exercise date, the amount shown includes accrued payments of £155,744 for Kevin Beatty and £100,648 for Paul Dacre in 2017. In 2016, the award for Kevin Beatty realised at a share price of £7.68 with a cash dividend equivalent payment of £141,509 and for Stephen Daintith, the award realised at a share price of £7.76 with a cash dividend equivalent payment of £140,905.
- Payments to Suresh Kavan have been converted at the average rate for the year of £1: \$1.27



# Governance

## Remuneration Report

### Variable pay awards vesting in FY 2017

**Table 2.1: Annual bonus weightings, opportunity and outcomes (Audited)**

The details of the weightings and opportunity relating to the annual bonus paid to Executive Directors for the year ended 30 September 2017 and included in the single figure table 1 on page 61 are shown below. The performance measures for FY 2017 are a combination of revenue, profit and cashflow. The resulting bonus amounts are shown in the table below:

|                          | Weightings |        |          | Opportunity as a % of salary |        |         | Actual outcome % of salary | Actual outcome £000 |
|--------------------------|------------|--------|----------|------------------------------|--------|---------|----------------------------|---------------------|
|                          | Revenue    | Profit | Cashflow | Threshold                    | Target | Maximum |                            |                     |
| The Viscount Rothermere  | 40%        | 40%    | 20%      | 0%                           | 90%    | 180%    | 76.5%                      | 640                 |
| P A Zwillenberg          | 40%        | 40%    | 20%      | 0%                           | 70%    | 140%    | 59.5%                      | 446                 |
| T G Collier <sup>1</sup> | 40%        | 40%    | 20%      | 0%                           | 70%    | 140%    | 59.5%                      | 124                 |
| K J Beatty <sup>2</sup>  | 40%        | 40%    | 20%      | 0%                           | 30%    | 60%     | 40.9%                      | 304                 |
| S Daintith <sup>3</sup>  | 0%         | 0%     | 0%       | 0%                           | 0%     | 0%      | 0%                         | 0                   |
| S Kavan <sup>4</sup>     | 0%         | 0%     | 0%       | 0%                           | 0%     | 0%      | 0%                         | 0                   |

Note

1. Tim Collier's bonus was pro-rated.
2. Kevin Beatty's bonus is weighted 70% against targets specific to dmg media and 30% against DMGT targets.
3. Stephen Daintith did not participate in an annual bonus in FY 2017.
4. A pro-rated on-target bonus was paid to Suresh Kavan on leaving which is detailed in the payments to past directors section on page 66.

**Table 2.2: DMGT annual bonus targets (Audited)**

Strategic measures were removed as measures in FY 2017. The financial measures are split into three categories and weighted appropriately to the role of the Executive Director (shown in table 2.1). Kevin Beatty's bonus is weighted 70% against targets specific to dmg media and 30% against DMGT targets.

The Board considers the performance targets for the measures to be commercially sensitive as it would disclose information of value to competitors, and they will not be disclosed. The final targets were adjusted to reflect the final US\$/£ average exchange rate over the year. The purpose of the Executive Bonus Plan is to focus the participants on delivering profitable growth. The Committee considered it was fair and appropriate to use its discretion to apply adjustments to account for strategic restructuring during the year and was satisfied that an outcome of 85% of target was reflective of overall DMGT performance.

The following tables illustrate performance against DMGT and dmg media bonus targets and the corresponding outcome:

| DMGT bonus targets (All) | Below 0% | Threshold 0% | Target 100% | Maximum 200% | Outcome as a % of target |
|--------------------------|----------|--------------|-------------|--------------|--------------------------|
| Revenue                  |          | ◆            |             |              | 35.7%                    |
| Profit                   |          |              | ◆           |              | 107.2%                   |
| Cashflow                 |          |              | ◆           |              | 138.3%                   |

| dmg media bonus targets (Kevin Beatty only) | Below 0% | Threshold 0% | Target 100% | Maximum 200% | Outcome as a % of target |
|---|----------|--------------|-------------|--------------|--------------------------|
| Revenue                                     |          |              | ◆           |              | 99.6%                    |
| Profit                                      |          |              | ◆           |              | 118.8%                   |
| Cashflow                                    |          |              | ◆           |              | 114.6%                   |

**Table 3: Deferred annual bonus (Audited)**

The Committee agreed the following deferral requirements would apply to the annual bonus with no further performance conditions except for continued employment:

|                           | Deferral requirement                              | Type of deferral | Amount deferred FY 2017 £000 | Amount deferred as a % of FY 2017 bonus |
|---------------------------|---|------------------|------------------------------|---|
| The Viscount Rothermere   | Nil   | None             | 0                            | 0%                                      |
| P A Zwillenberg           | Amounts above target bonus deferred for two years | Nil cost options | 0                            | 0%                                      |
| T G Collier               | Amounts above target bonus deferred for two years | Nil cost options | 0                            | 0%                                      |
| S W Daintith <sup>1</sup> | Amounts above target bonus deferred for two years | Nil cost options | 0                            | 0%                                      |
| K J Beatty                | Amounts above target bonus deferred for two years | Nil cost options | 81                           | 27%                                     |
| S Kavan                   | Amounts above target bonus deferred for two years | Nil cost options | 0                            | 0%                                      |

Note

1. Stephen Daintith did not participate in the annual bonus scheme in FY 2017.

## Awards made under share schemes

**Table 4: 2010 LTIP award, core award and matching shares (Audited)**

The table below sets out the details of the 2010 LTIP core awards and matching shares which became realisable for Kevin Beatty with no further restrictions in December 2016 in accordance with the 2001 Plan rules. The value shown was calculated using the average share price for the fourth quarter of FY 2013.

| Award date                  | Dec 2010  | Dec 2010  | Dec 2010  | Dec 2010  | Dec 2010  |                |  |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|----------------|--|
| Award type                  | Core      | Matching  | Matching  | Matching  | Matching  |                |  |
| Relating to                 | 2010 LTIP | 2010 LTIP | 2010 LTIP | 2010 LTIP | 2010 LTIP |                |  |
| Vests                       | Sep 2013  | Dec 2013  | Dec 2014  | Dec 2015  | Dec 2016  |                |  |
| Realisable in               | Dec 2016  | Dec 2016  | Dec 2016  | Dec 2016  | Dec 2016  |                |  |
| Status of awards            | Vested    | Vested    | Vested    | Vested    | Vested    |                |  |
|                             |           |           |           |           |           |                | Value at 30<br>Total September 2013<br>realised during (£7.62 per share)<br>the year<br>£000 |
| <b>Realised during year</b> |           |           |           |           |           |                |  |
| K J Beatty                  | 39,017    | 19,508    | 19,508    | 19,508    | 19,508    | <b>117,049</b> | 892  |

● Shaded columns show options that have vested.

### Notes

1. The Committee determined that the award for Kevin Beatty vested at 53.9% in September 2013. The award was realised on 21 February 2017 at a share price of £7.24. Details of performance measures for the vesting award can be seen in the 2013 Annual Report.

**Table 5: Nil cost options (Audited)**

The table below sets out the details of all outstanding awards of nil cost options as part of the deferred bonus plan. Following the exercise of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. No further performance conditions are imposed except for continued employment. The Award price used each year is the closing price on the last working day of November.

The Awards made in December 2014 vested in December 2016 and were exercised during the year by Kevin Beatty and Stephen Daintith. There were no deferrals in relation to the FY 2016 bonus outcomes. A deferral applies to Kevin Beatty's bonus for FY 2017.

| Award date                   | Dec 2010         | Dec 2011         | Dec 2012         | Dec 2012         | Dec 2013         | Dec 2014         | Dec 2015         |   |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---|
| Award type                   | Nil cost options | Nil cost options | Nil cost options | Nil cost options | Nil cost options | Nil cost options | Nil cost options |   |
| Relating to                  | 2010 Bonus       | 2011 Bonus       | 2012 Bonus       | 2012 Bonus       | 2013 Bonus       | 2014 Bonus       | 2015 Bonus       |   |
| Exercisable from             | Dec 2013         | Dec 2014         | Dec 2014         | Dec 2015         | Dec 2015         | Dec 2016         | Dec 2017         |   |
| Expiry date                  | Dec 2017         | Dec 2018         | Dec 2019         | Dec 2019         | Dec 2020         | Dec 2021         | Dec 2022         |   |
| Status of awards             | Vested           | Vested           | Vested           | Vested           | Vested           | Vested           | Outstanding      |   |
| Award price                  | £5.39            | £3.98            | £5.27            | £5.27            | £9.16            | £8.29            | £7.06            |   |
|                              |                  |                  |                  |                  |                  |                  |                  | Total<br>outstanding<br>during the year |
| <b>Outstanding awards</b>    |                  |                  |                  |                  |                  |                  |                  |   |
| The Viscount Rothermere      | -                | 110,464          | -                | 129,635          | -                | -                | -                | <b>240,099</b>                          |
| K J Beatty                   | -                | -                | -                | -                | -                | -                | 12,804           | <b>12,804</b>                           |
| <b>Total outstanding</b>     | -                | <b>110,464</b>   | -                | <b>129,635</b>   | -                | -                | <b>12,804</b>    | <b>252,903</b>                          |
|                              |                  |                  |                  |                  |                  |                  |                  | Total<br>exercised<br>during the year   |
| <b>Exercised during year</b> |                  |                  |                  |                  |                  |                  |                  |   |
| The Viscount Rothermere      | 187,581          | -                | -                | -                | -                | -                | -                | <b>187,581</b>                          |
| S W Daintith                 | -                | -                | -                | -                | 23,257           | 2,416            | -                | <b>25,673</b>                           |
| K J Beatty                   | 34,970           | 17,069           | 19,473           | -                | 16,795           | 25,585           | -                | <b>113,892</b>                          |
| <b>Total exercised</b>       | <b>222,551</b>   | <b>17,069</b>    | <b>19,473</b>    | -                | <b>40,052</b>    | <b>28,001</b>    | -                | <b>327,146</b>                          |
|                              |                  |                  |                  |                  |                  |                  |                  | Total<br>forfeited<br>during the year   |
| <b>Forfeited during year</b> |                  |                  |                  |                  |                  |                  |                  |   |
| S W Daintith <sup>1</sup>    | -                | -                | -                | -                | -                | -                | 15,666           | <b>15,666</b>                           |
| <b>Total forfeited</b>       | -                | -                | -                | -                | -                | -                | -                | <b>15,666</b>                           |

● Shaded columns show options that have vested.

### Notes

- The award made to Stephen Daintith in December 2015 of 15,666 shares were forfeited in full on his leaving date.
- No awards under the deferred bonus plan have been made to Paul Zwillenberg or Tim Collier.
- Under the rules of the deferred bonus plan, participants are entitled to the value of the dividends that they would have received between the award date and the exercise date. Kevin Beatty received cash dividend equivalent payments of £106,696 in relation to the exercise of awards made under this plan in FY 2017. Dividend equivalent payments to Stephen Daintith and Martin Morgan for awards exercised during the year are detailed on page 66. Lord Rothermere exercised his award in September and dividends were received in October 2017.

# Governance

## Remuneration Report

**Table 6.1: Awards made under the 2012 Long-Term Executive Incentive Plan (LTIP) (Audited)**

Outstanding awards subject to performance conditions under the 2012 Long-Term Executive Incentive Plan are summarised in the table below. Awards are share based. The Board considers the performance targets for the measures to be commercially sensitive as it would disclose information of value to competitors and they will not be disclosed.

The 2012 LTIP award made to Kevin Beatty vested in full during the year based on an evaluation by the Committee of the performance against the measures detailed below. Following the realisation of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. No further performance conditions are imposed.

No further awards are being made under this plan.

| Award name                                       | 2011 LTIP award  | 2012 LTIP award       | 2013 LTIP award | 2014 LTIP award | 2015 LTIP award |  |
|--|--|-----------------------|-----------------|-----------------|-----------------|--|
| Award date                                       | Feb 2012   | Dec 2012 <sup>2</sup> | Dec 2013        | Dec 2014        | Dec 2015        |  |
| Performance period ends                          | Oct 2016   | Oct 2017              | Oct 2018        | Oct 2019        | Oct 2020        |  |
| Standard award as a % of salary                  | 100%   | 100%                  | 100%            | 100%            | 100%            |  |
| Award price                                      | £4.37  | £5.27                 | £9.16           | £8.29           | £7.06           |  |
| Price at vesting                                 | £6.95  | £6.30                 | N/A             | N/A             | N/A             |  |
| Performance measures                             | <ul style="list-style-type: none"> <li>• Grow B2B business.</li> <li>• Continue to invest in strong brands of digital consumer media, particularly MailOnline.</li> <li>• Grow sustainable earnings and dividends.</li> <li>• Increase the Company's exposure to growth economies and to international opportunities.</li> </ul> |                       |                 |                 |                 |  |
| Status of award                                  | Vested   | Vested                | Outstanding     | Outstanding     | Outstanding     |  |
| Maximum percentage of face value that could vest | 100%   | 100%                  | 100%            | 100%            | 100%            |  |
| <b>Outstanding awards</b>                        |  |                       |                 |                 |                 | <b>Total outstanding during the year</b> |
| K J Beatty                                       | -  | 130,246               | 77,226          | 87,937          | 105,382         | <b>400,791</b>                           |
| <b>Total outstanding</b>                         | -  | <b>130,246</b>        | <b>77,226</b>   | <b>87,937</b>   | <b>105,382</b>  | <b>400,791</b>                           |
| <b>Realised during year</b>                      |  |                       |                 |                 |                 | <b>Total realised during the year</b>    |
| S W Daintith                                     | 146,453  | -                     | -               | -               | -               | <b>146,453</b>                           |
| K J Beatty                                       | 152,494  | -                     | -               | -               | -               | <b>152,494</b>                           |
| <b>Total exercised/realised during year</b>      | <b>298,947</b>   | -                     | -               | -               | -               | <b>298,947</b>                           |
| <b>Forfeited during year</b>                     |  |                       |                 |                 |                 | <b>Total forfeited during the year</b>   |
| S W Daintith <sup>1</sup>                        | -  | 125,085               | 74,167          | 84,439          | 101,133         | <b>384,824</b>                           |
| <b>Total forfeited during year</b>               | -  | <b>125,085</b>        | <b>74,167</b>   | <b>84,439</b>   | <b>101,133</b>  | <b>384,824</b>                           |

● Shaded columns show options that have vested.

#### Notes

1. The awards for Stephen Daintith in 2013, 2014 and 2015 of 74,167, 84,439 and 101,133 shares respectively were forfeited under the rules of the plan.
2. The value of the 2012 LTIP award at vesting was £820,550 for Kevin Beatty calculated using the average share price for the fourth quarter FY 2017 which was £6.30. This award was made under the rules of the 2012 LTIP.
3. Under the rules of the 2012 LTI plan, participants are entitled to the value of the dividends that they would have received between the award date and the exercise date. Stephen Daintith and Kevin Beatty received cash dividend equivalent payments in relation to the realisation of awards made under this plan in FY 2017.

**Table 6.2: Awards made under the 2017 Executive Incentive Plan (EIP) (Audited)**

Outstanding awards subject to performance conditions under the 2017 Long-Term Executive Incentive Plan are summarised in the table below. Awards are made annually in line with policy and will be equity settled. Following the realisation of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. No further performance conditions are imposed. The 2016 LTIP awards made to Lord Rothermere, Paul Zwillenberg and Kevin Beatty, made in December 2017, were based on a 1 December 2017 market closing price of £7.88.

|   |   |   |
|---|---|---|
| <b>Award name</b>                                     | <b>2016 LTIP</b>  |   |
| Award date  | Jun 2017  |   |
| Performance period ends                               | Oct 2019  |   |
| Performance period                                    | Starts Oct 2016   |   |
| Award price   | £7.88/£7.17 <sup>2</sup>  |   |
| Status of award                                       | Outstanding   |   |
| Basis on which award is made                          | Percentage share growth in eligible profit over the performance period, converted at the end of the performance period to shares based on share price immediately before start of performance period.   |   |
| Percentage receivable if maximum performance achieved | If the performance level is on target or above, The Viscount Rothermere and Paul Zwillenberg would receive 1.25% and Tim Collier and Kevin Beatty 0.75% of eligible profits. No amounts are payable if there are no eligible profits.<br>There is a cap on the maximum amounts payable which is five times base salary at the time the award was made with the number of shares being calculated by reference to the award price above. |   |
| Performance Measures                                  | Outcomes are linked to stretching targets for cumulative growth in profits over a minimum growth threshold, subject to fair adjustment for any change in capital usage.   |   |
|   |   |   |
|   | <b>Maximum shares that could vest</b>   | <b>Shares vesting at target<sup>1</sup></b> |
| The Viscount Rothermere                               | 531,091   | 95,178                                      |
| P A Zwillenberg                                       | 475,888   | 95,178                                      |
| T G Collier   | 280,851   | 62,762                                      |
| K J Beatty  | 318,655   | 57,107                                      |

## Notes

- The value of the 2016 at target LTIP awards at issue was £750,000 for Lord Rothermere and Paul Zwillenberg and £450,000 for Tim Collier and Kevin Beatty.
- The awards made to Lord Rothermere, Paul Zwillenberg and Kevin Beatty were based on the average share price for the first three days following the release of FY 2016 financial results of £7.88, the award made to Tim Collier was based on the closing share price on his employment start date of £7.17.

**Table 6.3: Long-Term Executive Incentive Plan (LTIP) Awards to Paul Dacre (Audited)**

The outstanding awards subject to performance conditions made to Paul Dacre are summarised in the table below. Awards are share-based and made annually in line with policy. The Board considers the performance targets for the measures to be commercially sensitive as it would disclose information of value to competitors, and they will not be disclosed. The 2016 LTIP award made to Paul Dacre, made in December 2017, was based on a 1 December 2017 market closing price of £7.88.

The 2014 LTIP award made to Paul Dacre under the 2012 Long-Term Executive Incentive Plan vested in full during the year based on an evaluation by the Committee of the performance against the measures detailed below. Following the realisation of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. No further performance conditions are imposed.

|  |  |                        |                        |  |
|--|--|------------------------|------------------------|--|
| <b>Award name</b>                                | <b>2014 LTIP award</b>   | <b>2015 LTIP award</b> | <b>2016 LTIP award</b> |  |
| Award date                                       | Dec 2014 <sup>2</sup>  | Dec 2015               | Feb 2017 <sup>1</sup>  |  |
| Performance period ends                          | Oct 2017   | Oct 2018               | Oct 2019               |  |
| Standard award as a % of salary                  | 70%  | 70%                    | 70%                    |  |
| Award price                                      | £8.29  | £7.06                  | £7.88                  |  |
| Price at vesting                                 | £6.30  | N/A                    | N/A                    |  |
| Performance measures                             | <ul style="list-style-type: none"> <li>Continue to invest in strong brands of digital consumer media, particularly MailOnline.</li> <li>Ensure the financial sustainability of the Mail Titles.</li> </ul> |                        |                        |  |
| Status of award                                  | Vested   | Outstanding            | Outstanding            |  |
| Maximum percentage of face value that could vest | 100%   | 100%                   | 100%                   |  |
|  |  |                        |                        | <b>Total outstanding during the year</b> |
| <b>Outstanding awards</b>                        |  |                        |                        |  |
| P M Dacre  | 119,819  | 143,569                | 128,629                | <b>392,017</b>                           |
| <b>Total outstanding</b>                         | <b>119,819</b>   | <b>143,569</b>         | <b>128,629</b>         | <b>392,017</b>                           |

● Shaded columns show options that have vested.

## Notes

- The value of the 2016 LTIP awards at issue was £1,013,600 for Paul Dacre. This award was made under the rules of the 2017 EIP.
- The value of the 2014 LTIP awards at vesting was £754,860 for Paul Dacre calculated using the average share price for the fourth quarter FY 2017 which was £6.30. This award was made under the rules of the 2012 LTIP.

## Governance

# Remuneration Report

## Payments to past Directors (Audited)

### Martin Morgan

#### 1. Vested share options and awards

The Committee were satisfied that the performance conditions had been met for the award made to Martin Morgan in December 2012 of 176,243 shares under the DMGT 2012 Long-Term Incentive Plan (the '2012 LTIP').

In accordance with the rules of the plan, following the exercise of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. Martin Morgan received £175,185 in FY 2017 in relation to exercises of vested awards made under the Nil Cost Option Plan that were exercised during the year.

## Payments for loss of office (Audited)

### Suresh Kavan

Suresh Kavan left the Company during the year. In his role as CEO for dmg information and dmg events, he helped to diversify the Group into the B2B sector. He stood down from the Board of DMGT on 12 January 2017 but remained an employee of DMGT until 31 March 2017 during which time he continued to receive salary and benefits. His notice period was 12 months and ran from 12 January 2017.

Payments for loss of office reflect the transition arrangements that were put in place. After he stood down from the Board on 12 January 2017, he received US\$274,917, in respect of salary for the period until 31 March 2017, US\$31,250 in respect of holiday accrued but not taken and US\$6,593 in respect of benefits for the period until 31 March 2017 when he was still employed by the Company.

#### 1. Termination payments

In accordance with his service contract Suresh Kavan received a payment in lieu of notice of US\$806,533 in respect of his salary for the period from the termination date of 31 March 2017 to 30 September 2017. He also continues to be covered under the existing medical and dental plans for a period of 18 months. In addition he received a lump-sum payment of \$4,145 to cover the cost of life insurance for a 12-month period.

#### 2. FY 2017 bonus

Under the terms of his service contract, Suresh Kavan received a bonus for the 2017 financial year, scaled back on a time-apportioned basis by reference to the termination date of 31 March 2017. The amount of bonus was agreed at US\$350,000 and was paid immediately after the termination date.

#### 3. Unvested Long-Term Executive Incentive Plan Awards

The Committee determined that outstanding share awards under the DMGT 2012 Long-Term Executive Incentive Plan (the '2012 LTIP') over a total of 320,942 shares would vest on their normal respective vesting dates between December 2017 and December 2018. The proportion of the Award which vests would be determined by the Committee based on achievement of the Performance Conditions and the proportion of the Performance Period which has been completed at the Termination Date. The award vesting in December 2017 has not exceeded the threshold of its performance conditions and will not vest.

#### 4. Vested Share Options and Awards

In accordance with the rules of the relevant plan any outstanding share options and awards which have vested and are already exercisable remained exercisable following the Termination Date for a period of six months. An amount of £163,492 was received in relation to options exercised during the year.

### Stephen Daintith

#### 1. Termination payments

No termination or bonus payments were made to Stephen Daintith in FY 2017. He received £5,492, in respect holiday accrued but not taken.

#### 2. Vested share options and awards

In accordance with the rules of the relevant plan any outstanding share options and awards which had vested were exercised before the termination date. Options and Long-Term Incentive Awards which were unvested at the Termination Date were forfeited. In accordance with the rules of the plan, following the exercise of an award, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares is made. Stephen Daintith received £15,395 during FY 2017 in relation to exercises of vested awards made under the Nil Cost Option Plan.



**Table 7: Executive Directors' accrued entitlements under DMGT Senior Executives' Pension Fund (Audited)**

The defined benefit scheme is closed for future accrual. It is the Company's policy that annual bonuses and benefits in kind are not pensionable. The Company does not make any contributions on behalf of Paul Dacre. Suresh Kavan participated in a US 401(k) retirement plan. No Executive Directors are now accruing further pension in the DMGT Senior Executives' Pension Fund. The normal retirement age under the Fund for this group is 60.

|                         | Defined benefit: Accrued annual benefit as at 30 September 2017 based on normal retirement age<br>£000 | Defined benefit: normal retirement age | Defined benefit: Additional value of benefits if early retirement taken | Weighting of pension benefit value as shown in single figure table |
|-------------------------|--|--|---|--|
| The Viscount Rothermere | 78   | 3 December 2027                        | –   | Cash allowance: 100%   |
| P A Zwillenberg         | N/A  | –                                      | –   | Cash allowance: 97%;<br>Defined contribution: 3%                   |
| T G Collier             | N/A  | –                                      | –   | Cash allowance: 97%;<br>Defined contribution: 3%                   |
| K J Beatty <sup>1</sup> | N/A  | –                                      | –   | Cash allowance: 100%   |
| P M Dacre               | 708  | 14 November 2008                       | N/A   | N/A  |

Note

1. Kevin Beatty transferred his deferred pension to a personal retirement plan in September 2016.

**Table 8: Single figure of remuneration paid to Non-Executive Directors**

The table below sets out the single total figure of remuneration for each Non-Executive Director in FY 2017 and FY 2016. The Non-Executive Director fee increased to £50,000 p.a. effective 1 July 2017. Additional fees are paid for membership and chairmanship of sub-committees and subsidiary boards.

Travel allowances are paid of £4,000 for each Board meeting which requires a single (one way) flight of between five and ten hours and £10,000 for each Board meeting which requires a single (one way) flight of more than 10 hours.

|                         | 2016         |                          |               | 2017         |                          |               |
|-------------------------|--------------|--------------------------|---------------|--------------|--------------------------|---------------|
|                         | Fees<br>£000 | Travel allowance<br>£000 | Total<br>£000 | Fees<br>£000 | Travel allowance<br>£000 | Total<br>£000 |
| F P Balsemão            | 37           | 4                        | 41            | 13           | –                        | 13            |
| N W Berry               | 98           | –                        | 98            | 24           | –                        | 24            |
| J G Hemingway           | 76           | 4                        | 80            | 27           | –                        | 27            |
| Lady Keswick            | 35           | 4                        | 39            | 39           | –                        | 39            |
| A H Lane                | 78           | –                        | 78            | 78           | –                        | 78            |
| F Morin                 | –            | –                        | –             | 20           | 20                       | 40            |
| D H Nelson              | 195          | 4                        | 199           | 138          | –                        | 138           |
| K A H Parry             | 123          | 4                        | 127           | 92           | –                        | 92            |
| H Roizen <sup>1</sup>   | 99           | 48                       | 147           | 161          | 30                       | 191           |
| D Trempont <sup>1</sup> | 87           | 48                       | 135           | 56           | 50                       | 106           |
| <b>Total</b>            | <b>828</b>   | <b>116</b>               | <b>944</b>    | <b>648</b>   | <b>100</b>               | <b>748</b>    |

Note

1. Fees shown above include the fees and travel allowances for Board and Committee participation.

# Governance

## Remuneration Report

**Table 9: Percentage change in remuneration of the CEO**

The table below sets out the remuneration delivered to the Chief Executive compared to total employee remuneration.

|   |      | % increase/decrease |
|---|------|---------------------|
| Chief Executive remuneration<br>(excluding LTIP) <sup>1</sup><br>£000 | 2017 | £1,450              |
|   | 2016 | £1,586              |
| <b>-9%</b>  |      |                     |
| Total employee remuneration<br>£000                                   | 2017 | £523,300            |
|   | 2016 | £578,800            |
| <b>-10%</b>   |      |                     |
| Average remuneration <sup>2</sup><br>£000                             | 2017 | £63                 |
|   | 2016 | £57                 |
| <b>+10%</b>   |      |                     |

**Notes**

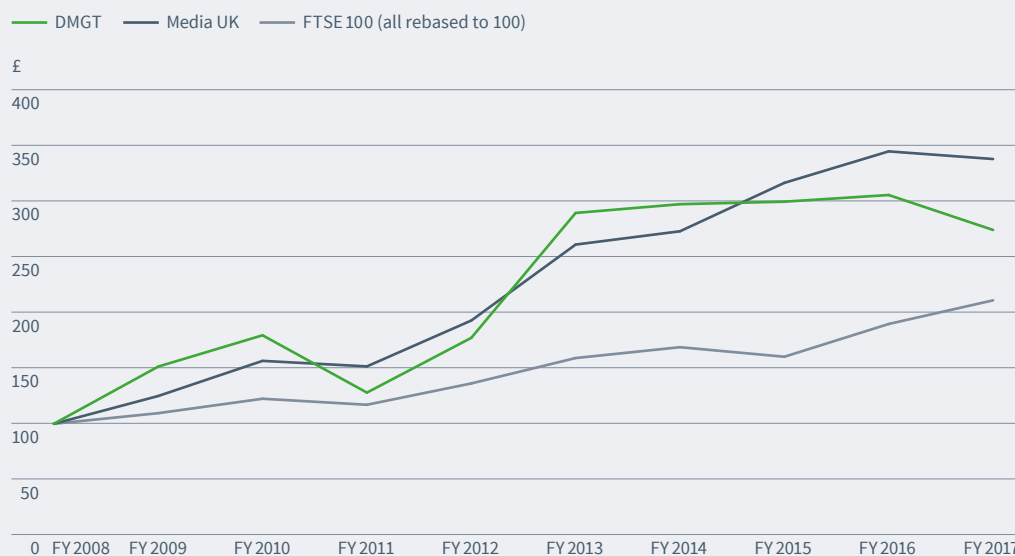
1. Total employee remuneration includes salaries, wages and incentives, but excludes pension benefits.
2. The change in average employee remuneration is partly due to movement in the US\$ exchange rate.

**Chart 1: Comparison of overall performance and remuneration of the CEO**

The chart compares the Company's TSR with the Media Sector Total Return Index and the FTSE 100 Index over the past nine financial years, assuming an initial investment of £100.

The Company is a constituent of the Media Sector Total Return Index and, accordingly, this is considered to be the most appropriate comparison to demonstrate the Company's relative performance.

Source: Thomson Reuters Datastream



**Table 10: Chief Executive remuneration outcomes FY 2009 to FY 2017**

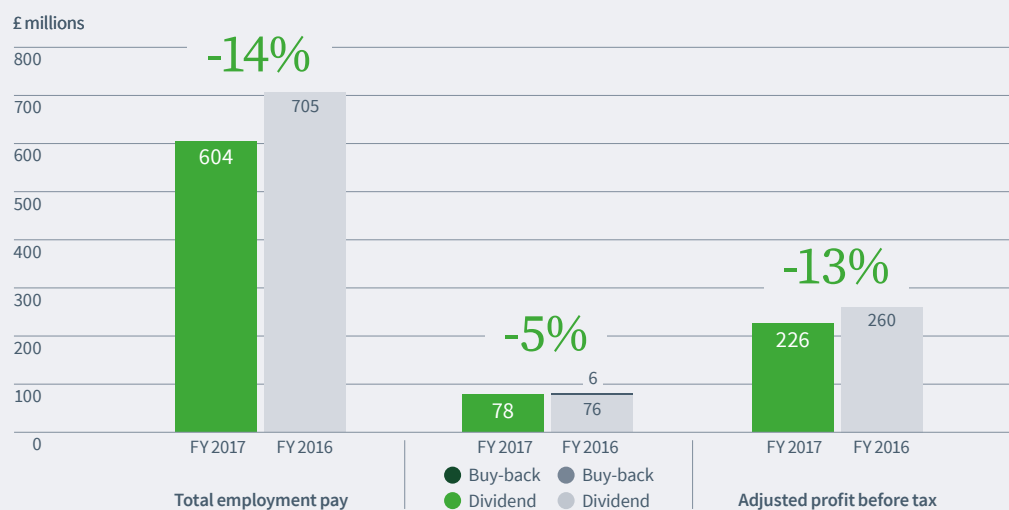
| Financial year ending              | FY 2009 <sup>1</sup><br>£000 | FY 2010 <sup>2</sup><br>£000 | FY 2011 <sup>3</sup><br>£000 | FY 2012 <sup>4</sup><br>£000 | FY 2013 <sup>5</sup><br>£000 | FY 2014 <sup>6</sup><br>£000 | FY 2015 <sup>7</sup><br>£000 | FY 2016 <sup>8</sup><br>£000 | FY 2017 <sup>9</sup><br>£000 |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total remuneration (single figure) | 2,312                        | 2,961                        | 1,722                        | 2,809                        | 2,949                        | 2,021                        | 1,944                        | 3,342                        | <b>1,450</b>                 |
| Annual variable pay (% maximum)    | 63%                          | 98%                          | 40%                          | 63%                          | 88%                          | 54%                          | 58%                          | 63%                          | <b>42.5%</b>                 |
| LTIP achieved (% maximum)          | 0%                           | 25%                          | 25%/100%                     | 52.5%                        | 37.5%                        | 40%                          | –                            | 100%                         | –                            |

## Notes

- In FY 2009 maximum bonus opportunity was 200% of salary. No LTIP awards were made in that year or vested in that year. Maximum bonus opportunity was 100% of salary from FY 2010 to FY 2017 when it increased to 140%.
- In FY 2010 the price on 31 December 2009 (£4.14) is used for the 2003 LTIP award which vested 75% out of a maximum 300% in December 2009.
- Two awards vested in FY 2011. The price on 31 December 2010 (£5.72) is used for the 2004 award which vested 75% out of a maximum 300% in December 2010. The price on 30 September 2011 (£3.68) is used for the 2008 transition award which vested 100% in September 2011.
- In FY 2012 the price on 30 September 2012 (£4.82) is used for the 2009 award which vested 52.5% out of a maximum 100% in September 2012.
- In FY 2013 the price on 30 September 2013 (£7.62) is used for the 2010 award which vested 37.5% out of a maximum 100% in September 2013 and the 2006 award lapsed.
- In FY 2014 the price on realisation on 23 June 2014 (£8.31) is used for the 2007 award which vested at 120% out of a maximum 300% in December 2013.
- No LTIP vested in FY 2015.
- In FY 2016, awards made to Martin Morgan in February 2012 under the 2012 Long-Term Incentive Plan vested in 2016. The average share price for the last of quarter of FY 2016 is used (£6.95). The single figure shown combines the period of his service to 31 May 2016 and his successor Paul Zwillenberg from 1 June 2016.
- The figure for FY 2017 is for Paul Zwillenberg.

**Chart 2: Relative importance of spend on pay in the financial year**

The chart sets out the relative importance of spend on pay in the financial year.



# Governance

## Remuneration Report

**Table 11: Statement of Directors' shareholding and share interests (Audited)**

The number of shares of the Company in which Executive and Non-Executive Directors or their families had a beneficial or non-beneficial interest during FY 2017 and details of Long-Term Incentive Plan (LTI) interests as at 30 September 2017 are set out in the table below. The shareholding guideline for Executive Directors is 5x (500%) for Lord Rothermere and Paul Zwillenberg and 1.5x (150%) of salary for all others. The value as a multiple of salary has been calculated using the 30 September 2017 share price of £6.49.

| <b>Beneficial</b>                 |                         |                              |   |   |  |                      |  |  |
|-----------------------------------|-------------------------|------------------------------|---|---|--|----------------------|--|--|
| <b>As at 30 September 2017</b>    | <b>Ordinary</b>         | <b>A Ordinary Non-Voting</b> | <b>LTI interests not subject to performance conditions<sup>1</sup> Vested</b> | <b>LTI interests not subject to performance conditions<sup>2</sup> Unvested</b> | <b>Value (as a multiple of salary)<sup>2</sup></b> | <b>Guideline met</b> | <b>LTI interests subject to performance conditions<sup>3</sup></b> | <b>Total outstanding interests<sup>4</sup></b> |
| The Viscount Rothermere           | 19,890,364 <sup>5</sup> | 61,644,654                   | 240,099   | –   | 634  | Yes                  | 531,091  | 771,190  |
| P A Zwillenberg                   | –                       | 24,642                       | –   | 109,569   | 1.2  | No                   | 475,888  | 585,457  |
| T G Collier                       | –                       | 14,250                       | –   | 324,965   | 4.2  | Yes                  | 280,851  | 605,816  |
| K J Beatty                        | –                       | 299,166                      | –   | 12,804  | 2.7  | No                   | 719,446  | 732,250  |
| P M Dacre                         | –                       | –                            | –   | –   | –  | No                   | 392,017  | 392,017  |
| S W Daintith                      | –                       | –                            | –   | –   | –  | n/a                  | n/a  | n/a  |
| S Kavan                           | –                       | 271,624                      | –   | –   | 1.7  | n/a                  | n/a  | n/a  |
| K A H Parry                       | –                       | 5,711                        | –   | –   | n/a  | n/a                  | n/a  | n/a  |
|                                   | <b>19,890,364</b>       | <b>62,260,087</b>            | <b>240,099</b>  | <b>447,338</b>  |  |                      |  |  |
| <b>Non-beneficial</b>             |                         |                              |   |   |  |                      |  |  |
| The Viscount Rothermere           | –                       | 4,880,000                    |   |   |  |                      |  |  |
| D H Nelson                        | –                       | 212,611                      |   |   |  |                      |  |  |
|                                   |                         | <b>5,092,611</b>             |   |   |  |                      |  |  |
| <b>Total Directors' interests</b> | <b>19,890,364</b>       | <b>67,352,698</b>            |   |   |  |                      |  |  |
| Less duplications                 | –                       | (212,611)                    |   |   |  |                      |  |  |
|                                   | <b>19,890,364</b>       | <b>67,140,087</b>            |   |   |  |                      |  |  |

**Notes**

- The LTI interests not subject to performance conditions (vested) are the nil cost options awarded as the bonus deferral; full details can be found in table 5 on page 63.
- The LTI interests not subject to performance conditions (unvested) are the nil cost options awarded as the bonus deferral; full details can be found in table 5 on page 63. The LTI interests not subject to performance conditions (unvested) also includes the recruitment awards made to Paul Zwillenberg and Tim Collier of 109,569 and 324,965 shares respectively. These were awarded under the 2017 LTI plan as Conditional Share Awards.
- The value as a multiple of salary includes LTI interests not subject to performance conditions.
- The LTI interests subject to performance conditions are detailed in table 6 on pages 64 and 65 and include those shares which have vested but are not realisable as well as those that are outstanding. Details of these awards are in tables 6.1, 6.2 and 6.3 on pages 64 and 65.
- Total outstanding interests are the sum of the LTI interests (both subject to and not subject to performance conditions) and options subject to performance conditions.
- The Company has been notified that under Sections 793 and 824 of the Companies Act 2006, Lord Rothermere was deemed to have been interested as a shareholder in 19,890,364 Ordinary Shares at 30 September 2017.
- None of the other directors held any shares in the Company, either beneficial or non-beneficial.

At 30 September 2017, Lord Rothermere was beneficially interested in 756,700 Ordinary Shares of Rothermere Continuation Limited, the Company's ultimate holding company.

The figures in the table above include shares purchased by participants of the DMGT 2010 Share Incentive Plan. For Paul Zwillenberg and Kevin Beatty, purchase of shares were made between 30 September 2017 and 30 November 2017. These purchases increased the beneficial holdings of these Executive Directors by 45 shares for Paul Zwillenberg and 37 shares for Kevin Beatty.

**Table 12: Directors' interests in Euromoney (Audited)**

Executive Directors' beneficial shareholdings in Euromoney were as follows:

|                                   | 30 Sep 2017 |
|-----------------------------------|-------------|
| The Viscount Rothermere           | 0           |
| <b>Total Directors' interests</b> | <b>0</b>    |

Disclosable transactions by the Group under IAS 24, Related Party Disclosures, are set out in Note 44 on pages 179 and 180. 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.

**Table 13: Voting at general meeting**

The table below shows the advisory vote on the 2017 Remuneration Report and the binding vote on future policy at the February 2017 AGM. The Committee consults with major shareholders prior to any major changes.

|                     | Votes for  | %   | Votes against | %  | Abstentions | %  |
|---------------------|------------|-----|---------------|----|-------------|----|
| Remuneration Report | 19,890,364 | 100 | –             | 0% | –           | 0% |

**Non-Executive Directors' appointment**

The Non-Executive Directors are appointed for specified terms under the Company's Articles of Association and are subject to re-election by ordinary shareholders at the AGM following appointment. The Non-Executive Directors are subject to annual re-election at the AGM. Each appointment can be terminated before the end of the one-year period with no notice or fees due. The dates of each Non-Executive Director's original appointment and latest re-appointment are set out below:

| Non-Executive Director | Appointment commencement date | Latest reappointment date |
|------------------------|-------------------------------|---------------------------|
| Lady Keswick           | 23 September 2013             | 8 February 2017           |
| A H Lane               | 6 February 2013               | 8 February 2017           |
| F Morin                | 8 February 2017               | n/a                       |
| D H Nelson             | 1 July 2009                   | 8 February 2017           |
| KA H Parry             | 22 May 2014                   | 8 February 2017           |
| H Roizen               | 26 September 2012             | 8 February 2017           |
| D Trempont             | 9 February 2011               | 8 February 2017           |

Directors' service contracts/letters of appointment are available for inspection at DMGT's registered office.



## Governance

# Remuneration Report

## Directors' Remuneration Policy

This part of the report sets out the Company's policy for the remuneration of Directors (Policy). The Policy was last approved by shareholders at the AGM on 8 February 2017. The Committee has reviewed the Policy and is satisfied that it remains appropriate. The original policy can be found on the Company website.

The Policy, as set out on pages 72 to 75, is intended to apply for a three-year period from the date of the 2017 AGM. The Committee will continue to review the Policy on an annual basis.

### Policy overview

The Committee aims to structure remuneration packages which motivate and retain Directors, drive the right behaviours and pay at market. 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. Our approach is to align base salary with reference to market levels of pay and to ensure that a significant part of executive pay is variable and linked to the success of the Company.

The new Long-Term Executive Incentive Plan was approved at the AGM in February 2017. The plan directly links payouts to business performance by awarding management a share of profit growth, over and above a minimum threshold, after deducting a charge for additional capital. The new Long-Term Executive Incentive Plan provides for exceptional pay in cases of truly exceptional performance, while not over-rewarding average performance.

The Committee regularly reviews remuneration structures to ensure they are aligned to business strategy. The Policy incorporates a degree of flexibility to allow the Committee to manage remuneration over the next three years.

### Policy applied to Executive Directors

| Purpose and link to strategy   | Operation  | Opportunity  | Performance metrics      |
|--|--|--|--------------------------|
| <b>Base salary</b><br>To recruit, retain and reflect responsibilities of the Executive Directors and be competitive with peer companies. | The basic salary for each Executive Director is reviewed annually for the following year taking into account contractual agreements, general economic and market conditions and the level of increases made across the Group as a whole.<br><br>Given the location of the Company's principal operations, a particular focus is put on US and UK market conditions.<br><br>Benchmarking based on media and other relevant companies is performed periodically and the Committee's intention is to apply judgement in evaluating market data. | Annual increases are normally in line with average UK and US-based employees, subject to particular circumstances, such as changes in roles, responsibilities or organisation, or as the Committee determines otherwise based on factors listed under 'Operation'.<br><br>The maximum salary level for each Executive Director is set at a level the Committee considers appropriate taking account of the individual's skills, experience and performance, and the external environment.<br><br>Current salary levels are set out on page 61. | Not performance related. |
| <b>Pension</b><br>To recruit, retain and reflect responsibilities of the Executive Directors and be competitive with peer companies.     | Executive Directors may participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution. Any contributions paid to the Company pension scheme will be offset from the cash allowance.   | For executives who participated in the defined benefit scheme the pension allowance has been set at a higher level (up to 37%). 30% or less for new recruits.  | Not performance related. |

| Purpose and link to strategy  | Operation  | Opportunity   | Performance metrics   |
|---|--|---|---|
| <p><b>Benefits</b></p> <p>To recruit, retain and reflect responsibilities of the Executive Directors and be competitive with peer companies.</p>  | <p>Benefits typically include cash allowances and non-cash benefits such as medical and car benefits. Where appropriate, the Committee may also offer allowances for relocation or other benefits where it concludes that it is in the interest of the Company to do so, having regard to the particular circumstances and to market practice.</p> <p>Allowances do not form part of pensionable earnings.</p> <p>Executives are also eligible to participate in the DMGT SharePurchase+ plan, an all-employee Share Incentive Plan, on the same basis as other employees.</p>   | <p>Benefits may vary by role and individual circumstances.</p> <p>The cost of benefits changes periodically and may be determined by outside providers.</p>   | <p>Benefits are not performance related.</p> <p>The DMGT SharePurchase+ plan is not performance related.</p>  |
| <p><b>Annual bonus</b></p> <p>To focus Executive Directors on the delivery of financial performance and strategic objectives which create value for the Company and shareholders.</p> <p>To reward individual contribution to the success of the Company.</p> | <p>The annual bonus is based on in-year performance against financial objectives: The performance targets and measures are determined annually by the Committee and may change from year to year.</p> <ul style="list-style-type: none"> <li>• Up to 100% of total bonus opportunity is based on financial performance at corporate and business unit level; and</li> <li>• A proportion of total bonus opportunity may be based on performance against strategic non-financial objectives.</li> </ul> <p>The bonus weightings applied for each of the Executive Directors may vary from time to time and may include financial measures and targets relating to the Group as well as their specific business. The weightings that apply to the bonus may vary if the Committee determines that it is appropriate in order to achieve the strategic aims of the business.</p> <p>Performance is measured separately for each item as shown in tables 2.2 and 2.3 on page 62.</p> <p>Annual incentive payments do not form part of pensionable earnings.</p> <p>Annual bonus plans are discretionary and the Committee reserves the right to make adjustments to payments up or down if it believes that exceptional circumstances warrant doing so.</p> <p>Bonuses are subject to malus prior to payment, and to clawback for two years after payment, in circumstances including a material misstatement in results, an error in calculating/assessing satisfaction of any condition, the participant causing material reputational damage to any member of the Group or serious misconduct by the participant causing loss to any member of the Group.</p> | <p>Maximum opportunity is as follows:</p> <ul style="list-style-type: none"> <li>• For The Viscount Rothermere, 180% of salary;</li> <li>• For Paul Zwillenberg, 140% of salary;</li> <li>• For Tim Collier 140% of salary; and</li> <li>• For Kevin Beatty, 60% of salary</li> </ul> <p>Paul Dacre does not participate in the annual bonus plan.</p> <p>The maximum level for new recruits will not exceed 200% of salary.</p> <p>The achievement of stretch targets results in maximum payout. On-target bonus is normally 50% of maximum. There is normally no payout for performance below threshold. Payout between threshold and target is on a straight-line basis.</p> <p>The performance range sets a balance between upside opportunity and downside risk and is normally based on targets in accordance with the annual budget.</p> | <p>Bonuses are subject to the achievement of financial measures set prior to grant by the Committee. The measures for determining the annual bonus in FY 2017 were profit; revenue and cash flow. These measures may be varied from year to year.</p> <p>Targets are against budget. The performance required for a maximum payout is set at a stretch performance level that is above the level of the Company's forecasts. If performance is in line with forecast, then typically an on-target level of the annual bonus will be paid.</p> <p>The weightings that were applied to the FY 2017 bonus targets are as reported in table 2.1 on page 62.</p> <p>The Board considers the specific targets and relative weightings for each measure to be commercially sensitive and they will not be disclosed. Performance against targets in the year that bonus awards are made will be disclosed along with the relevant weightings in the Annual Report following the payment.</p> |

# Governance

## Remuneration Report

| Purpose and link to strategy   | Operation  | Opportunity  | Performance metrics   |
|--|--|--|---|
| <p><b>Bonus deferral</b><br/>To provide an element of retention and align Executive Directors' interests with those of shareholders.</p>   | <p>Awards are delivered through a grant of nil cost options.</p> <p>A proportion of some Executive Directors' annual bonus is deferred for a period of two years.</p> <p>Annual bonus deferral requirements are reported in detail in table 3 on page 62.</p> <p>Following the exercise of an option, a cash payment with a value equivalent to the sum of all of the dividends declared for the award between the grant date and the date of delivery of the shares will be made.</p> <p>Clawback of vested and unvested awards is possible in the event of material misstatement of information or misconduct.</p>   | <p>All Executive Directors (with the exception of The Viscount Rothermere) are required to defer any above-target annual bonus into nil cost options for two years.</p>  | <p>No further performance conditions are imposed except for continued employment. This is reflective of market practice.</p>  |
| <p><b>Long-term incentives</b><br/>To focus Executive Directors on the delivery of strategic priorities creating sustainable long-term value for the Company and shareholders, thereby aligning Executive Directors' interests with the interests of the Company and shareholders.</p> <p>Specifically, the key objective is to incentivise Executive Directors to grow Company profits in an appropriate manner.</p> <p>Please see the notes to this table for further details about the link between the Executive Incentive Plan (EIP) and the Group's strategic goals.</p> | <p>The Company adopted a new Long-Term Executive Incentive plan, following shareholder approval at the AGM, known as the DMGT Long-Term Executive Incentive Plan 2017. This plan will be used to grant long-term incentive awards to Executive Directors.</p> <p>There will be an annual grant of awards, which may be in the form of conditional share awards, options, restricted shares or cash at the discretion of the Committee. Awards may vest at the end of a performance period of a minimum duration of three years, subject to achievement of performance targets and continued service.</p> <p>In exceptional cases (e.g. recruitment) awards may be made without performance conditions if the Committee considers this appropriate.</p> <p>Awards will typically be paid out in shares, calculated by reference to the share price as at the date of grant, in order to ensure further alignment of the Executive Directors' interests with those of shareholders. The Committee may determine that awards will alternatively be settled in cash if it considers this appropriate.</p> <p>Awards may be granted on terms that the value of any dividends paid to shareholders on their shares in the period between the date of grant and the date of vesting (or exercise) is paid to the individual following the end of that period.</p> | <p>In order to incentivise and allow the potential to appropriately reward Executive Directors for truly exceptional performance, the maximum annual value of shares at grant and which can vest is capped at 500% for each Executive Director.</p> <p>Performance below threshold results in zero payout.</p> <p>Paul Dacre will remain on his existing arrangements with a maximum award of 70% of salary and an on-target full vesting.</p> | <p>The Committee may set different performance measures, in terms of type of measure and the weighting given to each measure, for awards granted on different dates, provided the Committee considers that such measures are aligned with the Company's strategic goals and with the interests of its shareholders.</p> <p>Performance conditions may also be set on an individual basis to reflect a particular individual's role.</p> <p>The performance measures are designed to reflect progress towards the achievement of key strategic goals which may vary from year to year.</p> <p>For awards granted to Executive Directors under the EIP, current performance measures link awards to cumulative growth in Group profits over a minimum growth threshold, subject to fair adjustment for any change in capital usage. The minimum growth threshold feature is designed to ensure that the awards are appropriately challenging and Executive Directors are not rewarded unless they achieve a minimum performance threshold. The capital charge/credit feature is designed to ensure that Executive Directors use capital efficiently over the long term, by requiring higher profits to be made if more capital is used.</p> |

| Purpose and link to strategy  | Operation   | Opportunity  | Performance metrics   |
|---|---|--|---|
| <b>Long-term incentives continued</b>   | <p>The Committee has discretion, within the rules of the EIP and the 2012 LTIP, to make adjustments taking into account exceptional factors that distort underlying business performance, such as (for example) material M&amp;A activity.</p> <p>EIP awards are subject to malus prior to vesting, and to clawback for three years after vesting, in circumstances including a material misstatement in results, an error in calculating/assessing satisfaction of any condition, the participant causing material reputational damage to any member of the Group or serious misconduct by the participant causing loss to any member of the Group.</p> <p>Awards under the 2012 LTIP are subject to clawback (whether vested or unvested) in the event of material misstatement of information or misconduct.</p> <p>All awards are subject to the rules of the plan (as may be amended from time to time in accordance with the rules) and any other terms and conditions applicable to the awards as the Committee may determine.</p> |  | <p>For Paul Dacre performance is currently measured against the delivery of strategic objectives for the Mail titles.</p> <p>The Committee sets the applicable performance targets prior to or at the time of the grant of awards in accordance with its strategic planning. The Board considers the specific performance targets for each measure and the relative performance measure weightings to be commercially sensitive. Performance against targets and the relative weightings will be disclosed at the time the awards vest.</p> |
| <p><b>Shareholding requirement</b></p> <p>To align the interests of Executive Directors and shareholders.</p> | <p>Executive Directors are encouraged to build up a substantial shareholding in the Company.</p> <p>Shares which have been awarded subject to satisfaction of performance measures are not included in the calculation of the value of the Executive Director's shareholding.</p> <p>Hedging by Executive Directors of any shares held in the Company is prohibited.</p>  | <p>The Committee recommends a minimum shareholding of 500% of base salary for the CEO and the Chairman, and 150% for all other Executive Directors.</p> <p>There is no time frame over which the guidelines should be met.</p> | Not performance related.  |

## Notes to the policy table

Differences in remuneration policy for all employees:

- Base salary:
  - Base salary increases elsewhere in the Group are set at a business level, taking into account economic factors, competitive market rates, roles, skills, experience and individual performance. The change in wages and salaries for the Company as a whole is reported in chart 2 on page 69.
- Pension:
  - Employees in the UK are auto-enrolled into the Company defined contribution pension scheme. There are a number of schemes in operation, all of which offer levels of employer matching contributions.
  - Employees in the US are typically offered 401(k) retirement plans.
- Benefits:
  - Allowances and benefits for employees reflect the local labour market in which they are based.
- Annual bonus:
  - Many employees participate in some form of cash-based annual incentive, bonus or commission plan.
  - The annual incentive plan for the Executive Directors forms the basis of the annual incentive plan for the head office Executives. Plans across the Group are designed and tailored for each business, with the purpose of incentivising the achievement of their annual targets.
- Bonus deferral:
  - Most annual incentive plans around the Group do not include a requirement for deferral.
- Long-term incentives:
  - The EIP for the Executive Directors forms the basis of annual awards for the head office Executives.
  - Plans for Executives in other businesses across the Group are considered and approved by the Committee. Plans are designed to be appropriate to the stage of development of the business and to incentivise the achievement of the mid- to long-term strategic aims of the business in which they operate.
- Shareholding requirement:
  - There is no shareholding requirement for employees below Executive Director level.

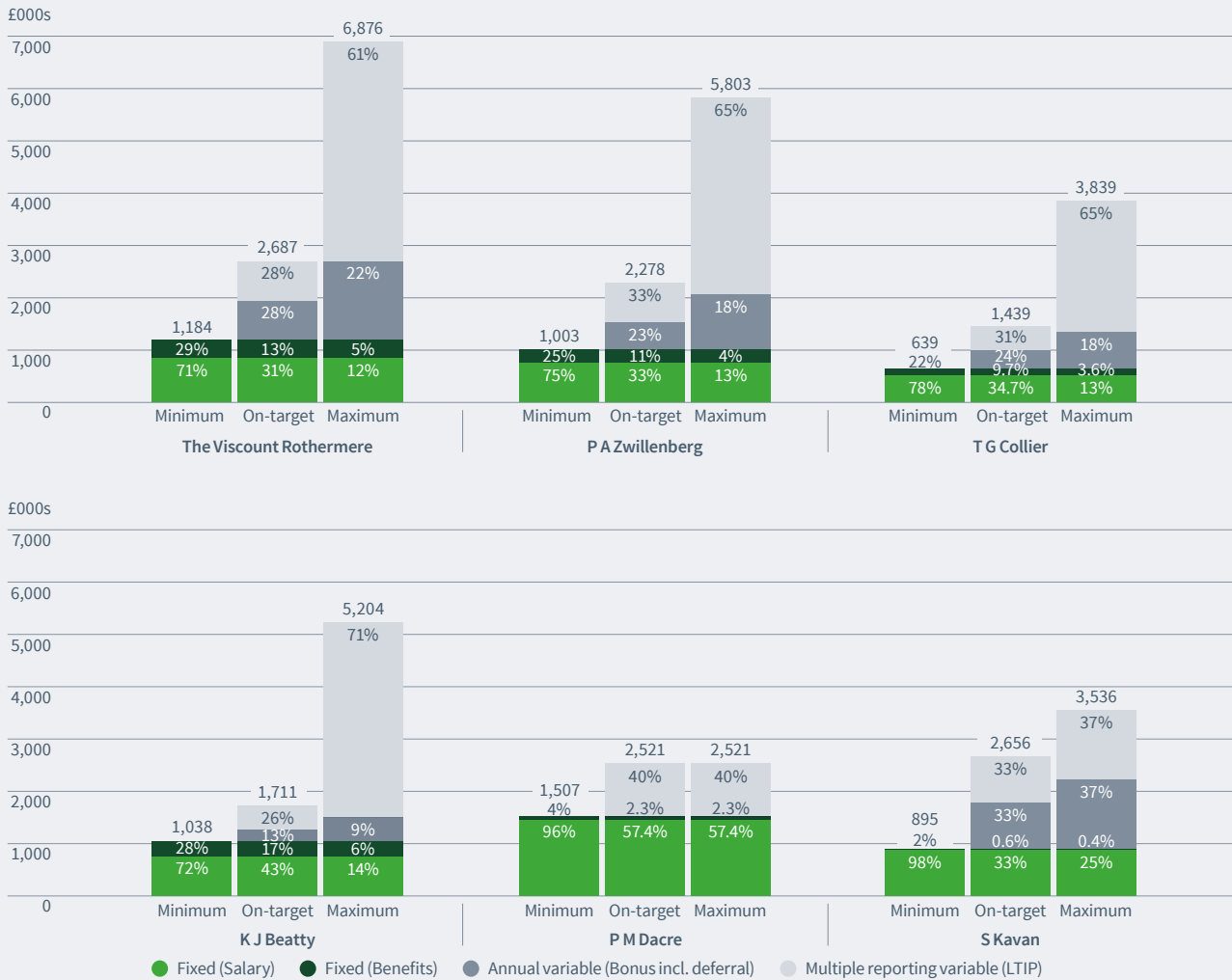
# Governance

## Remuneration Report

### Pay scenario charts

**Chart 1: Illustrations of application of Executive Directors' remuneration policy**

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Multiple reporting period variable, which are set out in the future policy table below:



**Notes**

Potential reward opportunities illustrated above are based on this Policy, applied to the latest-known base salaries and incentive opportunities.

Minimum in the graphs above is fixed remuneration only (salary, pension and benefits). On-target assumes that the standard long-term incentive award and target bonus have been awarded as stated in the policy table.

Maximum assumes that the standard long-term incentive award and the maximum bonus have been awarded as stated in the policy table.

Share awards valued at share price at date of award. No allowance is made for potential share price changes. Future share price changes form a key part of the remuneration linkage to performance and alignment of long-term shareholder returns.

Amounts for Suresh Kavan are converted from US dollars at \$1.27 = £1.



## Implementation of Remuneration Policy in FY 2018

|   |   |
|---|---|
| <b>Executive Directors' basic fees and salary</b>   | There are no intentions to increase base salaries for Executive Directors during FY 2018.   |
| <b>Executive Directors' pension</b>                 | No change to prior year. Pension allowances are reported in the single figure table 1 on page 61 with further details in the Pension entitlements and cash allowances section in table 7 on page 67.  |
| <b>Benefits in kind</b>                             | No change to policy since prior year. Allowances and benefits for FY 2017 are reported in detail in the notes to the single figure table 1 on page 61.  |
| <b>Executive Directors' annual bonus</b>            | <p>Annual bonus payments for FY 2017 are reported in detail in tables 2.1 and 2.2.</p> <p>Awards in FY 2018 will be measured against two metrics: Group level revenue and cash operating income.</p> <p>In addition to Group level performance, Kevin Beatty will be measured on the performance of his division against the same metrics (weighting 30% Group, 70% Divisional).</p> <p>The Board considers the specific targets and relative weightings for each measure to be commercially sensitive and they will not be disclosed.</p>  |
| <b>Bonus deferral</b>                               | <p>There were no nil cost option awards made under the plan for FY 2017. The cash amounts that apply for the FY 2017 bonus are shown in table 2.1 on page 62.</p> <p>Bonus deferral requirements for FY 2018 remain as stated in table 3 on page 62.</p>  |
| <b>Executive Directors' long-term incentive</b>     | <p>A new Long-Term Executive Incentive Plan (approved by shareholders at the AGM), was introduced in FY 2017 which directly links pay outs to business performance by awarding management a share of profit growth, over and above a minimum threshold, after deducting a charge for additional capital. The new Executive Incentive Plan provides for exceptional pay in cases of truly exceptional performance, while not over-rewarding average performance.</p> <p>Further details of the applicable performance criteria are included in the policy table.</p> <p>Individual award amounts will be determined at the time of the award and will be subject to the performance conditions outlined in the new policy. In addition, subject to approval, the Chairman will be eligible to participate in the Executive Incentive Plan.</p> <p>Paul Dacre will remain on his existing long-term incentive arrangements.</p> <p>Stephen Daintith and Suresh Kavan did not receive a long-term incentive award in FY 2017.</p> <p>Outstanding awards will continue to vest according to the Rules of the Plans they were awarded under. Details of outstanding awards and their status are shown in detail in tables 6.1, 6.2 and 6.3 on page 62.</p> <p>The Board considers the specific targets and relative weightings for each measure to be commercially sensitive and they will not be disclosed.</p> |
| <b>Executive Directors' service contracts</b>       | No changes to service contracts are planned for FY 2018.  |
| <b>External appointments</b>                        | The Company allows its Executive Directors to take a very limited number of outside directorships. Individuals retain the payments from such services since these appointments are not expected to impinge on their principal employment. The Viscount Rothermere and Paul Zwillenberg are on the Board of Euromoney plc and Kevin Beatty is on the Board of ZPG.   |
| <b>Executive Directors' shareholding guidelines</b> | <p>For FY 2017 the guideline increased to 500% of base salary for Lord Rothermere and Paul Zwillenberg. All others will remain unchanged at 150% of base salary.</p> <p>Directors' interests are reported in detail in table 11 on page 70.</p>   |
| <b>Executive Directors' pension</b>                 | <p>Pension allowances for any new Executive Director will be limited to a maximum of 30%.</p> <p>Pension allowances are reported in the single figure table 1 on page 61 with further details in the Pension entitlements and cash allowances section in table 7 on page 67.</p>  |
| <b>Recruitment Award</b>                            | In accordance with the terms of his recruitment Tim Collier received a one-off award of 324,965 DMGT shares as at 2 May 2017, which will vest subject to his continuing employment and following release of audited year-end results, 188,284 in December 2018 and 136,681 in December 2019.  |
| <b>Exit Payments</b>                                | Stephen Daintith and Suresh Kavan stood down during FY 2017, their exit payments are details on pages 66.   |

## Governance

# Remuneration Report

## Executive Directors' service contracts

The Executive Directors are employed under service contracts, the principal terms of which are summarised below.

| Executive Director      | Position                      | Effective date of contract | Employer                                | Notice period (by either party) | Compensation on termination by employer without notice or cause  |
|-------------------------|-------------------------------|----------------------------|---|---------------------------------|--|
| The Viscount Rothermere | Chairman                      | 17 October 1994            | Daily Mail and General Trust plc        | 3 months                        | Basic salary, benefits, pension entitlement and, as appropriate, a prorated bonus payment for the notice period.   |
| P A Zwillenberg         | CEO                           | 1 June 2016                | Daily Mail and General Holdings Limited | 12 months                       | Basic salary, pension allowance, car allowance and cash equivalent value of other benefits for the notice period. Compensation is subject to mitigation if the Director obtains an alternative remunerated position. |
| T G Collier             | Group Chief Financial Officer | 2 May 2017                 | Daily Mail and General Trust plc        | 12 months                       | Basic salary, pension allowance, car allowance and cash equivalent value of other benefits for the notice period. Compensation is subject to mitigation if the Director obtains an alternative remunerated position. |
| K J Beatty              | Executive Director            | 19 May 2002                | Associated Newspapers Limited           | 12 months                       | Basic salary, benefits, pension entitlement and, as appropriate, a prorated bonus payment for the notice period.   |
| P M Dacre               | Executive Director            | 13 July 1998               | Associated Newspapers Limited           | 12 months                       | Basic salary, benefits, pension entitlement and, as appropriate, a prorated bonus payment for the notice period.   |

## External appointments

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. Lord Rothermere and Paul Zwillenberg are Directors of Euromoney plc and receive fees of £50,000 per annum which are included in the single figure table shown on page 61. Kevin Beatty is a Director of ZPG plc for which there is no fee.

## Legacy arrangements

For the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into with current or former Directors prior to the approval and implementation of this Policy (such as payment of pensions or the vesting/exercise of past share awards), provided that such commitments complied with any Remuneration Policy in effect at the time they were given.

## Approach to recruitment remuneration

When appointing or recruiting a new Executive Director from outside the Company, the Committee will normally aim to set remuneration at a level which is consistent with the remuneration policy in place for other Executive Directors and in particular the Executive Director who previously filled the relevant role, although it is recognised that, in order to secure the best candidate for a role, the Company may need to pay a new Executive Director more than it pays its existing Executive Directors. Pre-existing contractual agreements for internal candidates may be maintained on promotion to an Executive Director role.

The Committee may make use of any of the below components in the remuneration package.

| Component                   | Approach   | Maximum annual grant level                         |
|-----------------------------|--|--|
| <b>Base salary</b>          | Base salary will be determined by reference to the individual's role and responsibilities, location of employment, and the salary paid to the previous incumbent.  | Not applicable.                                    |
| <b>Pension</b>              | The appointed Executive Director will be eligible to participate in the Group's defined contribution pension plan and/or receive a cash pension allowance.   | 30% of base salary.                                |
| <b>Benefits</b>             | New appointments may be eligible to receive benefits in line with the Policy for current Executive Directors as well as benefits relating to relocation such as (but not limited to) cost of living, housing and tax equalisation support.   | Not applicable.                                    |
| <b>Annual bonus</b>         | The appointed Executive Director will be eligible to participate in the Company's annual bonus plan in accordance with the Policy for current Executive Directors and may be required to defer some or all of any bonus granted in accordance with the Policy.   | 200% of base salary.                               |
| <b>Long-term incentives</b> | The appointed Executive Director will be eligible to participate in the Executive Incentive Plan in accordance with the Policy for current Executive Directors, save that the Committee may provide that an initial award under EIP (within the salary multiple limits on page 74) is subject to a requirement of continued service over a specified period, rather than the usual performance conditions.   | 500% of base salary at the time the award is made. |
| <b>Replacement awards</b>   | If in joining DMGT a new Executive Director would forfeit any existing award under variable remuneration arrangements with a previous employer, the Committee will consider on a case-by-case basis what replacement awards (if any) are reasonably necessary to facilitate that individual's recruitment, taking into account all relevant factors such as performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award due to be forfeited. | Not applicable.                                    |

### Exit payment policy

The Company normally sets the notice period of Executive Directors as 12 months, but may decide to vary this in circumstances it deems appropriate.

On termination, the Company will normally make a payment in lieu of notice (PILON) which is equal to the aggregate of: the basic salary at the date of termination for the applicable notice period; the pension allowance over the relevant period; the cost to the Company of providing all other benefits (excluding pension allowance and bonus) or a sum equal to the amount of benefits as specified in the Company's most recent Annual Report; and a bonus payment calculated in accordance with the service contract of the Director. The treatment of awards under the Company's Long-Term Incentive Plans on termination will be in accordance with the rules of the Plan and, where appropriate, at the discretion of the Committee.

The Company may pay the PILON either as a lump sum or in equal monthly instalments from the date on which the employment terminates until the end of the relevant period. If alternative employment (paid above a pre-agreed rate) is commenced, for each month that instalments of the PILON remain payable, the amounts, in aggregate (excluding the pension payment), may be reduced by half of one month's basic salary in excess of the pre-agreed rate.

In the event that a participant's employment is terminated, treatment of outstanding awards under the Group's incentive plans will be determined based on the relevant plan rules, which are summarised below:

| Incentive plan            | Treatment of awards  |
|---------------------------|--|
| DMGT SharePurchase+       | All leavers have to exit DMGT SharePurchase+ and either sell or transfer their shares. If identified as a 'Good Leaver', under the rules of DMGT SharePurchase+, no tax or National Insurance Contributions are paid.  |
| Annual bonus              | If identified as a 'Good Leaver' for the purposes of the bonus, the Committee may determine that the leaver's contribution was significant in early or high achievement of targets, in which case, it may decide to make a payment which is equivalent of up to a full year bonus.   |
| Deferred bonus plan       | If identified as a 'Good Leaver' under the deferred bonus plan rules (including those identified at the discretion of the Committee), outstanding awards shall vest in full on the normal vesting date or on such earlier date as the Committee may determine.   |
| Long-term incentive plans | If identified as a 'Good Leaver' under the rules (including those identified at the discretion of the Committee), outstanding awards will vest, either on the normal vesting date or on such earlier date as the Committee may determine, to the extent determined by the Committee taking into account the performance conditions, the proportion of the performance period which has elapsed at the date of termination and any other factors it considers appropriate. If, in the judgement of the Committee, greater progress towards achievement of targets has been made as a result of the performance of the leaver, it may, at its absolute discretion, decide to vest up to 100% of the outstanding award. |

## Governance

# Remuneration Report

The Committee may make payments it considers reasonable in settlement of potential legal claims, e.g. unfair dismissal or where agreed under a settlement agreement. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation and such reasonable reimbursement of fees for legal and/or tax advice in connection with such agreements and/or costs of outplacement services.

Where an Executive Director is a 'Good Leaver', the Committee reserves the discretion to approve any or all of the following additional benefits:

- continuation of private health insurance or life assurance for a period of time following termination;
- use of business premises for a period after termination;
- retention of IT equipment by the Executive Director; and/or
- use of a company car and/or driver for a period after termination.

### Consideration of pay and employment conditions elsewhere across the Group

The Committee considers pay and employment conditions elsewhere in the Group when making decisions on remuneration matters affecting the Directors. The Committee receives a report annually on the salary budget for each business. The Committee makes reference, where appropriate, to pay and employment conditions elsewhere in the Group (whilst remaining aware of the variety of jurisdictions and markets in which it operates) when determining annual salary increases and to external evidence of remuneration levels in other companies.

The Committee makes reference to data provided by and advice sought from internal and external advisers when making decisions on remuneration matters affecting the Directors. It does not specifically consult with employees over the effectiveness and appropriateness of the Remuneration Policy and framework.

### Consideration of shareholder views

The Committee receives annual updates on the views and best practices of shareholders and their representative bodies and, notwithstanding the Company shareholder structure, takes these into account. The Committee seeks the views of shareholders on matters of remuneration that it thinks shareholders are interested in. An example of this was the adoption of the 2012 LTIP, when major shareholders were consulted.

### Implementation of Policy for Non-Executive Directors FY 2018

**Non-Executive Directors' fees** An increase in base directors fees to £50,000 p.a. was agreed by the Chairman and the CEO, these were effective 1 July 2017. The actual fees paid to Non-Executive Directors in FY 2017 are shown in table 8 on page 67.

There is currently no intention to increase fees or allowances in FY 2018 but fees may be reviewed within the policy terms.

This report covers the reporting period to 30 September 2017 and has been prepared in accordance with the relevant requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and of the Listing Rules of the Financial Conduct Authority.

## Governance

# Statutory Information

## Directors' Report

### Other statutory information

Required information can be found in the Strategic Report on pages 2 to 39, which is incorporated into this Report by reference. Information on employees, community and social issues is given in the Our People and Our Communities section on pages 32 to 35.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report, where applicable, under LR 9.8.4, is set out in the Governance section, with the exception of details of transactions with controlling shareholders (if any) which are set out in Note 44.

### Forward-looking statements

This Annual Report contains certain forward-looking statements with respect to principal risks and uncertainties facing the Group. By their nature, these statements 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 those forward-looking statements. 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.

### Tangible fixed assets and investments

The Company's subsidiaries are set out on page 182. Changes to the Group's tangible fixed assets and investments during the year are set out in Notes 23 to 26. There was no material difference in value between the book value and the market value of the Group's land and buildings.

### Directors

The names of the Directors, plus brief biographical details are given on pages 40 and 41. Directors held office throughout the year with the exception of Tim Collier, Nicholas Berry, Stephen Daintith, John Hemingway, Suresh Kavan and François Morin. In accordance with the UK Corporate Governance Code, all existing Directors will stand for re-election at the Annual General Meeting (AGM) on 7 February 2018.

Tim Collier will stand for election at the AGM. François Morin was elected at the AGM on the 8 February 2017.

### Principal activities

A description of the principal activities of the Group and likely future developments and important events occurring since the end of the year are given in the Strategic Report on pages 2 to 29.

### Results and dividends

The profit for the year of the Group amounted to £342 million. After excluding the £3 million loss element attributable to non-controlling interests, the Group profit for the year attributable to owners of the Company amounted to £345 million. The Board recommends a final dividend of 15.8 pence per share. If approved at the 2018 AGM, the final dividend will be paid on 9 February 2018 to shareholders registered in the books of the Company at the close of business on 8 December 2017. Together with the interim dividend of 6.9 pence per share paid on 30 June 2017, this makes a total dividend for the year of 22.7 pence per share (2016 22.0 pence).

### Directors' interests

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 57.

### Employee Benefit Trust

The Executive Directors of the Company, together with other employees of the Group, are potential beneficiaries of the DMGT Employee Benefit Trust (Employee Trust) and, as such, are deemed to be interested in any A Shares held by the Employee Trust. At 30 September 2017, the Employee Trust's shareholding totalled 3,710,764 A Shares.

Between 30 September 2017 and 30 November 2017 the Employee Trust transferred 37,692 A Shares to satisfy the exercise of awards under employee share plans.

### Significant shareholdings

As at 30 November 2017, the Company had been notified of the following significant interests of the issued Ordinary Shares:

|                                 |      |
|---------------------------------|------|
| Rothermere Continuation Limited | 100% |
|---------------------------------|------|

The Board regards holdings in the Company's securities of greater than 15% to be significant. There are no significant holdings in the Company's A Shares other

than those shown in the Remuneration Report on page 57.

### Share capital

The Company has two classes of shares. Its total share capital is comprised of 5% Ordinary Shares and 95% A Shares. Full details of the Company's share capital are given in Note 38.

Holders of Ordinary and A Shares are entitled to receive the Company's Annual Report. Holders of Ordinary Shares are entitled to attend and speak at General Meetings and to appoint proxies and exercise voting rights.

During the year, the Company transferred 5.3 million shares out of Treasury, representing 1.6% of called-up A Shares, in order to satisfy incentive schemes. The Company held 8,523,183 shares in Treasury and the DMGT Employee Benefit Trust with a nominal value of £1.1 million at 30 September 2017. The maximum number of shares held in Treasury and by the DMGT Employee Benefit Trust during the year was 9,887,935, which had a nominal value of £1.2 million. The Company also purchased 3.9 million shares for holding in Treasury having a nominal value of £0.5 million in order to match obligations under various incentive plans. The consideration paid for these shares was £28.6 million. Shares purchased during the year represented 1.2% of the called-up A Share capital as at 30 September 2017.

On 30 November 2017 the Company held 4,812,419 Treasury Shares.

Details of allotments of share capital which arose solely from the exercise of options are given at Note 39.

### Authority to purchase shares

At the Company's AGM on 8 February 2017, the Company was authorised to make market purchases of up to 34,201,672. A Shares representing approximately 10% of the total number of A Shares in issue. During the period from 9 December 2016 to 30 September 2017, the Company purchased nil shares into Treasury, at a total cost of £nil (see Note 39).

### External Auditor and disclosure of information to the External Auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's External Auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.



## Governance

# Statutory Information

The Company's External Auditor PwC has indicated its willingness to serve and, in accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of PwC will be put to the AGM on 7 February 2018.

## Directors' indemnity

A qualifying third-party indemnity (QTPI), as permitted by the Company's Articles of Association and Sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI, the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' defence costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgment is given against the Director.

## Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, particularly the Financial Review on pages 25 to 31 and in the Notes to the accounts on page 99.

The Group has significant financial resources and the Directors, having reviewed the Group's operating budgets, investment plans and financing arrangements, have assessed the future funding requirements of the Group and compared this to the level of committed facilities and cash resources. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report.

## Viability Statement

A Viability Statement in respect of the Company can be found on page 29.

## Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors

have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether IFRS as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company Financial Statements respectively; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Each of the Directors confirms that, to the best of his/her knowledge:

- The Group Financial Statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic Report contained on pages 2 to 39 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

## Relationship agreements

Daily Mail and General Trust plc entered into a Relationship Deed with Euromoney Institutional Investor PLC on 8 December 2016, and ZPG Plc on 5 June 2014, in each case in accordance with the Listing Rules and have acted in accordance with the terms of the Deeds since execution.

## Political donations

No political donations were made during the period.

## Principal risks

The principal risks and how they are being managed or mitigated are shown on pages 36 to 39. The Directors have reviewed the Group's principal risks including those that would threaten the Group's business model, future performance, solvency or liquidity.

## Events after the balance sheet date of 30 November 2017

There were no post balance sheet events.

## Material contracts

Group companies undertake business with a range of customers and suppliers. There is no dependence on any particular contractual arrangement other than those disclosed in Note 41 as regards ink and printing, where arrangements are in place until FY 2021 and FY 2023 respectively in order to obtain competitive prices and to secure supplies.

Arrangements are made biannually with a range of newsprint suppliers to ensure the security of supply at the best available prices, having regard to the need for the necessary quality. Particularly in light of its strategy to create a diversified international portfolio of businesses, the Group is not dependent on any supplier of other commodities for its revenue or any particular customer. Distribution arrangements are in place to ensure the delivery of newspapers to retail outlets.

## Employees

Details in respect of employees are in the Our People and Our Communities section on pages 32 to 35.

## Human rights

The Company believes that our exposure to the associated risks in the context of human rights frameworks is minimal. DMGT does not have a specific human rights policy but has a number of policies that cover areas such as health and safety, modern slavery, bribery and corruption, and a questionnaire for evaluating whether new suppliers are ethical and lawful.

## Group policies

The Company upholds equal opportunities and does not discriminate. DMGT's businesses are required to follow DMGT policies that safeguard the welfare of our employees. These include policies on equal opportunities, anti-bribery, entertainment and gifts, information security, share dealing, and health and safety, in addition to our Code of Conduct. We have an active and rolling training programme to reinforce compliance and to ensure there is a high level of awareness of the Company's standards.

## Gender breakdown of our employees

The table below sets out the gender breakdown of our employees. Our aim is to promote equality and diversity in accordance with our Group Code of Conduct.

|   | Male      | Female    |
|---|-----------|-----------|
| At 30 September 2017                            |           |           |
| Board Directors                                 | 11 85%    | 2 15%     |
| Operating business                              |           |           |
| CEOs and other direct reports to the Group CEO* | 8 57%     | 6 43%     |
| All employees*                                  | 4,307 58% | 3,075 42% |

\* Excluding Executive Board Directors.

## Carbon footprint

The Company's most significant environmental impact comes from the printing plants in our consumer media businesses. The majority of the Company's

newspapers are now produced at plants designed to be as efficient as possible; this reduces energy usage, vehicle movements and the volume of waste generated. There is also a considerable effort to maximise the volume of waste recycled including newsprint waste, water and heat recovery.

The Company is, and has for many years been, committed to comprehensive and transparent reporting of its environmental performance. The Company has collected CO<sub>2</sub> emissions data from each of its businesses. This data is collated and independently reviewed by environmental consultancy ICF International, which calculates the Group's emissions following the Greenhouse Gas Protocol. The Group's carbon footprint can be seen in the table below.

## Articles of Association

The appointment and replacement of Directors is governed by the Company's Articles of Association. Any changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.

The Directors have authority to issue and allot A Shares pursuant to Article 9 of the Articles of Association and shareholder authority is requested at each AGM. The Directors have authority to make market purchases of A Shares. This authority is also renewed annually at the AGM.

## Conflicts of interest

The Articles of Association permit the Board to authorise a conflict of interest in respect of any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest.

When authorising a conflict of interest the Board must do so without the conflicting Director counting as part of the quorum. In the event that the Board considers it appropriate, the conflicted Director may be permitted to participate in the debate, but will neither be permitted to vote nor count in the quorum when the decision is being agreed. The Directors are aware that it is

their responsibility to inform the Board of any potential conflicts as soon as possible. Procedures are in place to facilitate disclosure. The Board reviews its position on conflicts of interest annually and at such other times as are appropriate.

## Change of control

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, certain of the Group's third-party funding arrangements would terminate upon a change of control of the Company.

The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which may result in options or awards granted to employees vesting on a takeover.

## Transactions with Directors

No transaction, arrangement or agreement required to be disclosed in terms of the Companies Act 2006 and IAS 24, 'Related Parties', was outstanding at 30 September 2017, nor was entered into during the year for any Director and/or connected person except as detailed in Note 44 (2016 none).

## Annual General Meeting

The Annual General Meeting will be held at 9.00 am on Wednesday 7 February 2018 at Northcliffe House, 2 Derry Street, London W8 5TT. The resolutions to be put to the meeting are set out on pages 84 and 85. A notice of meeting will be issued to the holders of Ordinary Shares and their nominees only. Only Ordinary Shareholders will be entitled to attend.

A resolution to reappoint the Group's External Auditor PricewaterhouseCoopers LLP, will be proposed at the 2018 AGM.

By order of the Board

**F Sallas**

Company Secretary

## Carbon footprint

The table below shows the evolution of our carbon footprint since 2015:

| Year        | Tonnes of CO <sub>2</sub> e                                   |   |  | tCO <sub>2</sub> e/£million revenue |
|-------------|---|---|--|-------------------------------------|
|             | Scope 1:<br>Combustion of fuel and<br>operation of facilities | Scope 2:<br>Electricity, heat, steam and<br>cooling purchased for own use | Scope 3:<br>Business travel and<br>outsourced delivery |                                     |
| 2015        | 1,900   | 19,400  | 16,100   | 20.3                                |
| 2016        | 1,800   | 18,000  | 15,000   | 18.2                                |
| <b>2017</b> | <b>1,500</b>  | <b>18,000</b>   | <b>16,100</b>  | <b>18.1</b>                         |

## Governance

# Annual General Meeting 2018: Resolutions

The Company's Annual General Meeting (AGM) will be held at 9.00 am on Wednesday 7 February 2018. Only the holders of Ordinary Shares are entitled to attend and vote. For information, below are the resolutions that will be put to the Ordinary Shareholders at the AGM. The results will be posted on the Company's website following the meeting in the usual way.

## As ordinary business

### Report and Accounts

1. To receive the Directors' Report, the Accounts and the Auditor's Report for the financial year ended 30 September 2017.

### Remuneration Report

2. To receive and approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) as set out on pages 57 to 80 of the Annual Report for the financial year ended 30 September 2017, in accordance with Section 439 of the Companies Act 2006.

### The Daily Mail and General Trust plc 2006 Executive Share Option Scheme

3. That the rules of the readopted and revised The Daily Mail and General Trust plc 2006 Executive Share Option Scheme (ESOP), be approved and the Directors be authorised to do all such acts and things necessary to operate the ESOP, including making such modifications as the Directors consider appropriate to take account of the requirements of the UK Listing Authority, legislative changes in relation to tax advantaged options and best practice.

### Dividend

4. To declare a final dividend on the Ordinary and A Ordinary Non-Voting Shares (A Shares).

### Directors

5. To re-elect Viscount Rothermere as a Director.
6. To re-elect Mr Zwillenberg as a Director.
7. To re-elect Mr Beatty as a Director.
8. To re-elect Mr Dacre as a Director.
9. To re-elect Lady Keswick as a Director.
10. To re-elect Mr Lane as a Director.
11. To re-elect Mr Morin as a Director.
12. To re-elect Mr Nelson as a Director.
13. To re-elect Mr Parry as a Director.
14. To re-elect Ms Roizen as a Director.
15. To re-elect Mr Trempont as a Director.
16. To elect Mr Collier as a Director.
17. To elect Mr Rangaswami as a Director.

### Auditor

18. To re-appoint PricewaterhouseCoopers LLP as the Company's auditors until the end of the next general meeting at which accounts are laid before the Company.
19. To authorise the Directors to determine the Company's auditors' remuneration.

### As Special Business

20. That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(3) of the Act) on the London Stock Exchange provided that:
  - (a) the maximum aggregate number of A Shares of 12.5 pence each in its share capital which may be purchased is 34,216,678;
  - (b) the minimum price which may be paid for each A Share of 12.5 pence each in its share capital is not less than 12.5 pence per share (excluding expenses);
  - (c) the maximum price (excluding expenses) which may be paid for each A Share of 12.5 pence each in its share capital does not exceed the higher of:
    - (i) 5% above the average of the middle market quotation taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase; and

- (ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Regulatory Technical Standards adopted by the European Commission under Article 5(6) of the Market Abuse Regulation (EU) No 596/2014; and
- (d) the authority conferred by this Resolution shall expire on the date of the AGM next held after the passing of this Resolution (except in relation to the purchase of shares the contract for which was concluded before such date and which would or might be executed wholly or partly after such date).

### As Ordinary Business

21. That the Directors be generally and unconditionally authorised pursuant to Section 551 of the Act to:
  - (a) allot A Shares in the Company, and to grant rights to subscribe for or to convert any security into A Shares in the Company up to an aggregate nominal amount of £2,138,542 for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) at the next AGM of the Company after the date on which this Resolution is passed or on 7 May 2018 whichever is the earlier; and
  - (b) make an offer or agreement which would or might require A Shares to be allotted, or rights to subscribe for or convert any security into A Shares to be granted, after expiry of this authority and the Directors may allot A Shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

This authority revokes and replaces all unexercised authorities previously granted to the Directors to allot A Shares but without prejudice to any allotment of A Shares or grant of rights already made, offered or agreed to be made pursuant to such authority.

**As Special Business**

22. If Resolution 21 is passed, that the Directors be generally empowered pursuant to section 570 and section 573 of the Act to allot A Shares or grant rights to subscribe for or to convert any security into A Shares, for cash, or sell A Shares held by the Company as treasury shares for cash, pursuant to the authority conferred by Resolution 21, as if section 561(1) of the Act did not apply to the allotment. This power:

- (a) expires (unless previously renewed, varied or revoked by the Company in a general meeting) at the next AGM of the Company after the date on which this Resolution is passed or on 7 May 2018, whichever is the earlier, but the Company may make an offer or agreement which would or might require such securities to be allotted after expiry of this power and the Directors may allot such securities in pursuance of that offer or agreement as if this power had not expired; and
- (b) shall be limited to the allotment of such A Shares or sale of treasury shares for cash up to an aggregate nominal amount of £2,138,542.

23. If Resolution 21 is passed, that the Directors be generally empowered, in addition to any authority granted under Resolution 22, pursuant to section 570 and section 573 of the Act to allot A Shares or grant rights to subscribe for or to convert any security into A Shares, for cash, or sell A Shares held by the Company as treasury shares for cash, pursuant to the authority conferred by Resolution 21, as if section 561(1) of the Act did not apply to the allotment. This power:

- (a) expires (unless previously renewed, varied or revoked by the Company in a general meeting) at the next AGM of the Company after the date on which this Resolution is passed or on 7 May 2018, whichever is the earlier, but the Company may make an offer or agreement which would or might require such securities to be allotted after expiry of this power and the Directors may allot such securities in pursuance of that offer or agreement as if this power had not expired:
- (b) shall be limited to the allotment of such A Shares or sale of treasury shares for cash up to an aggregate nominal amount of £2,138,542; and
- (c) shall be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

**Notice**

24. That, a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

**F Sallas**

Company Secretary

Daily Mail and General Trust plc  
Northcliffe House, 2 Derry Street,  
London W8 5TT

30 November 2017

## Governance

# Independent auditors' report to the members of Daily Mail and General Trust plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Daily Mail and General Trust plc's Group financial statements and parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated Statement of Financial Position; Consolidated Income Statement; Consolidated Statement of Comprehensive Income; Consolidated Statement of Changes in Equity; Consolidated Cash Flow Statement; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

Other than those disclosed in Note 5 to the financial statements, we have provided no non-audit services to the Group or the parent Company in the period from 1 October 2016 to 30 September 2017.

### Our audit approach

#### Overview

#### Materiality

- Overall Group materiality: £9 million (2016: £10 million), based on 4% of adjusted profit before tax.
- Overall parent Company materiality: £9 million (2016: £10 million), being the lower of 1% of total assets and Overall Group materiality.

#### Audit scope

- Of the Group's four trading reporting divisions, we identified that dmg media required a full scope audit due to its size. In addition we obtain full scope audit opinions for the RMS and dmg events divisions.
- For dmg information we scoped our audit at a business level, and identified six businesses over which we performed either a full scope audit or specified audit procedures on certain balances or transactions.
- Full scope audits were also performed for the Group's two material associates (ZPG Plc and Euromoney Institutional Investor PLC), and in the case of Euromoney, specified audit procedures were performed on certain balances and transactions for the three month period prior to deconsolidation.
- We used local teams in the UK, US and Dubai to perform those full scope audits or specified procedures relating to the relevant overseas businesses within RMS, Euromoney Institutional Investor PLC,

dmg information and dmg events divisions. The Group audit team held regular meetings with these locations to ensure sufficient involvement and oversight of the work of these local teams and to make sure that we had a full and comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus.

#### Key audit matters

- Impairment of intangible assets and goodwill.
- Accounting for Euromoney disposal.
- Presentation of adjusted profit.
- Capitalisation of development costs.
- Accounting for deferred taxation and uncertain tax positions.

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.



| Area of focus  | How our audit addressed the area of focus   |
|--|---|
| <p><b>Impairment of intangible assets and goodwill</b></p> <p>Refer to the Audit &amp; Risk Committee report on pages 50 to 59 and to Notes 21 and 22 in the Consolidated Financial Statements.</p> <p>The Group had £363.1m of goodwill and a further £213m of intangible assets on the balance sheet at 30 September 2017.</p> <p>Impairment charges of £117.0m to goodwill and £96.4m to intangible assets have been taken in the year principally in relation to Genscape, Sitecompli and Xceligent.</p> <p>The carrying values of the remaining goodwill and intangibles are contingent on future cash flows of the underlying CGUs and there is a risk that if these cash flows do not meet the directors' expectations that the assets will be impaired.</p> <p>We focused our testing on those CGUs where the directors had identified an impairment or where headroom was limited. The directors' impairment reviews also identified limited headroom in relation to the RMS(one) intangible asset.</p> | <p>As part of our audit of the directors' impairment reviews (for both goodwill and intangible assets) we evaluated future cash flow forecasts and the process by which they were drawn up. This included comparing them to the latest Board approved budgets and management's three year plans, and testing the underlying calculations.</p> <p>For the impairment assessment of goodwill and intangible assets we tested all key assumptions, including:</p> <ul style="list-style-type: none"> <li>• revenue and profit assumptions included within budgets and future forecasts, by considering the historical accuracy of budgets against actual results;</li> <li>• key assumptions for long term growth rates in the forecasts by comparing them to historical results, economic and industry forecasts, and comparable companies;</li> <li>• the discount rate by comparing the cost of capital for the Group with comparable organisations, and assessed the specific risk premium applied to the business in question; and</li> <li>• the directors' potential bias through performance of our own sensitivity analysis on key assumptions particularly those driving underlying cash flows.</li> </ul> <p>We engaged our valuation specialists to assist us in evaluating the appropriateness of key market related assumptions in the directors' valuation models, including discount and long term growth rates.</p> <p>In addition, with regards to Genscape we:</p> <ul style="list-style-type: none"> <li>• reviewed the implied earnings multiple and compared these against comparable companies; and</li> <li>• considered the third party valuation obtained, which had incorporated various valuation methodologies and compared them to management's on value in use calculations.</li> </ul> <p>As part of our testing over the underlying calculations, we recalculated the impairment charges recognised.</p> <p>Having undertaken these procedures we consider management's impairment charge to be appropriate.</p> <p>With regards to RMS(one) we met with relevant directors and sales staff to obtain corroborative evidence of expected pricing packages and client uptake and to confirmed our understanding of the product development roadmap. We have corroborated pricing assumptions with reference to signed third party contracts.</p> <p>We considered the need for additional sensitivity disclosures for CGUs with limited headroom as required by IAS 36 'Impairment of assets' and we agree with the directors' decision to provide these additional disclosures for Landmark and Hobsons.</p> <p>For those assets where the directors determined that no impairment was required and that no additional sensitivity disclosures were necessary, we found that these judgements were supported by reasonable assumptions that would require significant downside changes before any additional material impairment was necessary.</p> |

## Governance

# Independent auditors' report to the members of Daily Mail and General Trust plc

| Area of focus   | How our audit addressed the area of focus  |
|---|--|
| <p><b>Accounting for Euromoney disposal</b></p> <p>Refer to the Audit &amp; Risk Committee report on pages 50 to 55 and to Note 19 in the Consolidated Financial Statements.</p> <p>On 31 December 2017, the Group reduced its stake in Euromoney from 67.9% to 49.9% from which point Euromoney was treated as an associate.</p> <p>The reduction in holding to 49.9% resulted in a gain on disposal of £509.3m, comprising both a gain on the 18% holding sold of £151.9m, and a gain on the fair value of the retained interest of £357.4m.</p> <p>The calculation of the profit on disposal is complex.</p>   | <p>We considered whether DMGT exercises de facto control over Euromoney after the completion of the transaction given its 49.9% shareholding and having considered factors such as DMGT's ability to control Euromoney through the Board or other means.</p> <p>We determined that the Group does not have control over Euromoney and treatment as an associate was appropriate.</p> <p>With regards to the calculation of the profit on disposal, we:</p> <ul style="list-style-type: none"> <li>• obtained and recalculated the directors' calculation of the profit on disposal;</li> <li>• recalculated the allocation of gain between the holdings disposed and gain on the fair value of retained interest;</li> <li>• verified the fair value of consideration received to underlying support including cash transactions and the Share Purchase Agreements; and</li> <li>• recalculated foreign exchange differences that were appropriately recycled on disposal.</li> </ul> <p>Based on the procedures performed, we concluded that the accounting for the disposal was accurate.</p>  |
| <p><b>Presentation of adjusted profit</b></p> <p>Refer to the Audit &amp; Risk Committee report on pages 50 to 55 and to Note 13 in the Consolidated Financial Statements.</p> <p>The Group presents adjusted profit before taxation to enable users of the financial statements to gain a better understanding of the underlying results.</p> <p>In arriving at adjusted profit a number of items are considered 'exceptional' by management and are excluded from underlying earnings. Current year exceptional charges relate to the closure of the Didcot printing plant, other restructuring initiatives, and significant, non-recurring legal costs. The classification of items as non-trading or exceptional is an area of judgement and the appropriateness and consistency of the presentation of adjusted measures of performance continues to attract scrutiny from the financial reporting regulators.</p> | <p>We have considered the appropriateness of the adjustments made to statutory profit before taxation to derive adjusted profit before tax. We have understood the rationale for classifying items as exceptional or non-trading and considered whether this is reasonable and consistent, in that it includes items that both increase and decrease the adjusted profit measure, are consistent year on year, and are in accordance with the Group's accounting policy.</p> <p>We considered the appropriateness of those costs determined to be exceptional, specifically we:</p> <ul style="list-style-type: none"> <li>• verified severance costs and confirmed that these reflect permanent reductions in head count and where not settled are supported by appropriate evidence that these redundancies were sufficiently communicated prior to year-end;</li> <li>• considered the nature and scope of the consulting engagements and confirmed the fees classified as exceptional were sufficiently linked to the Group restructuring initiatives;</li> <li>• tested the value of the assets written off and considered the carrying value of the remaining site assets to third party valuations;</li> <li>• tested the exceptional legal costs to supporting documentation.</li> </ul> <p>We have also audited the reconciliation of adjusted profit to statutory profit in Note 13, and agreed all material adjustments to underlying accounting records and our audit work performed over other balances.</p> <p>We have determined that the rationale for including or excluding items from adjusted profit has been consistently applied across gains and losses and year on year.</p> <p>We consider the Group's disclosures setting out the reasons for its use of alternative performance measures and the reconciliations of these measures to the statutory amounts to be in line with the FRC guidance in this area.</p> |

| Area of focus  | How our audit addressed the area of focus   |
|--|---|
| <p><b>Capitalisation of development costs</b></p> <p>Refer to the Audit &amp; Risk Committee report on pages 50 to 55 and to Note 22 in the Consolidated Financial Statements.</p> <p>£57.7m of internal costs were capitalised during the year in relation to projects undertaken by the Group, primarily relating to the development of new computer software within dmg information.</p> <p>IAS 38 'Intangible assets' ("IAS 38") requires that the Group demonstrates that internal costs satisfy certain requirements to qualify for capitalisation some of which require the application of judgement.</p> <p>£96.4m of capitalised development costs were impaired during the year including an amount that had been capitalised during the year.</p>   | <p>With regards to the costs capitalised during the year, we tested a sample to determine whether they meet the criteria of IAS 38, agreeing the costs selected to supporting evidence.</p> <p>Where these capitalised costs related to time spent by staff developing intangible assets, we also:</p> <ul style="list-style-type: none"> <li>• agreed that these salary costs were directly attributable to the creation of the asset;</li> <li>• agreed the salary costs capitalised to payroll records; and</li> <li>• verified time spent and the associated allocations to individual projects to timesheets or other supporting evidence.</li> </ul> <p>We considered the directors' intention and ability to complete the project by obtaining and assessing the business cases and current budgets for material intangible asset additions.</p> <p>We also assessed the consistency of the application of the Group's accounting policy across costs capitalised in the different operating divisions. We found that the Group's accounting policy for capitalisation of intangible assets was in accordance with the requirements of with IAS 38 and had been consistently applied.</p> <p>Where costs capitalised were subsequently written off in the year we verified that the IAS 38 criteria were met at the time of capitalisation and that the impairment arose from subsequent strategic decisions taken as part of the strategic review of the businesses at the end of the year.</p>   |
| <p><b>Accounting for deferred taxation and uncertain tax positions</b></p> <p>Refer to the Audit &amp; Risk Committee report on pages 50 to 55 and to Note 37 in the Consolidated Financial Statements.</p> <p>The Group's recognition of deferred tax assets in respect of trading and non-trading tax losses in the Group is an area of focus due to the quantum of the losses and the requirement to make estimates of future taxable profits in determining the valuation of deferred tax assets.</p> <p>In addition the Group has provisions for uncertain tax positions relating to both historic and current tax arrangements.</p> <p>The recognition and measurement of these items in the financial statements is judgemental, and we focussed on the directors' forecasts of future profits against which to utilise accumulated losses, and the technical interpretation of taxation law in respect to transactions giving rise to deferred tax assets and uncertain tax positions.</p> <p>In the period £108.9m of deferred tax assets were written off.</p> | <p>We involved our in-house tax specialists in our testing of the appropriateness of the estimates and judgements taken in relation to deferred taxation and in respect of uncertain tax positions recognised in the financial statements.</p> <p>In assessing the likelihood of the Group being able to generate sufficient future taxable profits against which to offset accumulated losses, we considered:</p> <ul style="list-style-type: none"> <li>• key inputs to the calculation including revenue and profit assumptions, in line with our work over the carrying value of goodwill and intangible assets; and</li> <li>• the directors' ability to accurately forecast future profits.</li> </ul> <p>In understanding and evaluating the directors' technical interpretation of tax law in respect of specific transactions that gave rise to deferred tax assets and uncertain tax positions we considered:</p> <ul style="list-style-type: none"> <li>• third party tax advice received by the Group;</li> <li>• the status of recent and current tax authority audits and enquiries;</li> <li>• the outturn of previous claims;</li> <li>• judgemental positions taken in tax returns and current year estimates; and</li> <li>• developments in the tax environment.</li> </ul> <p>We consider the impairment of deferred tax balances in the current year of £108.9m appropriate following our evaluation of the technical interpretations outlined above. We consider the amounts written off, the valuation of the remaining deferred tax assets and the provisions for uncertain tax positions recognised to be supportable and the level of provisioning to be acceptable in the context of the Group financial statements.</p> |

## Governance

# Independent auditors' report to the members of Daily Mail and General Trust plc

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of a head office and four trading reporting divisions: RMS; dmg media; dmg information; and dmg events. As each of these prepares a sub-consolidation, we considered each of these to be a separate component, with the exception of dmg information. While there are consolidated results for dmg information, each business is run separately and management primarily reviews the performance of the individual businesses rather than the division as a whole. As such we scoped our audit of dmg information at a business level.

Of the four divisions we identified one, dmg media, which in our view required an audit of their complete financial information due to their size. In order to obtain sufficient and appropriate audit evidence over the Group as a whole we also instructed component teams to complete full scope audits of the RMS and dmg events divisions.

Within dmg information we identified two UK businesses, Searchflow Ltd and Landmark Information Group Ltd, for which we perform accelerated statutory audits to align with the Group audit timetable. In addition we performed a full scope audit of two US businesses, Hobsons Inc and Genscape Inc. For two US businesses for which statutory audits are not required, Trepp LLC and Environmental Data Resources Inc, we conducted specified procedures over higher risk financial statement line items, including revenue and capitalised development spend.

Full scope audits were also performed for the Group's two material associates (ZPG Plc and Euromoney Institutional Investor PLC). For Euromoney Institutional Investor PLC, we instructed our component team to complete a full scope audit. For the audit of ZPG Plc we rely on an audit opinion from Deloitte LLP, who are Zoopla's auditors, and performed additional procedures to calculate the Group's share of these results.

Taken together, the components where we performed audit work accounted for 87% of Group revenue and 76% of absolute adjusted profit before taxation.

We sent detailed instructions to all component audit teams, which included communication of the areas of focus above

and other required communications.

In addition, regular meetings were held with the UK and overseas audit teams and members of the Group audit team visited the Searchflow Ltd, Landmark Information Group Ltd, Hobson Inc, Genscape Inc, dmg media and Euromoney component audit teams.

This, together with additional procedures performed at the Group level (including audit procedures over impairment of goodwill and intangibles, material head office entities, tax, pensions and consolidation adjustments), gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|  | Group financial statements  | Parent Company financial statements   |
|--|---|---|
| <b>Overall materiality</b>             | £9 million (2016: £10 million).   | £9 million (2016: £10 million).   |
| <b>How we determined it</b>            | 4% of adjusted profit before tax.   | Lower of 1% of total assets and Group materiality.  |
| <b>Rationale for benchmark applied</b> | The Group is profit oriented. Adjusted profit before taxation is the adjusted performance measure that is reported to investors and shareholders and is the measure which the directors consider best represents the underlying performance of the Group. Due to the inherent judgement in classification of certain items as non-trading, and therefore non-underlying, we have applied a 4% rule of thumb, which is lower than the 5% suggested by ISAs (UK) for the audit of profit-oriented entities. | The parent Company is not profit oriented. Total assets is used as the benchmark as the parent Company's principal activity is to hold investments, creditors, and debtors balances. We have applied a 1% rule of thumb suggested by ISAs (UK) as the parent Company is a public interest entity. As the parent Company also contributes to our Group audit as a head office entity, we have used the Group materiality, which is lower than 1% of the parent Company's total assets. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.0 million and £6.8 million (2016: between £1.2 million and £7.0 million).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2016: £0.5 million) and £0.5 million (parent Company audit) (2016: £0.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

| Reporting obligation   | Outcome  |
|--|--|
| We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent Company's ability to continue as a going concern. |

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated). Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

**The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group**

As a result of the directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 36 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 29 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

**Other Code Provisions**

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 48, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 50 to 55 describing the work of the Audit & Risk Committee does not appropriately address matters communicated by us to the Audit & Risk Committee.

We have nothing to report in respect of this responsibility.

**Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Governance

# Independent auditors' report to the members of Daily Mail and General Trust plc

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the audit committee, we were appointed by the members on 4 February 2015 to audit the financial statements for the year ended 30 September 2015 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 September 2015 to 30 September 2017.

## Other voluntary reporting

### Going concern

The directors have requested that we review the statement on page 82 in relation to going concern as if the parent Company were a premium listed company. We have nothing to report having performed our review.

### The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

The directors have requested that we perform a review of the directors' statements on pages 36 to 39 that they have carried out a robust assessment of the principal risks facing the Group and in relation to the longer-term viability of the Group, as if the parent Company were a premium listed company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the Group and parent Company and their environment obtained in the course of the audit. We have nothing to report having performed this review.

### Other Code provisions

The directors have prepared a corporate governance statement and requested that we review it as though the parent Company were a premium listed company. We have nothing to report in respect of the requirement for the auditors of premium listed companies to report when the directors' statement relating to the parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### Neil Grimes (Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
London

30 November 2017



# Financial Statements

## Consolidated Income Statement

For the year ended 30 September 2017

|   | Note      | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|-----------|--|--|
| <b>CONTINUING OPERATIONS</b>  |           |  |  |
| Revenue   | 3         | 1,564.3                                  | 1,514.2                                  |
| <b>Adjusted operating profit</b>  | 3, (i)    | 179.0                                    | 177.0                                    |
| Exceptional operating costs, impairment of internally generated and acquired computer software, property, plant and equipment | 3         | (166.2)                                  | (41.8)                                   |
| Amortisation and impairment of acquired intangible assets arising on business combinations and impairment of goodwill         | 3, 21, 22 | (158.2)                                  | (49.6)                                   |
| <b>Operating (loss)/profit before share of results of joint ventures and associates</b>                                       | 4         | (145.4)                                  | 85.6                                     |
| Share of results of joint ventures and associates   | 7         | 16.9                                     | 4.9                                      |
| <b>Total operating (loss)/profit</b>  |           | (128.5)                                  | 90.5                                     |
| Other gains and losses  | 8         | 14.0                                     | 130.8                                    |
| <b>(Loss)/profit before investment revenue, net finance costs and tax</b>   |           | (114.5)                                  | 221.3                                    |
| Investment revenue  | 9         | 2.5                                      | 2.2                                      |
| Finance expense   | 10        | (43.8)                                   | (49.1)                                   |
| Finance income  | 10        | 43.5                                     | 27.3                                     |
| <b>Net finance costs</b>  |           | (0.3)                                    | (21.8)                                   |
| <b>(Loss)/profit before tax</b>   |           | (112.3)                                  | 201.7                                    |
| Tax   | 11        | (64.7)                                   | (19.9)                                   |
| <b>(Loss)/profit after tax from continuing operations</b>   |           | (177.0)                                  | 181.8                                    |
| <b>DISCONTINUED OPERATIONS</b>  | 19        |  |  |
| Profit from discontinued operations   |           | 519.3                                    | 32.4                                     |
| <b>PROFIT FOR THE YEAR</b>  |           | 342.3                                    | 214.2                                    |
| <b>Attributable to:</b>   |           |  |  |
| Owners of the Company   | 39        | 345.3                                    | 204.2                                    |
| Non-controlling interests*  | 40        | (3.0)                                    | 10.0                                     |
| <b>Profit for the year</b>  |           | 342.3                                    | 214.2                                    |
| <b>(Loss)/earnings per share</b>  |           |  |  |
| From continuing operations  |           |  |  |
| Basic   |           | (49.3)p                                  | 48.6p                                    |
| Diluted   |           | (48.5)p                                  | 47.4p                                    |
| From discontinued operations  |           |  |  |
| Basic   |           | 147.1p                                   | 9.2p                                     |
| Diluted   |           | 144.8p                                   | 9.0p                                     |
| From continuing and discontinued operations   |           |  |  |
| Basic   |           | 97.8p                                    | 57.8p                                    |
| Diluted   |           | 96.3p                                    | 56.4p                                    |
| Adjusted earnings per share   |           |  |  |
| Basic   |           | 55.6p                                    | 56.0p                                    |
| Diluted   |           | 54.7p                                    | 54.7p                                    |
| *Continuing operations  |           |  |  |
| Discontinued operations   |           |  |  |
|   |           | (6.4)                                    | (0.3)                                    |
|   |           | 3.4                                      | 10.3                                     |
|   |           | (3.0)                                    | 10.0                                     |

(i) Adjusted operating profit is defined as total operating profit from continuing operations before share of results of joint ventures and associates, exceptional operating costs, impairment of goodwill and intangible assets, amortisation of acquired intangible assets arising on business combinations and impairment of property, plant and equipment.

## Financial Statements

## Consolidated Statement of Comprehensive Income

## For the year ended 30 September 2017

|  | Note       | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|------------|--|--|
| Profit for the year  |            | 342.3                                    | 214.2                                    |
| <b>Items that will not be reclassified to Consolidated Income Statement</b>                          |            |  |  |
| Actuarial gain/(loss) on defined benefit pension schemes   | 35, 39, 40 | 299.1                                    | (114.7)                                  |
| Losses on hedges of net investments in foreign operations of non-controlling interests               | 40         | (5.5)                                    | (14.0)                                   |
| Foreign exchange differences on translation of foreign operations of non-controlling interests       | 40         | 11.4                                     | 31.2                                     |
| Tax relating to items that will not be reclassified to Consolidated Income Statement                 |            | (49.3)                                   | 6.4                                      |
| <b>Total items that will not be reclassified to Consolidated Income Statement</b>                    |            | <b>255.7</b>                             | <b>(91.1)</b>                            |
| <b>Items that may be reclassified subsequently to Consolidated Income Statement</b>                  |            |  |  |
| Gains/(losses) on hedges of net investments in foreign operations                                    | 39         | 4.5                                      | (72.9)                                   |
| Cash flow hedges:  |            |  |  |
| Losses arising during the year   | 39, 40     | (0.6)                                    | (9.5)                                    |
| Transfer of losses on cash flow hedges from translation reserve to Consolidated Income Statement     | 39, 40     | 1.1                                      | 2.2                                      |
| Share of joint ventures' and associates' items of other comprehensive income                         | 7, 39      | (9.7)                                    | -  |
| Translation reserves recycled to Consolidated Income Statement on disposals                          | 18, 39, 40 | 49.4                                     | (0.6)                                    |
| Foreign exchange differences on translation of foreign operations                                    | 39         | 8.7                                      | 116.0                                    |
| Tax relating to derivative financial instruments   |            | -  | 1.4                                      |
| <b>Total items that may be reclassified subsequently to Consolidated Income Statement</b>            |            | <b>53.4</b>                              | <b>36.6</b>                              |
| <b>Other comprehensive income/(expense) for the year</b>   |            | <b>309.1</b>                             | <b>(54.5)</b>                            |
| <b>Total comprehensive income for the year</b>   |            | <b>651.4</b>                             | <b>159.7</b>                             |
| <b>Attributable to:</b>  |            |  |  |
| Owners of the Company  |            | 645.7                                    | 136.9                                    |
| Non-controlling interests  |            | 5.7                                      | 22.8                                     |
|  |            | 651.4                                    | 159.7                                    |
| Continuing operations  |            | 51.7                                     | 93.2                                     |
| Discontinued operations  |            | 599.7                                    | 66.5                                     |
|  |            | 651.4                                    | 159.7                                    |
| <b>Total comprehensive income/(expense) for the year from continuing operations attributable to:</b> |            |  |  |
| Owners of the Company  |            | 54.2                                     | 91.1                                     |
| Non-controlling interests  |            | (2.5)                                    | 2.1                                      |
|  |            | 51.7                                     | 93.2                                     |

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

|  | Note       | Called-up share capital<br>£m | Share premium account<br>£m | Capital redemption reserve<br>£m | Own shares<br>£m | Translation reserve<br>£m | Retained earnings<br>£m | Equity attributable to owners of the Company<br>£m | Non-controlling interests<br>£m | Total equity<br>£m |
|--|------------|-------------------------------|-----------------------------|----------------------------------|------------------|---------------------------|-------------------------|--|---------------------------------|--------------------|
| <b>At 30 September 2015</b>  |            | <b>45.4</b>                   | <b>17.8</b>                 | <b>4.9</b>                       | <b>(76.3)</b>    | <b>(25.9)</b>             | <b>339.0</b>            | <b>304.9</b>                                       | <b>154.9</b>                    | <b>459.8</b>       |
| Profit for the year  | 39, 40     | -                             | -                           | -                                | -                | -                         | 204.2                   | 204.2  | 10.0                            | 214.2              |
| Other comprehensive income/(expense) for the year  | 39, 40     | -                             | -                           | -                                | -                | 37.8                      | (105.1)                 | (67.3)   | 12.8                            | (54.5)             |
| <b>Total comprehensive income for the year</b>   |            | <b>-</b>                      | <b>-</b>                    | <b>-</b>                         | <b>-</b>         | <b>37.8</b>               | <b>99.1</b>             | <b>136.9</b>                                       | <b>22.8</b>                     | <b>159.7</b>       |
| Cancellation of A Ordinary Shares  | 39         | (0.1)                         | -                           | 0.1                              | 6.5              | -                         | (6.5)                   | -  | -                               | -                  |
| Issue of share capital   | 40         | -                             | -                           | -                                | -                | -                         | -                       | -  | 0.3                             | 0.3                |
| Dividends  | 12, 39     | -                             | -                           | -                                | -                | -                         | (76.4)                  | (76.4)   | (12.7)                          | (89.1)             |
| Own shares acquired in the year  | 38, 39     | -                             | -                           | -                                | (29.8)           | -                         | -                       | (29.8)   | -                               | (29.8)             |
| Own shares transferred on exercise of share options  | 39         | -                             | -                           | -                                | 10.9             | -                         | -                       | 10.9   | -                               | 10.9               |
| Exercise of acquisition put option commitments   | 39         | -                             | -                           | -                                | -                | -                         | (0.3)                   | (0.3)  | -                               | (0.3)              |
| Other transactions with non-controlling interests  |            | -                             | -                           | -                                | -                | -                         | -                       | -  | 0.2                             | 0.2                |
| Adjustment to equity following increased stake in controlled entity                              | 39         | -                             | -                           | -                                | -                | -                         | (4.9)                   | (4.9)  | 4.9                             | -                  |
| Adjustment to equity following decreased stake in controlled entity                              | 39         | -                             | -                           | -                                | -                | -                         | (0.2)                   | (0.2)  | 0.2                             | -                  |
| Credit to equity for share-based payments  | 39         | -                             | -                           | -                                | -                | -                         | 15.8                    | 15.8   | 0.2                             | 16.0               |
| Settlement of exercised share options of subsidiaries  | 39         | -                             | -                           | -                                | -                | -                         | (12.1)                  | (12.1)   | -                               | (12.1)             |
| Initial recording of put options granted to non-controlling interests in subsidiary undertakings | 39         | -                             | -                           | -                                | -                | -                         | (0.5)                   | (0.5)  | (0.2)                           | (0.7)              |
| Non-controlling interest recognised on acquisition   | 39, 40     | -                             | -                           | -                                | -                | -                         | -                       | -  | 7.6                             | 7.6                |
| Corporation tax on share-based payments  | 39         | -                             | -                           | -                                | -                | -                         | 5.4                     | 5.4  | -                               | 5.4                |
| Deferred tax on other items recognised in equity   | 37, 39, 40 | -                             | -                           | -                                | -                | -                         | 1.4                     | 1.4  | -                               | 1.4                |
| <b>At 30 September 2016</b>  |            | <b>45.3</b>                   | <b>17.8</b>                 | <b>5.0</b>                       | <b>(88.7)</b>    | <b>11.9</b>               | <b>359.8</b>            | <b>351.1</b>                                       | <b>178.2</b>                    | <b>529.3</b>       |
| Profit/(loss) for the year   | 39, 40     | -                             | -                           | -                                | -                | -                         | 345.3                   | 345.3  | (3.0)                           | 342.3              |
| Other comprehensive income for the year  | 39, 40     | -                             | -                           | -                                | -                | 63.0                      | 237.4                   | 300.4  | 8.7                             | 309.1              |
| <b>Total comprehensive income for the year</b>   |            | <b>-</b>                      | <b>-</b>                    | <b>-</b>                         | <b>-</b>         | <b>63.0</b>               | <b>582.7</b>            | <b>645.7</b>                                       | <b>5.7</b>                      | <b>651.4</b>       |
| Issue of share capital   | 40         | -                             | -                           | -                                | -                | -                         | -                       | -  | 0.5                             | 0.5                |
| Dividends  | 12, 39     | -                             | -                           | -                                | -                | -                         | (78.3)                  | (78.3)   | -                               | (78.3)             |
| Own shares acquired in the year  | 38, 39     | -                             | -                           | -                                | (28.6)           | -                         | -                       | (28.6)   | -                               | (28.6)             |
| Disposal of Euromoney treasury shares held by Euromoney  | 38, 39     | -                             | -                           | -                                | 14.1             | -                         | -                       | 14.1   | -                               | 14.1               |
| Own shares transferred on exercise of share options  | 39         | -                             | -                           | -                                | 38.9             | -                         | -                       | 38.9   | -                               | 38.9               |
| Changes in non-controlling interests following disposal of Euromoney                             | 39         | -                             | -                           | -                                | -                | -                         | -                       | -  | (171.1)                         | (171.1)            |
| Other transactions with non-controlling interests  |            | -                             | -                           | -                                | -                | -                         | -                       | -  | (0.1)                           | (0.1)              |
| Adjustment to equity following increased stake in controlled entity                              | 39         | -                             | -                           | -                                | -                | -                         | 0.4                     | 0.4  | (2.6)                           | (2.2)              |
| Adjustment to equity following decreased stake in controlled entity                              | 39         | -                             | -                           | -                                | -                | -                         | (0.3)                   | (0.3)  | 0.3                             | -                  |
| Credit to equity for share-based payments  | 39         | -                             | -                           | -                                | -                | -                         | 4.0                     | 4.0  | 0.1                             | 4.1                |
| Settlement of exercised share options of subsidiaries  | 39         | -                             | -                           | -                                | -                | -                         | (38.4)                  | (38.4)   | -                               | (38.4)             |
| Deferred tax on other items recognised in equity   | 37, 39, 40 | -                             | -                           | -                                | -                | -                         | (0.4)                   | (0.4)  | -                               | (0.4)              |
| <b>At 30 September 2017</b>  |            | <b>45.3</b>                   | <b>17.8</b>                 | <b>5.0</b>                       | <b>(64.3)</b>    | <b>74.9</b>               | <b>829.5</b>            | <b>908.2</b>                                       | <b>11.0</b>                     | <b>919.2</b>       |

## Financial Statements

## Consolidated Statement of Financial Position

## At 30 September 2017

|   | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|------|----------------------------------|----------------------------------|
| <b>ASSETS</b>                                 |      |                                  |                                  |
| <b>Non-current assets</b>                     |      |                                  |                                  |
| Goodwill                                      | 21   | 363.1                            | 981.6                            |
| Other intangible assets                       | 22   | 213.0                            | 499.2                            |
| Property, plant and equipment                 | 23   | 103.3                            | 176.1                            |
| Investments in joint ventures                 | 24   | 0.2                              | 4.8                              |
| Investments in associates                     | 24   | 735.2                            | 145.3                            |
| Available-for-sale investments                | 25   | 30.6                             | 15.8                             |
| Trade and other receivables                   | 27   | 20.5                             | 18.7                             |
| Other financial assets                        | 28   | 15.5                             | 21.0                             |
| Derivative financial assets                   | 34   | 4.6                              | 28.3                             |
| Retirement benefit assets                     | 35   | 73.4                             | 40.1                             |
| Deferred tax assets                           | 37   | 75.9                             | 177.4                            |
|   |      | <b>1,635.3</b>                   | <b>2,108.3</b>                   |
| <b>Current assets</b>                         |      |                                  |                                  |
| Inventories                                   | 26   | 26.6                             | 30.8                             |
| Trade and other receivables                   | 27   | 236.8                            | 346.2                            |
| Current tax receivable                        | 31   | 9.6                              | 15.6                             |
| Other financial assets                        | 28   | 14.5                             | 17.1                             |
| Derivative financial assets                   | 34   | 3.0                              | 0.4                              |
| Cash and cash equivalents                     | 29   | 14.6                             | 25.7                             |
| Total assets of businesses held for sale      | 20   | 107.8                            | 5.0                              |
|   |      | <b>412.9</b>                     | <b>440.8</b>                     |
| <b>Total assets</b>                           |      | <b>2,048.2</b>                   | <b>2,549.1</b>                   |
| <b>LIABILITIES</b>                            |      |                                  |                                  |
| <b>Current liabilities</b>                    |      |                                  |                                  |
| Trade and other payables                      | 30   | (502.7)                          | (756.2)                          |
| Current tax payable                           | 31   | (1.7)                            | (27.0)                           |
| Acquisition put option commitments            | 32   | (0.6)                            | (18.5)                           |
| Borrowings                                    | 33   | (9.4)                            | (11.0)                           |
| Derivative financial liabilities              | 34   | (0.4)                            | (11.5)                           |
| Provisions                                    | 36   | (43.6)                           | (54.4)                           |
| Total liabilities of businesses held for sale | 20   | (29.0)                           | (5.5)                            |
|   |      | <b>(587.4)</b>                   | <b>(884.1)</b>                   |
| <b>Non-current liabilities</b>                |      |                                  |                                  |
| Trade and other payables                      | 30   | (2.9)                            | (5.7)                            |
| Acquisition put option commitments            | 32   | (7.4)                            | (26.3)                           |
| Borrowings                                    | 33   | (470.3)                          | (693.7)                          |
| Derivative financial liabilities              | 34   | (18.8)                           | (47.3)                           |
| Retirement benefit obligations                | 35   | (11.0)                           | (286.1)                          |
| Provisions                                    | 36   | (19.1)                           | (52.8)                           |
| Deferred tax liabilities                      | 37   | (12.1)                           | (23.8)                           |
|   |      | <b>(541.6)</b>                   | <b>(1,135.7)</b>                 |
| <b>Total liabilities</b>                      |      | <b>(1,129.0)</b>                 | <b>(2,019.8)</b>                 |
| <b>Net assets</b>                             |      | <b>919.2</b>                     | <b>529.3</b>                     |

**At 30 September 2017**

|   | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|------|----------------------------------|----------------------------------|
| <b>SHAREHOLDERS' EQUITY</b>                         |      |                                  |                                  |
| Called-up share capital                             | 38   | <b>45.3</b>                      | 45.3                             |
| Share premium account                               | 39   | <b>17.8</b>                      | 17.8                             |
| <b>Share capital</b>                                |      | <b>63.1</b>                      | 63.1                             |
| Capital redemption reserve                          | 39   | <b>5.0</b>                       | 5.0                              |
| Own shares  | 39   | <b>(64.3)</b>                    | (88.7)                           |
| Translation reserve                                 | 39   | <b>74.9</b>                      | 11.9                             |
| Retained earnings                                   | 39   | <b>829.5</b>                     | 359.8                            |
| <b>Equity attributable to owners of the Company</b> |      | <b>908.2</b>                     | 351.1                            |
| <b>Non-controlling interests</b>                    | 40   | <b>11.0</b>                      | 178.2                            |
|   |      | <b>919.2</b>                     | 529.3                            |

The financial statements of DMGT plc (Company number 184594) on pages 93 to 187 were approved by the Directors and authorised for issue on 30 November 2017. They were signed on their behalf by:

**The Viscount Rothermere**

**P A Zwillenberg**

Directors

## Financial Statements

## Consolidated Cash Flow Statement

## For the year ended 30 September 2017

|   | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|--------|--|--|
| <b>Cash generated by operations</b>   | 15     | <b>232.7</b>                             | 261.0                                    |
| Taxation paid   |        | (18.1)                                   | (29.7)                                   |
| Taxation received   |        | 4.9                                      | 0.8                                      |
| <b>Net cash generated by operating activities</b>                             |        | <b>219.5</b>                             | 232.1                                    |
| <b>Investing activities</b>   |        |  |  |
| Interest received   |        | 2.4                                      | 1.6                                      |
| Dividends received from joint ventures and associates                         | 24     | 35.9                                     | 5.3                                      |
| Dividends received from available-for-sale investments                        | 9      | 0.1                                      | -  |
| Purchase of property, plant and equipment                                     | 23     | (21.1)                                   | (27.2)                                   |
| Expenditure on internally generated intangible fixed assets                   | 22     | (57.7)                                   | (58.3)                                   |
| Expenditure on other intangible assets  | 22     | (0.2)                                    | (3.0)                                    |
| Purchase of available-for-sale investments                                    | 25     | (19.4)                                   | (1.6)                                    |
| Proceeds on disposal of property, plant and equipment and investment property |        | 0.7                                      | 1.5                                      |
| Proceeds on disposal of available-for-sale investments                        |        | -  | 0.1                                      |
| Purchase of subsidiaries  | 17     | (26.7)                                   | (29.5)                                   |
| Settlements and collateral payments on treasury derivatives                   |        | 2.8                                      | (40.4)                                   |
| Purchase of option over equity instrument                                     | 34     | -  | (6.5)                                    |
| Investment in joint ventures and associates                                   | 24     | (2.3)                                    | (4.7)                                    |
| Loans advanced to joint ventures and associates                               |        | (2.7)                                    | (0.2)                                    |
| Loans to joint ventures and associates repaid                                 |        | 8.6                                      | 1.2                                      |
| Proceeds on disposal of businesses  | 18     | 215.8                                    | 39.5                                     |
| Proceeds on disposal of joint ventures and associates                         | 8, 24  | 2.4                                      | 72.0                                     |
| Proceeds from redemption of preference share capital                          | 18     | -  | 14.4                                     |
| <b>Net cash generated by/(used in) investing activities</b>                   |        | <b>138.6</b>                             | (35.8)                                   |
| <b>Financing activities</b>   |        |  |  |
| Purchase of additional interests in controlled entities                       | 17     | (2.1)                                    | (0.2)                                    |
| Equity dividends paid   | 12, 39 | (78.3)                                   | (76.4)                                   |
| Dividends paid to non-controlling interests                                   | 40     | -  | (12.7)                                   |
| Issue of shares by Group companies to non-controlling interests               | 40     | 0.5                                      | 0.3                                      |
| Purchase of own shares  | 39     | (28.6)                                   | (29.8)                                   |
| Net receipt/(payment) on settlement of subsidiary share options               |        | 0.5                                      | (1.2)                                    |
| Interest paid   |        | (34.7)                                   | (33.9)                                   |
| Loan notes repaid   | 16     | (0.6)                                    | (0.5)                                    |
| Repayments of obligations under finance lease agreements                      | 16     | (0.7)                                    | (0.2)                                    |
| Inception of finance leases   | 16     | 0.5                                      | 0.6                                      |
| Decrease in bank borrowings   | 16     | (224.9)                                  | (60.6)                                   |
| <b>Net cash used in financing activities</b>                                  |        | <b>(368.4)</b>                           | (214.6)                                  |
| <b>Net decrease in cash and cash equivalents</b>                              | 16     | <b>(10.3)</b>                            | (18.3)                                   |
| <b>Cash and cash equivalents at beginning of year</b>                         | 29     | <b>17.5</b>                              | 31.5                                     |
| Exchange gain on cash and cash equivalents                                    | 16     | 0.2                                      | 4.3                                      |
| <b>Net cash and cash equivalents at end of year</b>                           | 29     | <b>7.4</b>                               | 17.5                                     |



# Notes to the accounts

## 1 Basis of preparation

DMGT plc is a company incorporated and domiciled in the United Kingdom. The address of the registered office is Northcliffe House, 2 Derry Street, London, W8 5TT.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and related IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

These financial statements have been prepared for the year ended 30 September 2017.

Other than the Daily Mail, The Mail on Sunday and Metro businesses, the Group prepares accounts for a year ending on 30 September. The Daily Mail, The Mail on Sunday and Metro businesses prepare financial statements for a 52- or 53-week financial period ending on a Sunday near to the end of September and do not prepare additional financial statements corresponding to the Group's financial year for consolidation purposes as it would be impractical to do so. The Group considers whether there have been any significant transactions or events between the end of the financial year of these businesses and the end of the Group's financial year and makes any material adjustments as appropriate.

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

The Group's financial statements incorporate the financial statements of the Company and all of its subsidiaries together with the Group's share of all of its interests in joint ventures and associates. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments which are held at fair value through profit or loss.

The Group presents the results from discontinued operations separately from those of continuing operations. An operation is classed as discontinued if it has been, or is in the process of being disposed and represents either a separate major line of business or a geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or exit a major geographical area of operations.

Prior period amounts have been re-presented to conform to the current period's presentation, as prescribed by IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

All amounts presented have been rounded to the nearest £0.1 million.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review and the Strategic Report.

As highlighted in Notes 33 and 34 to the Accounts, the Company has long-term financing in the form of bonds and meets its day-to-day working capital requirements through bank facilities which expire in March 2019. The Board's forecasts and projections, after taking account of reasonably possible changes in trading performance, show that the Group is expected to operate within the terms of its current facilities. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

## 2 Significant accounting policies

The following new and amended IFRSs have been adopted during the year:

- Amendments to IFRS 10 and IAS 28, Accounting for the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)
- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Amendment to IAS 1, disclosure initiative (effective 1 January 2016)
- Annual Improvements 2010-2012 cycle and 2011-2013 cycle have been implemented in the prior year and had no material impact on the Group.

# Financial Statements

## Notes to the accounts

### 2 Significant accounting policies continued

#### Annual improvements 2012-2014 cycle (effective 1 January 2016)

- Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IFRS 7, Financial Instruments disclosures
- IAS 19, Employee Benefits, discount rates for post-employment benefits
- IAS 34, Interim Financial Reporting, Disclosure of information 'elsewhere in the interim financial report'

The above amendments have not had any significant impact on the Group's financial statements.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for the Group's accounting periods beginning on or after 1 October 2017. These new pronouncements are listed below:

- Amendments to IAS 7, Statement of cash flows (effective 1 January 2017)
- Amendment to IAS 12, Recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
- IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9, Financial Instruments (effective 1 January 2018)
- IFRS 16, Leases (effective 1 January 2019)

#### Annual improvements 2014-2016 cycle

- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards (effective 1 January 2018)
- Amendments to IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2017)
- Amendments to IAS 28, Investments in Associates and Joint Ventures (effective 1 January 2018)

A number of new and amended IFRS's have been adopted in the period, none had any significant impact on the Group's financial statements.

Other than IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, the adoption of standards, amendments and interpretations which have been issued but are not yet effective is not expected to have a material impact on the Group's financial statements.

IFRS 15, effective for the 2019 fiscal year introduces additional guidance surrounding performance obligations within sales contracts and the timing of revenue recognition. In 2016 the Group commenced a project to evaluate the impact of IFRS 15 but due to the complexity of this new accounting standard and the number of different revenue streams in the Group, the impact is still being evaluated.

IFRS 16, effective for the 2020 fiscal year will require lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value eliminating the distinction between operating and finance leases. The new standard will also replace the operating lease expense with a depreciation charge for the leased assets and an interest expense on the corresponding lease liability. Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group is in the process of assessing the impact of this standard. Note 41 provides further information on the Group's operating lease obligations.

#### Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where the consideration for an acquisition includes any asset or liability resulting from a contingent arrangement, this is measured at its discounted fair value on the acquisition date. Subsequent changes in such fair values are adjusted through the Consolidated Income Statement in Financing. All other changes in the fair value of contingent consideration classified as an asset or liability are measured at fair value at each reporting date and changes in fair value are recognised in profit or loss. Changes in the fair value of contingent consideration classified as equity are not recognised.

Put options granted to non-controlling interests are recorded at present value as a reduction in equity on initial recognition, as the arrangement represents a transaction with equity holders. Changes in value after initial recognition are recorded in the Consolidated Income Statement in Financing.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the date of the acquisition that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is a maximum of one year.

### Business combinations achieved in stages

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the date the Group attains control and the resulting gain or loss is recognised in the Consolidated Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that were recognised in other comprehensive income are reclassified to the Consolidated Income Statement where such treatment would be appropriate if the interest were disposed of.

### Purchases and sales of shares in a controlled entity

Where the Group's interest in a controlled entity increases, the non-controlling interests' share of net assets, excluding any allocation of goodwill, is transferred to retained earnings. Any difference between the cost of the additional interest and the existing carrying value of the non-controlling interests' share of net assets is recorded in retained earnings.

Where the Group's interest in a controlled entity decreases, but the Group retains control, the share of net assets disposed, excluding any allocation of goodwill, is transferred to the non-controlling interests. Any difference between the proceeds of the disposal and the existing carrying value of the net assets or liabilities transferred to the non-controlling interests is recorded in retained earnings.

### Disposal of controlling interests where non-controlling interest retained

Where the Group disposes of a controlling interest but retains a non-controlling interest in the business, the Group accounts for the disposal of a subsidiary and the subsequent acquisition of a joint venture, associate or available-for-sale investment at fair value on initial recognition. On disposal of a subsidiary all amounts deferred in equity are recycled to the Consolidated Income Statement.

### Contingent consideration receivable

Where the consideration for a disposal includes consideration resulting from a contingent arrangement, the contingent consideration receivable is discounted to its fair value, with any subsequent movement in fair value being recorded in the Consolidated Income Statement in Financing.

### Discontinued operations

The Group presents the results from discontinued operations separately from those of continuing operations. An operation is classed as discontinued if it has been, or is in the process of being disposed and represents either a separate major line of business or a geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or exit a major geographical area of operations.

### Assets and liabilities of businesses held for sale

An asset or disposal group is classified as held-for-sale if its carrying amount is intended to be recovered principally through sale rather than continuing use, is available for immediate sale and is highly probable that the sale will be completed within 12 months of classification as held-for-sale. Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment is recognised in the Consolidated Income Statement and is first allocated to the goodwill associated with the disposal group and then to the remaining assets and liabilities on a pro rata basis. No further depreciation or amortisation is charged on non-current assets classified as held-for-sale from the date of classification.

### Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has power over an investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the returns.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date control is obtained or up to the date control is relinquished, 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.

### Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein, either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis. The total comprehensive income of a subsidiary is apportioned between the Group and the non-controlling interest, even if it results in a deficit balance for the non-controlling interest.

# Financial Statements

## Notes to the accounts

### 2 Significant accounting policies continued

#### Interests in joint ventures and associates

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

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

The post-tax results 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 Statement of Financial Position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture and associate, less any impairment in the value of investment. Losses of joint ventures and associates in excess of the 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.

#### Foreign currencies

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than sterling are translated into sterling using exchange rates prevailing on the period end 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 Consolidated Income Statement as part of the gain or loss on sale.

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

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

Goodwill, intangible assets and fair value adjustments arising on the acquisition of foreign operations after transition to IFRS are treated as part of the assets and liabilities of the foreign operation and are translated at the closing rate. Goodwill which arose pre-transition to IFRS is not translated.

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

#### Goodwill and intangible assets

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

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

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

### Impairment of goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The Group has no other intangible assets with indefinite lives.

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 (CGUs). If the recoverable amount of the CGU 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, prorated 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.

When testing for impairment, the recoverable amounts for all of the Group's CGUs are measured at the higher of value in use or fair value less costs to sell. Value in use is calculated by discounting future expected cash flows. These calculations use cash flow projections based on Board-approved budgets and projections which reflect management's current experience and future expectations of the markets in which the CGU operates. Risk-adjusted pre-tax discount rates used by the Group in its impairment tests range from 11.45% to 19.2% (2016 11.25% to 25.0%) the choice of rates depending on the risks specific to that CGU. The Directors' estimate of the Group's weighted average cost of capital is 8.0% (2016 8.0%). The cash flow projections consist of Board-approved budgets for the following year, together with forecasts for up to five additional years and nominal long-term growth rates beyond these periods. The nominal long-term growth rates range between 1.5% and 3.0% (2016 1.0% and 5.0%) and vary with management's view of the CGU's market position, maturity of the relevant market and do not exceed the long-term average growth rate for the market in which the CGU operates.

An impairment loss recognised for goodwill is charged immediately in the Consolidated Income Statement and is not subsequently reversed.

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

Internally generated intangible assets are amortised on a straight-line basis over their estimated useful lives, when the asset is available for use, and are reported net of impairment losses. Where no internally generated intangible asset can be recognised, such development expenditure is charged to the Consolidated Income Statement in the period in which it is incurred.

### Licences

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 intangible assets.

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.

### Other intangible assets

Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Consolidated 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, mastheads and titles                          | 5 – 30 years |
| Brands   | 3 – 20 years |
| Market and customer-related databases and customer relationships | 3 – 20 years |
| Computer software  | 2 – 5 years  |

Amortisation of intangibles not arising on business combinations is included within operating profit in the Consolidated Income Statement.

## Financial Statements

## Notes to the accounts

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

At each period end date, reviews are carried out of the carrying amounts of tangible and intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount, which is the higher of value in use and fair value less costs to sell, of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, value in use estimates are made based on the cash flows of the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its net carrying amount, the net carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised immediately in the Consolidated Income Statement.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods, for an asset other than goodwill, may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, the Group considers, as a minimum, the following indications:

- (i) whether the asset's market value has increased significantly during the period;
- (ii) whether any significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated; and
- (iii) whether market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.

**Property, plant and equipment**

Land and buildings held for use are stated in the Consolidated Statement of Financial Position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

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

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

|  |                       |
|--|-----------------------|
| Freehold buildings and long leasehold properties | 50 years              |
| Short leasehold premises                         | the term of the lease |
| Plant and equipment                              | 3 – 25 years          |
| Depreciation is not provided on freehold land    |                       |

**Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The Group uses the Average Cost method in the dmg media segment for newsprint and the First In First Out method for all other inventories.

**Exhibitions, training and event costs**

Directly attributable costs relating to future exhibitions, training and events are deferred within work in progress and measured at the lower of cost and net realisable value. These costs are charged to the Consolidated Income Statement when the exhibition, training or event takes place.

**Pre-publication costs**

Pre-publication costs represent direct costs incurred in the development of titles prior to their publication. These costs are recognised as work in progress on the Consolidated Statement of Financial Position to the extent that future economic benefit is virtually certain and can be measured reliably. These are recognised in the Consolidated Income Statement on publication.



### Marketing costs

Marketing and promotional costs are charged to the Consolidated Income Statement in the period in which they are incurred.

### Cash and cash equivalents

Cash and cash equivalents shown in the Consolidated Statement of Financial Position 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 Consolidated Cash Flow Statement, cash and cash equivalents are as defined above, net of bank overdrafts.

### Revenue

Revenue is stated at the fair value of consideration, net of value added tax, trade discounts and commission where applicable and is recognised using methods appropriate for the Group's businesses.

Where revenue contracts have multiple elements (such as software licences, data subscriptions and support), all aspects of the transaction are considered to determine whether these elements can be separately identified. Where transaction elements can be separately identified and revenue can be allocated between them on a fair and reliable basis, revenue for each element is accounted for according to the relevant policy below. Where transaction elements cannot be separately identified, revenue is recognised over the contract period.

The dmg media segment enters into agreements with advertising agencies and certain clients, which are subject to a minimum spend and typically include a commitment to deliver rebates to the agency or client based on the level of agency spend over the contract period.

The principal revenue recognition policies, as applied by the Group's major businesses, are as follows:

- subscriptions revenue, including revenue from information services, is recognised over the period of the subscription or contract;
- publishing and circulation revenue is recognised on issue of the publication or report;
- advertising revenue is recognised on issue of the publication or over the period of the online campaign;
- contract print revenue is recognised on completion of the print contract;
- exhibitions, training and events revenues are recognised over the period of the event;
- software revenue is recognised on delivery of the software or the technology or over a period of time where the transaction is a licence (the licence term). If support is unable to be separately identified from hosting and revenue is unable to be allocated on a fair and reliable basis, support revenue is recognised over the licence term. Commissions paid to acquire software and services contracts are capitalised in prepayments and recognised over the term of the contract;
- support revenue associated with software licences and subscriptions is recognised over the term of the support contract; and
- long-term contract revenue is recognised using the percentage of completion method according to the percentage of work completed at the period end date.

### Adjusted measures

The Group presents adjusted operating profit and adjusted profit before tax by making adjustments for costs and profits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings.

Such items would include, but are not limited to, closure costs, costs associated with business combinations, gains and losses on the disposal of businesses, finance costs relating to premia on bond buy-backs, fair value movements, exceptional operating costs, impairment of goodwill and amortisation and impairment of intangible assets arising on business combinations.

The Board and management team believe these adjusted results, used in conjunction with statutory IFRS results, give a greater insight into the financial performance of the Group and the way it is managed. Similarly, adjusted results are used in setting management remuneration.

A description of each adjustment is set out in the Financial Review together with a reconciliation of operating profit to adjusted operating profit.

See Note 13 for a reconciliation of adjusted profit before and after tax.

### Other gains and losses

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

### EBITDA

The Group discloses EBITDA, being adjusted operating profit before depreciation of property, plant and equipment and investment property. EBITDA is broadly used by analysts, rating agencies, investors and the Group's banks as part of their assessment of the Group's performance. A reconciliation of EBITDA from operating profit is shown in Note 15 and the ratio of net debt to EBITDA is disclosed in Note 34.

# Financial Statements

## Notes to the accounts

### 2 Significant accounting policies continued

#### 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 Consolidated Statement of Financial Position 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 Consolidated Income Statement.

Rentals payable under operating leases are charged to the Consolidated 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.

#### Borrowing costs

Unless capitalised under IAS 23, Borrowing Costs, all borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred. Finance charges, including premia paid on settlement or redemption and direct issue costs and discounts related to borrowings, are accounted for on an accruals basis and charged to the Consolidated Income Statement using the effective interest method.

#### Retirement benefits

Pension scheme assets are measured at market value at the period end 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 Consolidated Statement of Financial Position. Actuarial gains and losses arising in the year are taken to the Consolidated Statement of Comprehensive Income. 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 triennially. In accordance with the advice of independent qualified actuaries in assessing whether to recognise a surplus, the Group has regard to the principles set out in IFRIC 14.

Other movements in the net surplus or deficit are recognised in the Consolidated 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 Consolidated Income Statement within net finance costs.

Following the adoption of FRS 101 and FRS 102 in the prior year, the defined benefit pension schemes' deficits have been allocated to Group companies on a buy-out basis – that is, on an estimate of the liabilities and assets of the defined benefit schemes as at 30 September.

The Group's contributions to defined contribution pension plans are charged to the Consolidated Income Statement as they fall due.

#### Taxation

Income tax expense represents the sum of current tax 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 Consolidated 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 period end date.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries, joint ventures and associates 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 period end date, and is reduced or increased as appropriate 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, or it becomes probable that sufficient taxable profits will be available.

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 period end date, and is not discounted.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Tax is charged or credited to the Consolidated 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.

Actual tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets when it is more likely than not that there will be a cash impact. These provisions are made for each uncertainty individually on the basis of management judgement following consideration of the available relevant information. The measurement basis adopted represents the best predictor of the resolution of the uncertainty which is usually based on the most likely cash outflow. The company reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances.

### Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

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

### Financial assets

#### Trade receivables

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

#### Available-for-sale investments

Investments and financial assets are recognised and derecognised 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 fair value through profit or loss 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. Unlisted securities are recorded at cost less provision for impairment, as since there is no active market upon which they are traded, their fair values cannot be reliably measured. The recoverable amount is determined by discounting future cash flows to present value using market interest rates.

### Financial liabilities and equity instruments

#### Trade payables

Trade payables are non-interest bearing and are stated at their nominal value.

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. A portion of the Group's bonds are subject to fair value hedge accounting as explained below and this portion is adjusted for the movement in the hedged risk to the extent hedge effectiveness is achieved. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised over the term of the borrowing.

# Financial Statements

## Notes to the accounts

### 2 Significant accounting policies continued

#### Equity instruments

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

#### Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from the Consolidated Statement of Financial Position where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished.

#### Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by the Group are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Changes in the fair value of derivative instruments which do not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Where the derivative instruments do qualify for hedge accounting, the following treatments are applied:

#### Fair value hedges

Changes in the fair value of the hedging instrument are recognised in the Consolidated Income Statement for the year together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. When the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting, hedge accounting is discontinued.

#### 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 Consolidated Income Statement.

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 Consolidated Income Statement in the same period in which the hedged item affects the Consolidated Income Statement.

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

#### Net investment hedges

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity in the translation reserve. Gains and losses arising from changes in the fair value of the hedging instruments are recognised in equity to the extent that the hedging relationship is effective. Any ineffectiveness is recognised immediately in the Consolidated Income Statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Gains and losses accumulated in the translation reserve are included in the Consolidated Income Statement on disposal of the foreign operation.

#### Provisions

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

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. The provision is calculated based on cash flows to the end of the contract. Vacant property provisions are recognised when the Group has committed to a course of action that will result in the property becoming vacant.

#### Share-based payments

The Group issues equity-settled share-based payments to certain Directors and 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.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each period end date for cash-settled share-based payments.

### Investment in own shares

#### Treasury shares

Where the Company purchases its equity share capital as Treasury Shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is recorded as a deduction from shareholders' equity until such shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.

#### Employee Benefit Trust

The Company has established an Employee Benefit Trust (EBT) for the purpose of purchasing shares in order to satisfy outstanding share options and potential awards under long-term incentive plans. The assets of the Trust comprise shares in DMGT plc and cash balances. The Trust is administered by independent trustees and its assets are held separately from those of the Group. The Group bears the major risks and rewards of the assets held by the EBT until the shares vest unconditionally with employees. The Group recognises the assets and liabilities of the Trust in the consolidated financial statements and shares held by the Trust are recorded at cost as a deduction from shareholders' equity. Consideration received for the sale of shares held by the Trust is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.

### 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, the Directors have made the following judgements concerning the amounts recognised in the consolidated financial statements:

#### Adjusted measures

The Group presents adjusted operating profit and adjusted profit before tax by making adjustments for costs and profits which management believe to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings.

Such items would include, but are not limited to, closure costs, costs associated with business combinations, gains and losses on the disposal of businesses, finance costs relating to premia on bond buy-backs, fair value movements, exceptional operating costs, impairment of goodwill and amortisation and impairment of intangible assets arising on business combinations.

The Board and management team believe these adjusted results, used in conjunction with statutory IFRS results, give a greater insight into the financial performance of the Group and the way it is managed. Similarly, adjusted results are used in setting management remuneration.

A description of each adjustment is set out in the Financial Review together with a reconciliation of operating profit to adjusted operating profit.

See Note 13 for a reconciliation of adjusted profit before and after tax.

#### Investment in Euromoney

Following loss of control the Group has also considered factors which may indicate de facto control. The Group has determined that it does not have de facto control over Euromoney since it cannot block any ordinary resolutions, which comprise the majority of corporate actions, has no control over the remuneration of Euromoney's directors and has no control over Euromoney's day-to-day operations nor budgets. In addition, the Group has no material trading activities or relationships which are critical for Euromoney to carry out its business. The Group's relationship with Euromoney is monitored on an ongoing basis to ensure no change in this assessment.

The following represent critical judgements, involving estimations, that have the most significant effect on the amounts recognised in the financial statements:

#### Forecasting

The Group prepares medium-term forecasts based on Board-approved budgets and up to four-year outlooks. These are used to support judgements made in the preparation of the Group's financial statements including the recognition of deferred tax assets, going concern assessment and for the purposes of impairment reviews. Longer-term forecasts use long-term growth rates applicable to the relevant businesses.

#### Impairment of goodwill and intangible assets

Determining whether goodwill and intangible or other assets are impaired or whether a reversal of an impairment should be recorded requires a comparison of the balance sheet carrying value with the recoverable amount of the asset or CGU. The recoverable amount is the higher of the value in use and fair value less costs to sell.

The value in use calculation requires management to estimate the future cash flows expected to arise from the asset or CGU and calculate the net present value of these cash flows using a suitable discount rate. A key area of judgement is deciding the long-term growth rate and the operating cash flows of the applicable businesses and the discount rate applied to those cash flows (Note 21). The carrying amount of goodwill and intangible assets at the year end was £576.1 million (2016 £1,480.8 million) after a net impairment charge of £213.4 million (2016 £53.6 million) was recognised during the year (Notes 21 and 22). The key assumptions used and associated sensitivity analysis is shown in Note 21.

The key assumptions used and associated sensitivity analysis in relation to Genscape, Landmark, Hobsons and RMS(one) are shown in Note 21 and 22.

# Financial Statements

## Notes to the accounts

### 2 Significant accounting policies continued

#### Acquisitions and intangible assets

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

#### Contingent consideration and put options payable

Estimates are required in respect of the amount of contingent consideration and put options payable on acquisitions, which is determined according to formulae agreed at the time of the business combination, and normally related to the future earnings of the acquired business. The Directors review the amount of contingent consideration and put options likely to become payable at each period end date, the major assumption being the level of future profits of the acquired business. The Group has made a provision for outstanding contingent consideration amounting to £17.0 million (2016 £52.6 million) and put options payable amounting to £8.0 million (2016 £44.8 million).

#### 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 actual tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. Such issues can take several years to resolve.

The Group accounts for unresolved issues based on its best estimate of the final outcome, 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. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets when it is more likely than not that there will be a cash impact. These provisions are made for each uncertainty individually on the basis of management judgement following consideration of the available relevant information. The measurement basis adopted represents the best predictor of the resolution of the uncertainty which is usually based on the most likely cash outflow. The company reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances.

In addition, the Group makes estimates regarding the recoverability of deferred tax assets relating to losses based on forecasts of future taxable profits which are, by their nature, uncertain. In the US there has been a significant reduction in forecast future profits since March 2017 and accordingly it is no longer estimated that the deferred tax asset in respect of US deferred interest will be recovered in the foreseeable future. This has resulted in a significant exceptional write off of the deferred tax asset. If the forecast future profits in the US increase in future periods then the level of the recognised deferred tax asset may increase. Further detail is provided in Note 37.

#### Retirement benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations prepared by the Group's actuaries. This involves making certain assumptions concerning discount rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the Consolidated Income Statement and the amounts of actuarial gains and losses recognised in the Consolidated Statement of Changes in Equity. The carrying amount of the retirement benefit obligation at 30 September 2017 was a surplus of £62.4 million (2016 deficit of £246.0 million). The assumptions used and the associated sensitivity analysis is given in Note 35.



### 3 Segment analysis

The Group's business activities are split into four operating divisions: RMS, dmg information, dmg events and dmg media. These divisions are the basis on which information is reported to the Group's Chief Operating Decision Maker, which has been determined to be the Group Board. The segment result is the measure used for the purposes of resource allocation and assessment and represents profit earned by each segment, including share of results from joint ventures and associates but before exceptional operating costs, amortisation of acquired intangible assets arising on business combinations, impairment charges, other gains and losses, net finance costs and taxation.

Details of the types of products and services from which each segment derives its revenues are included within the Strategic Report.

The accounting policies applied in preparing the management information for each of the reportable segments are the same as the Group's accounting policies described in Note 2.

| Year ended 30 September 2017  | Note    | Total and external revenue<br>£m | Segment operating profit<br>£m | Less operating profit/(loss) of joint ventures and associates<br>£m | Adjusted operating profit<br>£m |
|---|---------|----------------------------------|--------------------------------|---|---------------------------------|
| RMS   |         | 233.2                            | 32.0                           | (0.8)   | 32.8                            |
| dmg information   |         | 530.7                            | 69.2                           | 0.1   | 69.1                            |
| dmg events  |         | 117.0                            | 30.6                           | –   | 30.6                            |
| Euromoney   |         | 95.2                             | 67.3                           | 48.0  | 19.3                            |
| dmg media   |         | 683.4                            | 99.2                           | 22.0  | 77.2                            |
| Continuing operations   |         | 1,659.5                          | 298.3                          | 69.3  | 229.0                           |
| Corporate costs   |         |                                  |                                | –   | (30.7)                          |
| Discontinued operations   | 19, (i) | (95.2)                           | (67.3)                         | (48.0)  | (19.3)                          |
| Continuing operations   |         | 1,564.3                          |                                |   |                                 |
| <b>Adjusted operating profit</b>  | (i)     |                                  |                                |   | <b>179.0</b>                    |
| Exceptional operating costs, impairment of internally generated and acquired computer software, property, plant and equipment |         |                                  |                                |   | (166.2)                         |
| Impairment of goodwill and acquired intangible assets arising on business combinations  | 21, 22  |                                  |                                |   | (131.7)                         |
| Amortisation of acquired intangible assets arising on business combinations   | 22      |                                  |                                |   | (26.5)                          |
| <b>Operating loss before share of results of joint ventures and associates</b>  |         |                                  |                                |   | <b>(145.4)</b>                  |
| Share of results of joint ventures and associates   | 7       |                                  |                                |   | 16.9                            |
| <b>Total operating loss</b>   |         |                                  |                                |   | <b>(128.5)</b>                  |
| Other gains and losses  | 8       |                                  |                                |   | 14.0                            |
| <b>Loss before investment revenue, net finance costs and tax</b>  |         |                                  |                                |   | <b>(114.5)</b>                  |
| Investment revenue  | 9       |                                  |                                |   | 2.5                             |
| Net finance costs   | 10      |                                  |                                |   | (0.3)                           |
| <b>Loss before tax</b>  |         |                                  |                                |   | <b>(112.3)</b>                  |
| Tax   | 11      |                                  |                                |   | (64.7)                          |
| Profit from discontinued operations   | 19      |                                  |                                |   | 519.3                           |
| <b>Profit for the year</b>  |         |                                  |                                |   | <b>342.3</b>                    |

- (i) Revenue and adjusted operating profit relating to the discontinued operations of Euromoney have been deducted in order to reconcile total segment result to Group loss before tax from continuing operations.

# Financial Statements

## Notes to the accounts

### 3 Segment analysis continued

An analysis of the amortisation and impairment of goodwill and intangible assets, exceptional operating costs and impairment of property, plant and equipment and investment property by segment is as follows:

| Year ended 30 September 2017        | Note | Amortisation of intangible assets not arising on business combinations (Note 22) £m | Amortisation of intangible assets arising on business combinations (Note 22) £m | Impairment of goodwill and intangible assets arising on business combinations (Notes 21, 22) £m | Impairment of internally generated and acquired computer software (Note 22) £m | Exceptional operating costs £m | Impairment of property, plant and equipment (i) (Note 23) £m |
|-------------------------------------|------|---|---|---|--|--------------------------------|--|
| RMS                                 |      | (17.8)  | -   | -   | -  | (2.8)                          | -  |
| dmg information                     |      | (20.6)  | (26.1)  | (131.7)   | (81.4)   | (26.5)                         | -  |
| dmg events                          |      | (0.1)   | (0.2)   | -   | -  | (2.6)                          | -  |
| Euromoney                           |      | (0.9)   | (5.4)   | -   | -  | (0.9)                          | -  |
| dmg media                           |      | (4.8)   | (0.2)   | -   | (0.3)  | (8.8)                          | (42.0)   |
|                                     |      | (44.2)  | (31.9)  | (131.7)   | (81.7)   | (41.6)                         | (42.0)   |
| Corporate costs                     |      | -   | -   | -   | -  | (1.8)                          | -  |
|                                     |      | (44.2)  | (31.9)  | (131.7)   | (81.7)   | (43.4)                         | (42.0)   |
| Relating to discontinued operations | 19   | 0.9   | 5.4   | -   | -  | 0.9                            | -  |
| <b>Continuing operations</b>        |      | <b>(43.3)</b>   | <b>(26.5)</b>   | <b>(131.7)</b>  | <b>(81.7)</b>  | <b>(42.5)</b>                  | <b>(42.0)</b>  |

(i) Following continued declines in the UK printing market the Group has decided to close its Didcot print site, resulting in an impairment charge of £41.3 million.

The Group's exceptional operating costs are analysed as follows:

| Year ended 30 September 2017        | Severance costs £m | Consultancy charges £m | Other restructuring costs £m | Claims and legal fees (i) £m | Total £m      |
|-------------------------------------|--------------------|------------------------|------------------------------|------------------------------|---------------|
| RMS                                 | 0.5                | (3.3)                  | -                            | -                            | (2.8)         |
| dmg information                     | (11.2)             | (1.9)                  | (0.5)                        | (12.9)                       | (26.5)        |
| dmg events                          | -                  | -                      | (2.6)                        | -                            | (2.6)         |
| Euromoney                           | -                  | (0.1)                  | -                            | (0.8)                        | (0.9)         |
| dmg media                           | (4.0)              | -                      | (4.8)                        | -                            | (8.8)         |
| Corporate costs                     | (1.8)              | -                      | -                            | -                            | (1.8)         |
|                                     | (16.5)             | (5.3)                  | (7.9)                        | (13.7)                       | (43.4)        |
| Relating to discontinued operations | -                  | 0.1                    | -                            | 0.8                          | 0.9           |
| <b>Continuing operations</b>        | <b>(16.5)</b>      | <b>(5.2)</b>           | <b>(7.9)</b>                 | <b>(12.9)</b>                | <b>(42.5)</b> |

The Group's tax charge includes a related credit of £11.1 million in relation to these exceptional operating costs.

(i) Exceptional charges in the dmg information segment include dispute settlements and fees paid to the Group's lawyers in defence of various claims brought against businesses in this segment.

The charge relates principally to a claim by CoStar Inc. (CoStar) against Xceligent, Inc. (Xceligent) asserting, inter alia, misuse by Xceligent of CoStar's intellectual property. Xceligent has filed a motion to dismiss on the basis that CoStar's actions are contrary to a Federal Trade Commission (FTC) consent order which was put in place when Xceligent was spun out of CoStar's acquisition of LoopNet. The damages claimed have not been quantified and the Group has made no provision for any claim.

An analysis of the depreciation of property, plant and equipment and investment property, research costs, investment revenue, and net finance costs by segment is as follows:

| Year ended 30 September 2017        | Note | Depreciation of property, plant and equipment (Note 23) £m | Research costs £m | Investment revenue (Note 9) £m | Net finance costs (Note 10) £m |
|-------------------------------------|------|--|-------------------|--------------------------------|--------------------------------|
| RMS                                 |      | (5.9)  | (40.3)            | 0.3                            | (0.1)                          |
| dmg information                     |      | (10.3)   | (1.8)             | 0.5                            | 38.5                           |
| dmg events                          |      | (0.5)  | -                 | -                              | -                              |
| Euromoney                           |      | (0.8)  | (2.5)             | -                              | (0.7)                          |
| dmg media                           |      | (16.8)   | (1.4)             | 1.5                            | (3.5)                          |
|                                     |      | <b>(34.3)</b>  | <b>(46.0)</b>     | <b>2.3</b>                     | <b>34.2</b>                    |
| Corporate costs                     |      | (0.2)  | -                 | 0.2                            | (35.2)                         |
|                                     |      | <b>(34.5)</b>  | <b>(46.0)</b>     | <b>2.5</b>                     | <b>(1.0)</b>                   |
| Relating to discontinued operations | 19   | 0.8  | 2.5               | -                              | 0.7                            |
| <b>Continuing operations</b>        |      | <b>(33.7)</b>  | <b>(43.5)</b>     | <b>2.5</b>                     | <b>(0.3)</b>                   |

| Year ended 30 September 2016  | Note     | Total and external revenue £m | Segment operating profit £m | Less operating profit/(loss) of joint ventures and associates £m | Adjusted operating profit £m |
|---|----------|-------------------------------|-----------------------------|--|------------------------------|
| RMS   |          | 205.0                         | 35.5                        | (0.5)  | 36.0                         |
| dmg information   |          | 498.2                         | 76.3                        | (0.3)  | 76.6                         |
| dmg events  |          | 105.4                         | 29.0                        | -  | 29.0                         |
| Euromoney   |          | 403.1                         | 104.3                       | 4.3  | 100.0                        |
| dmg media   |          | 705.6                         | 96.4                        | 19.4   | 77.0                         |
|   |          | 1,917.3                       | 341.5                       | 22.9   | 318.6                        |
| Corporate costs   | (i)      |                               |                             |  | (41.6)                       |
| Discontinued operations   | 19, (ii) | (403.1)                       | (104.3)                     | (4.3)  | (100.0)                      |
| Continuing operations   |          | 1,514.2                       |                             |  |                              |
| <b>Adjusted operating profit</b>  | (ii)     |                               |                             |  | 177.0                        |
| Exceptional operating costs, impairment of internally generated and acquired computer software, property, plant and equipment and investment property |          |                               |                             |  | (41.8)                       |
| Impairment of goodwill and acquired intangible assets arising on business combinations  | 21, 22   |                               |                             |  | (24.9)                       |
| Amortisation of acquired intangible assets arising on business combinations   | 22       |                               |                             |  | (24.7)                       |
| <b>Operating profit before share of results of joint ventures and associates</b>  |          |                               |                             |  | 85.6                         |
| Share of results of joint ventures and associates   | 7        |                               |                             |  | 4.9                          |
| <b>Total operating profit</b>   |          |                               |                             |  | 90.5                         |
| Other gains and losses  | 8        |                               |                             |  | 130.8                        |
| <b>Profit before investment revenue, net finance costs and tax</b>  |          |                               |                             |  | 221.3                        |
| Investment revenue  | 9        |                               |                             |  | 2.2                          |
| Net finance costs   | 10       |                               |                             |  | (21.8)                       |
| <b>Profit before tax</b>  |          |                               |                             |  | 201.7                        |
| Tax   | 11       |                               |                             |  | (19.9)                       |
| Profit from discontinued operations   | 19       |                               |                             |  | 32.4                         |
| <b>Profit for the year</b>  |          |                               |                             |  | 214.2                        |

- (i) Included within corporate costs is a credit of £0.9 million which adjusts the pensions charge recorded in each operating segment from a cash rate to the net service cost in accordance with IAS 19 (Revised), Employee Benefits.
- (ii) Revenue and adjusted operating profit relating to the discontinued operations of Euromoney businesses have been deducted in order to reconcile total segment result to Group profit before tax from continuing operations.

# Financial Statements

## Notes to the accounts

### 3 Segment analysis continued

An analysis of the amortisation and impairment of goodwill and intangible assets, exceptional operating costs and impairment of property, plant and equipment and investment property by segment is as follows:

| Year ended 30 September 2016        | Note | Amortisation of intangible assets not arising on business combinations (Note 22) £m | Amortisation of intangible assets arising on business combinations (Note 22) £m | Impairment of goodwill and intangible assets arising on business combinations (Notes 21, 22) £m | Exceptional operating costs £m | Impairment of property, plant and equipment (Note 23) £m |
|-------------------------------------|------|---|---|---|--------------------------------|--|
| RMS                                 |      | (6.2)   | –   | –   | (2.7)                          | –  |
| dmg information                     |      | (13.3)  | (23.7)  | –   | (5.7)                          | –  |
| dmg events                          |      | –   | (0.7)   | –   | (0.9)                          | –  |
| Euromoney                           |      | (3.7)   | (17.6)  | (28.7)  | (12.9)                         | –  |
| dmg media                           |      | (4.4)   | (0.3)   | (24.9)  | (23.6)                         | (0.2)  |
|                                     |      | (27.6)  | (42.3)  | (53.6)  | (45.8)                         | (0.2)  |
| Corporate costs                     |      | –   | –   | –   | (8.7)                          | –  |
|                                     |      | (27.6)  | (42.3)  | (53.6)  | (54.5)                         | (0.2)  |
| Relating to discontinued operations | 19   | 3.7   | 17.6  | 28.7  | 12.9                           | –  |
| Continuing operations               |      | (23.9)  | (24.7)  | (24.9)  | (41.6)                         | (0.2)  |

In Euromoney the impairment charge includes £12.9 million relating to Indaba, £8.2 million to Total Derivatives, £5.9 million to Hedge Fund Intelligence and £1.7 million to Euromoney Indices reflecting the challenging market conditions in the energy and financial sectors and weakness in the commodity markets.

In dmg media the impairment charge of £24.9 million relates to the goodwill and intangible assets arising on business combinations of Elite Daily following continued poor performance in that business.

The Group's tax charge includes a related credit of £2.8 million in respect of impairment of goodwill and intangible assets.

The Group's exceptional operating costs are analysed as follows:

| Year ended 30 September 2016        | Severance costs £m | Consultancy charges £m | Other restructuring costs £m | Supplier entering voluntary administration £m | Overseas sales tax (i) £m | Legal fees (i) £m | Contingent consideration required to be shown as remuneration £m | Total £m |
|-------------------------------------|--------------------|------------------------|------------------------------|---|---------------------------|-------------------|--|----------|
| RMS                                 | (2.7)              | –                      | –                            | –   | –                         | –                 | –  | (2.7)    |
| dmg information                     | (4.4)              | (0.9)                  | (0.4)                        | –   | –                         | –                 | –  | (5.7)    |
| dmg events                          | (0.5)              | –                      | (0.4)                        | –   | –                         | –                 | –  | (0.9)    |
| Euromoney                           | (3.3)              | (0.3)                  | –                            | –   | (7.9)                     | (1.4)             | –  | (12.9)   |
| dmg media                           | (9.8)              | (4.5)                  | (1.2)                        | (5.1)   | –                         | –                 | (3.0)  | (23.6)   |
| Corporate costs                     | (4.1)              | (4.5)                  | –                            | –   | –                         | (0.1)             | –  | (8.7)    |
|                                     | (24.8)             | (10.2)                 | (2.0)                        | (5.1)   | (7.9)                     | (1.5)             | (3.0)  | (54.5)   |
| Relating to discontinued operations | 3.3                | 0.3                    | –                            | –   | 7.9                       | 1.4               | –  | 12.9     |
| Continuing operations               | (21.5)             | (9.9)                  | (2.0)                        | (5.1)   | –                         | (0.1)             | (3.0)  | (41.6)   |

The Group's tax charge includes a related credit of £15.0 million in relation to these exceptional operating costs.

- (i) In the Euromoney segment the provision for overseas sales tax of £7.9 million relates to a claim by tax authorities in the US which is being challenged. Exceptional legal fees in Euromoney relate to a legal dispute with the previous owners of Centre for Investor Education.

An analysis of the depreciation of property, plant and equipment and investment property, research costs, investment revenue, and net finance costs by segment is as follows:

| Year ended 30 September 2016        | Note | Depreciation of property, plant and equipment (Note 23) £m | Research costs £m | Investment revenue (Note 9) £m | Net finance costs (Note 10) £m |
|-------------------------------------|------|--|-------------------|--------------------------------|--------------------------------|
| RMS                                 |      | (6.6)  | (28.7)            | 0.2                            | –                              |
| dmg information                     |      | (9.5)  | (7.2)             | 0.2                            | 27.0                           |
| dmg events                          |      | (0.5)  | –                 | –                              | –                              |
| Euromoney                           |      | (2.8)  | (8.3)             | 0.3                            | (1.1)                          |
| dmg media                           |      | (16.8)   | (1.8)             | 1.8                            | (3.5)                          |
|                                     |      | (36.2)   | (46.0)            | 2.5                            | 22.4                           |
| Corporate costs                     |      | –  | –                 | –                              | (45.3)                         |
|                                     |      | (36.2)   | (46.0)            | 2.5                            | (22.9)                         |
| Relating to discontinued operations | 19   | 2.8  | 8.3               | (0.3)                          | 1.1                            |
| Continuing operations               |      | (33.4)   | (37.7)            | 2.2                            | (21.8)                         |

The Group's revenue comprises sales excluding value added tax, less discounts and commission where applicable and is analysed as follows:

|                                  | Year ended 30 September 2017 Total £m | Year ended 30 September 2017 Discontinued operations (Note 19) £m | Year ended 30 September 2017 Continuing operations £m | Year ended 30 September 2016 Total £m | Year ended 30 September 2016 Discontinued operations (Note 19) £m | Year ended 30 September 2016 Continuing operations £m |
|----------------------------------|---------------------------------------|---|---|---------------------------------------|---|---|
| Print advertising                | 203.6                                 | 7.1   | 196.5   | 247.9                                 | 39.3  | 208.6   |
| Digital advertising              | 142.7                                 | 2.0   | 140.7   | 131.6                                 | –   | 131.6   |
| Circulation                      | 307.8                                 | –   | 307.8   | 314.7                                 | –   | 314.7   |
| Subscriptions                    | 517.4                                 | 63.5  | 453.9   | 623.2                                 | 232.4   | 390.8   |
| Events, conferences and training | 140.9                                 | 24.7  | 116.2   | 233.9                                 | 127.8   | 106.1   |
| Transactions and other           | 347.1                                 | (2.1)   | 349.2   | 366.0                                 | 3.6   | 362.4   |
|                                  | 1,659.5                               | 95.2  | 1,564.3   | 1,917.3                               | 403.1   | 1,514.2   |

Investment revenue is shown in Note 9 and finance income in Note 10.

Transactions and other within discontinued operations include a £3.8 million foreign exchange loss on forward contracts in the Euromoney segment.

### By geographic area

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

The analysis below is based on the location of companies in these regions. Export sales and related profits are included in the areas from which those sales are made.

|                   | Year ended 30 September 2017 Total £m | Year ended 30 September 2017 Discontinued operations (Note 19) £m | Year ended 30 September 2017 Continuing operations £m | Year ended 30 September 2016 Total £m | Year ended 30 September 2016 Discontinued operations (Note 19) £m | Year ended 30 September 2016 Continuing operations £m |
|-------------------|---------------------------------------|---|---|---------------------------------------|---|---|
| UK                | 873.8                                 | 30.9  | 842.9   | 1,023.0                               | 156.6   | 866.4   |
| North America     | 615.5                                 | 50.6  | 564.9   | 714.9                                 | 203.4   | 511.5   |
| Rest of Europe    | 43.0                                  | 4.4   | 38.6  | 47.6                                  | 11.9  | 35.7  |
| Australia         | 22.6                                  | 0.4   | 22.2  | 17.5                                  | 2.5   | 15.0  |
| Rest of the World | 104.6                                 | 8.9   | 95.7  | 114.3                                 | 28.7  | 85.6  |
|                   | 1,659.5                               | 95.2  | 1,564.3   | 1,917.3                               | 403.1   | 1,514.2   |

# Financial Statements

## Notes to the accounts

### 3 Segment analysis continued

The analysis below is based on the geographic location of customers in these regions.

|                   | Year ended<br>30 September<br>2017<br>Total<br>£m | Year ended<br>30 September<br>2017<br>Discontinued<br>operations<br>(Note 19)<br>£m | Year ended<br>30 September<br>2017<br>Continuing<br>operations<br>£m | Year ended<br>30 September<br>2016<br>Total<br>£m | Year ended<br>30 September<br>2016<br>Discontinued<br>operations<br>(Note 19)<br>£m | Year ended<br>30 September<br>2016<br>Continuing<br>operations<br>£m |
|-------------------|---|---|--|---|---|--|
| UK                | 808.1   | 9.1   | 799.0  | 891.2   | 50.9  | 840.3  |
| North America     | 557.9   | 43.9  | 514.0  | 638.0   | 184.6   | 453.4  |
| Rest of Europe    | 155.7   | 18.6  | 137.1  | 193.0   | 73.0  | 120.0  |
| Australia         | 23.3  | 2.0   | 21.3   | 24.2  | 6.7   | 17.5   |
| Rest of the World | 114.5   | 21.6  | 92.9   | 170.9   | 87.9  | 83.0   |
|                   | <b>1,659.5</b>                                    | <b>95.2</b>   | <b>1,564.3</b>   | <b>1,917.3</b>                                    | <b>403.1</b>  | <b>1,514.2</b>   |

The closing net book value of goodwill, intangible assets and property, plant and equipment is analysed by geographic area as follows:

|                   | Closing net<br>book value<br>of goodwill<br>(Note 21)<br>2017<br>£m | Closing net<br>book value<br>of goodwill<br>(Note 21)<br>2016<br>£m | Closing net<br>book value of<br>intangible assets<br>(Note 22)<br>2017<br>£m | Closing net<br>book value of<br>intangible assets<br>(Note 22)<br>2016<br>£m | Closing net<br>book value<br>of property,<br>plant and<br>equipment<br>(Note 23)<br>2017<br>£m | Closing net<br>book value<br>of property,<br>plant and<br>equipment<br>(Note 23)<br>2016<br>£m |
|-------------------|---|---|--|--|--|--|
| UK                | 92.0  | 234.4   | 47.4   | 122.5  | 79.1   | 132.8  |
| North America     | 231.2   | 687.7   | 145.7  | 345.4  | 19.3   | 36.6   |
| Rest of Europe    | 25.7  | 30.2  | 18.2   | 25.0   | 3.3  | 3.8  |
| Australia         | 2.3   | 5.1   | -  | 1.3  | 0.6  | 0.7  |
| Rest of the World | 11.9  | 24.2  | 1.7  | 5.0  | 1.0  | 2.2  |
|                   | <b>363.1</b>  | <b>981.6</b>  | <b>213.0</b>   | <b>499.2</b>   | <b>103.3</b>   | <b>176.1</b>   |

The additions to non-current assets are analysed as follows:

|                 | Goodwill<br>(Note 21)<br>Year ended<br>30 September<br>2017<br>£m | Goodwill<br>(Note 21)<br>Year ended<br>30 September<br>2016<br>£m | Intangible assets<br>(Note 22)<br>Year ended<br>30 September<br>2017<br>£m | Intangible assets<br>(Note 22)<br>Year ended<br>30 September<br>2016<br>£m | Property, plant<br>and equipment<br>(Note 23)<br>Year ended<br>30 September<br>2017<br>£m | Property, plant<br>and equipment<br>(Note 23)<br>Year ended<br>30 September<br>2016<br>£m |
|-----------------|---|---|--|--|---|---|
| RMS             | -   | -   | -  | 14.1   | 2.5   | 2.2   |
| dmg information | 0.4   | 24.2  | 56.7   | 66.4   | 10.2  | 11.2  |
| dmg events      | -   | 1.6   | 0.2  | 1.3  | 0.4   | 0.4   |
| Euromoney       | -   | 8.9   | 0.5  | 14.0   | 2.8   | 3.8   |
| dmg media       | -   | 4.4   | 1.2  | 5.5  | 4.7   | 9.9   |
| Centrally held  | -   | -   | -  | -  | 0.5   | -   |
|                 | <b>0.4</b>  | <b>39.1</b>   | <b>58.6</b>  | <b>101.3</b>   | <b>21.1</b>   | <b>27.5</b>   |



#### 4 Operating (loss)/profit analysis

Operating (loss)/profit before the share of results of joint ventures and associates is further analysed as follows:

|   | Note   | Year ended<br>30 September<br>2017<br>Total<br>£m | Year ended<br>30 September<br>2017<br>Discontinued<br>operations<br>(Note 19)<br>£m | Year ended<br>30 September<br>2017<br>Continuing<br>operations<br>£m | Year ended<br>30 September<br>2016<br>Total<br>£m | Year ended<br>30 September<br>2016<br>Discontinued<br>operations<br>(Note 19)<br>£m | Year ended<br>30 September<br>2016<br>Continuing<br>operations<br>£m |
|---|--------|---|---|--|---|---|--|
| Revenue   |        | 1,659.5   | 95.2  | 1,564.3  | 1,917.3   | 403.1   | 1,514.2  |
| Decrease in stocks of finished goods and work in progress           |        | (4.3)   | -   | (4.3)  | (0.9)   | -   | (0.9)  |
| Raw materials, consumables and direct event costs                   |        | (236.8)   | -   | (236.8)  | (317.2)   | -   | (317.2)  |
| <b>Inventories recognised as an expense in the year</b>             |        | <b>(241.1)</b>                                    | <b>-</b>  | <b>(241.1)</b>   | <b>(318.1)</b>                                    | <b>-</b>  | <b>(318.1)</b>   |
| Staff costs   |        | (588.3)   | (38.3)  | (550.0)  | (682.0)   | (143.5)   | (538.5)  |
| Impairment of goodwill and intangible assets                        | 21, 22 | (213.4)   | -   | (213.4)  | (53.6)  | (28.7)  | (24.9)   |
| Amortisation of intangible assets arising on business combinations  | 22     | (31.9)  | (5.4)   | (26.5)   | (42.3)  | (17.6)  | (24.7)   |
| Amortisation of internally generated and acquired computer software | 22     | (44.2)  | (0.9)   | (43.3)   | (27.6)  | (3.7)   | (23.9)   |
| Promotion and marketing costs                                       |        | (41.9)  | (1.6)   | (40.3)   | (59.2)  | (6.4)   | (52.8)   |
| Venue and delegate costs  |        | (41.6)  | (8.2)   | (33.4)   | (69.8)  | (40.5)  | (29.3)   |
| Editorial and production costs                                      |        | (111.0)   | (3.5)   | (107.5)  | (117.3)   | (11.6)  | (105.7)  |
| Distribution and transportation costs                               |        | (42.5)  | (0.6)   | (41.9)   | (40.4)  | (2.5)   | (37.9)   |
| Royalties and similar charges                                       |        | (51.2)  | -   | (51.2)   | (79.5)  | -   | (79.5)   |
| Depreciation of property, plant and equipment                       | 23     | (34.5)  | (0.8)   | (33.7)   | (36.2)  | (2.8)   | (33.4)   |
| Impairment of property, plant and equipment                         | 23     | (42.0)  | -   | (42.0)   | (0.2)   | -   | (0.2)  |
| Rental of property  |        | (29.5)  | -   | (29.5)   | (23.2)  | -   | (23.2)   |
| Other property costs  |        | (26.9)  | (3.6)   | (23.3)   | (36.6)  | (13.1)  | (23.5)   |
| Rental of plant and equipment                                       |        | (22.8)  | -   | (22.8)   | (28.4)  | -   | (28.4)   |
| Foreign exchange translation differences                            |        | (0.2)   | (0.3)   | 0.1  | 2.7   | 1.9   | 0.8  |
| Other expenses  |        | (228.9)   | (19.0)  | (209.9)  | (179.2)   | (93.8)  | (85.4)   |
| <b>Operating (loss)/profit</b>                                      |        | <b>(132.4)</b>                                    | <b>13.0</b>   | <b>(145.4)</b>   | <b>126.4</b>                                      | <b>40.8</b>   | <b>85.6</b>  |

# Financial Statements

## Notes to the accounts

### 5 Auditor's remuneration

|  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--|--|
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts   | 0.3                                      | 0.2                                      |
| Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation | 2.6                                      | 2.5                                      |
| Audit services provided to all Group companies   | 2.9                                      | 2.7                                      |
| Audit-related assurance services   | 0.5                                      | 0.3                                      |
| Services relating to tax compliance  | -  | 0.1                                      |
| Services relating to tax advisory  | -  | 0.1                                      |
| Assurance services   | 0.3                                      | -  |
| Services relating to corporate finance transactions  | -  | 0.1                                      |
| Other non-audit services   | 0.1                                      | 0.2                                      |
|  | 0.9                                      | 0.8                                      |
| <b>Total remuneration</b>  | <b>3.8</b>                               | <b>3.5</b>                               |

### 6 Employees

The average monthly number of persons employed by the Group including Directors is analysed as follows:

|                            | Note | Year ended<br>30 September<br>2017<br>Number | Year ended<br>30 September<br>2016<br>Number |
|----------------------------|------|--|--|
| RMS                        |      | 1,149  | 1,106  |
| dmg information            |      | 3,772  | 3,591  |
| dmg events                 |      | 359  | 342  |
| Euromoney                  | (i)  | 2,192  | 2,262  |
| dmg media                  |      | 2,417  | 2,734  |
| DMGT Board and head office |      | 56   | 73   |
|                            |      | 9,945  | 10,108                                       |

(i) Represents the average monthly number of persons employed by Euromoney for the period ended 31 December 2016 when Euromoney ceased to be a subsidiary.

The total average number of persons employed by the Group in the year, for the purposes of calculating an average cost per employee, is 8,301 (2016 10,108).

Total staff costs comprised:

|                       | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|-----------------------|------|--|--|
| Wages and salaries    |      | 539.7                                    | 604.6                                    |
| Share-based payments  | 42   | 3.9                                      | 16.6                                     |
| Social security costs |      | 47.3                                     | 59.5                                     |
| Pension costs         | 35   | 13.3                                     | 15.3                                     |
|                       |      | 604.2                                    | 696.0                                    |

## 7 Share of results of joint ventures and associates

|   | Note          | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|---------------|--|--|
| Share of adjusted operating (losses)/profits from operations of joint ventures                              |               | (0.1)                                    | 0.6                                      |
| Share of adjusted operating profits from operations of associates   | (i)           | 68.6                                     | 18.0                                     |
| Share of profits before exceptional operating costs, amortisation, impairment of goodwill, interest and tax |               | 68.5                                     | 18.6                                     |
| Share of exceptional operating costs of associates  |               | (6.7)                                    | (3.1)                                    |
| Share of amortisation of intangibles arising on business combinations of joint ventures                     |               | (0.1)                                    | -  |
| Share of amortisation of intangibles arising on business combinations of associates                         |               | (17.1)                                   | (4.8)                                    |
| Share of associates' interest payable   |               | (4.5)                                    | (1.1)                                    |
| Share of joint ventures' tax  | 11, 13        | -  | (0.3)                                    |
| Share of associates' tax  | 11, 13        | (5.2)                                    | (3.0)                                    |
| Share of impairment of intangibles arising on business combinations of associates                           | 13            | (13.7)                                   | -  |
| Impairment of carrying value of joint ventures  | 13, 24, (ii)  | (3.3)                                    | (0.1)                                    |
| Impairment of carrying value of associates  | 13, 24, (iii) | (1.0)                                    | (1.3)                                    |
|   |               | 16.9                                     | 4.9                                      |
| Share of associates' items of other comprehensive income  |               | (9.7)                                    | -  |
| Share of results of joint ventures and associates   |               | 7.2                                      | 4.9                                      |
| Share of results from operations of joint ventures  |               | (0.2)                                    | 0.3                                      |
| Share of results from operations of associates  |               | 21.4                                     | 6.0                                      |
| Impairment of carrying value of joint ventures  |               | (3.3)                                    | (0.1)                                    |
| Impairment of carrying value of associates  |               | (1.0)                                    | (1.3)                                    |
|   |               | 16.9                                     | 4.9                                      |
| Share of associates' items of other comprehensive income  |               | (9.7)                                    | -  |
| Share of results of joint ventures and associates   |               | 7.2                                      | 4.9                                      |

- (i) Share of adjusted operating profits from associates includes £47.2 million from the Group's interest in Euromoney and £24.7 million (2016 £21.4 million) from the Group's interest in ZPG Plc (ZPG) in the dmg media segment.
- (ii) Represents a £3.0 million write-down in the carrying value of Knowlura in the dmg information segment and a £0.3 million write-down in the carrying value of Artirix in the dmg media segment. In the prior period, represents a write-down in the carrying value of Mail Today Newspapers Pte Ltd in the dmg media segment.
- (iii) Represents a £0.5 million write-down in the carrying value of Carspring in the dmg media segment and £0.5 million write-down in the carrying value of iProf Learning Solutions in the dmg information segment. In the prior period, represents a write-down in the carrying value of Spaceway Storage Services UK Ltd in the dmg media segment.

# Financial Statements

## Notes to the accounts

### 8 Other gains and losses

|   | Note                 | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|----------------------|--|--|
| Impairment of available-for-sale assets             | 13, 25               | (0.5)                                    | -  |
| Impairment of held-for-sale-assets                  | 20                   | (4.1)                                    | -  |
| Profit on disposal of property, plant and equipment | 13                   | -  | 0.5                                      |
| (Loss)/profit on sale and closure of businesses     | 13, 18, (i)          | (6.5)                                    | 66.4                                     |
| Recycled cumulative translation differences         | 13, 18, 39, 40, (ii) | 4.7                                      | 0.6                                      |
| Gain on dilution of stake in associate              | 24, (iii)            | 18.0                                     | -  |
| Gain on change in control                           | 13, (iv)             | -  | 13.5                                     |
| Profit on disposal of joint ventures and associates | 13, (v)              | 2.4                                      | 49.8                                     |
|   |                      | <b>14.0</b>                              | <b>130.8</b>                             |

There is a tax charge of £0.2 million in relation to these other gains and losses (2016 £3.5 million).

- (i) Principally relates to a £6.2 million profit on disposal of Elite Daily in the dmg media segment offset by a loss of £6.5 million representing an adjustment to the net assets sold with Wowcher in the dmg media segment and a loss of £4.4 million on sale of various businesses in the Education sector in the dmg information segment.
- In the prior year this principally relates to a £60.5 million profit on disposal of Wowcher in the dmg media segment, £5.3 million profit on sale of Gulf Publishing and £1.7 million profit on sale of The Petroleum Economist both in the Euromoney segment.
- (ii) Represents cumulative translation differences required to be recycled through the Consolidated Income Statement on disposals.
- (iii) During the year ZPG placed 5.0% of its issued share capital to part fund the acquisition of Hometrack.co.uk Ltd. The Group did not participate in this placing and accordingly the Group's stake in ZPG was diluted. In accordance with IAS 28, Investments in Associates and Joint Ventures, the dilution in the Group's share of ZPG has been treated as a deemed disposal. The carrying value of the investment has increased resulting in a gain on dilution.
- (iv) During the prior period, the Group increased its interests in Dailymail.com Australia Pty Ltd in the dmg media segment and Instant Services AG, The Petrochemical Standard Inc. and Ochrosoft Technologies Ltd, in the dmg information segment and obtained control. In accordance with IFRS 3, Business Combinations, the difference between the fair value of these investments and their carrying value at the date control passed to the Group is been treated as a gain during the relevant period.
- (v) Principally relates to the disposal of the Group's holding in Fortunegreen, Spaceway Storage Services in the dmg media segment and Clipper Data. During the prior period, this principally relates to the disposal of the Group's 38.7% equity stake in Local World Holdings Ltd, held by the dmg media segment.

### 9 Investment revenue

|  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--|--|
| Dividend income                              | 0.1                                      | -  |
| Interest receivable from short-term deposits | 1.0                                      | 0.4                                      |
| Interest receivable on loan notes            | 1.4                                      | 1.8                                      |
|  | <b>2.5</b>                               | <b>2.2</b>                               |

## 10 Net finance costs

|   | Note        | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|-------------|--|--|
| Interest, arrangement and commitment fees payable on bonds, bank loans and loan notes |             | (37.2)                                   | (37.5)                                   |
| Loss on derivatives, or portions thereof, not designated for hedge accounting         |             | (1.7)                                    | (1.5)                                    |
| Finance charge on defined benefit pension schemes                                     | 13, 35      | (4.9)                                    | (4.6)                                    |
| Change in fair value of derivative hedge of bond                                      | 16, 34      | (4.7)                                    | 2.3                                      |
| Change in fair value of hedged portion of bond  | 16, 34      | 4.7                                      | (2.3)                                    |
| Finance charge on discounting of contingent consideration payable                     | 36, (i)     | -  | (0.1)                                    |
| Fair value movement of undesignated financial instruments                             | 13          | -  | (5.4)                                    |
| <b>Finance costs</b>  |             | <b>(43.8)</b>                            | <b>(49.1)</b>                            |
| Fair value movement of contingent consideration payable                               | 13, 36, (i) | 28.6                                     | 12.3                                     |
| Fair value movement of undesignated financial instruments                             | 13          | 7.5                                      | -  |
| Change in present value of acquisition put options                                    | 13, 34      | 7.4                                      | 15.0                                     |
| <b>Finance income</b>   |             | <b>43.5</b>                              | <b>27.3</b>                              |
| <b>Net finance costs</b>  |             | <b>(0.3)</b>                             | <b>(21.8)</b>                            |

- (i) The fair value movement of contingent consideration arises from the requirement of IFRS 3, Business Combinations, to measure such consideration at fair value with changes in fair value taken to the Income Statement.

The finance income/(charge) on the discounting of contingent consideration arises from the unwinding of the discount following the requirement under IFRS 3, Business Combinations, to record contingent consideration at fair value using a discounted cash flow approach.

## 11 Tax

|  | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|------|--|--|
| The charge on the profit for the period consists of: |      |  |  |
| <b>UK tax</b>  |      |  |  |
| Corporation tax at 19.5% (2016 20.0%)                |      | -  | (0.6)                                    |
| Adjustments in respect of prior years                |      | 0.3                                      | (1.9)                                    |
|  |      | 0.3                                      | (2.5)                                    |
| <b>Overseas tax</b>                                  |      |  |  |
| Corporation tax                                      |      | (12.0)                                   | (33.0)                                   |
| Adjustments in respect of prior years                |      | -  | 0.8                                      |
|  |      | (12.0)                                   | (32.2)                                   |
| <b>Total current tax</b>                             |      | <b>(11.7)</b>                            | <b>(34.7)</b>                            |
| <b>Deferred tax</b>                                  | 37   |  |  |
| Origination and reversals of temporary differences   |      | (62.4)                                   | (12.0)                                   |
| Adjustments in respect of prior years                |      | 5.4                                      | 14.0                                     |
| <b>Total deferred tax</b>                            |      | <b>(57.0)</b>                            | <b>2.0</b>                               |
| <b>Total tax charge</b>                              |      | <b>(68.7)</b>                            | <b>(32.7)</b>                            |
| Relating to discontinued operations                  | 19   | 4.0                                      | 12.8                                     |
|  |      | (64.7)                                   | (19.9)                                   |

# Financial Statements

## Notes to the accounts

### 11 Tax continued

In the March 2016 Budget the UK Government announced plans to introduce new rules with effect from 1 April 2017 which would restrict the deductibility of net interest costs and restrict the amount of tax losses that can be offset against taxable profits to 50% of those losses. The proposed changes were substantively enacted after the balance sheet date in November 2017 and therefore their effects are not included in these financial statements. If the changes had been substantively enacted by the balance sheet date, they would have had no material effect on the deferred tax assets and deferred tax expense.

The current and deferred tax implications of Brexit on the Group have been considered by management and are not expected to have any material impact.

A deferred tax credit of £49.3 million (2016 £6.4 million charge) relating to the actuarial movement on defined benefit pension schemes and a deferred tax credit of £nil (2016 £1.4 million) relating to derivative financial instruments were recognised directly in the Consolidated Statement of Comprehensive Income. A deferred tax charge of £0.4 million (2016 credit of £1.4 million) and a current tax credit of £nil (2016 £5.4 million) were recognised directly in equity (Notes 39 and 40).

Legislation was passed in November 2015 to reduce the UK corporation tax rate from 20.0% to 19.0% from 1 April 2017. A further 2.0% reduction was enacted in September 2016. UK deferred tax balances therefore have been measured at 17.0% as this is the tax rate that will apply on reversal unless the timing difference is expected to reverse before April 2020, in which case the appropriate tax rate has been used.

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.5% (2016 20.0%) representing the weighted average annual corporate tax rate for the full financial year. The differences are explained below:

|   | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|------|--|--|
| (Loss)/profit before tax – continuing operations              |      | (112.3)                                  | 201.7                                    |
| Profit before tax – discontinued operations                   |      | 523.3                                    | 45.2                                     |
| Total profit before tax                                       |      | 411.0                                    | 246.9                                    |
| Tax on profit on ordinary activities at the standard rate     |      | (80.1)                                   | (49.4)                                   |
| Effect of:  |      |  |  |
| Amortisation and impairment of goodwill and intangible assets |      | (28.4)                                   | (7.9)                                    |
| Other expenses not deductible for tax purposes                |      | 0.4                                      | (0.1)                                    |
| Additional items deductible for tax purposes                  | (i)  | 7.7                                      | 17.0                                     |
| Derecognition of previously recognised deferred tax assets    |      | (109.9)                                  | (30.2)                                   |
| Effect of overseas tax rates                                  |      | 21.6                                     | (0.9)                                    |
| Effect of associates  |      | 4.5                                      | 0.9                                      |
| Unrecognised tax losses utilised                              |      | 7.7                                      | 0.1                                      |
| Write off/disposal of subsidiaries                            |      | 102.3                                    | 25.5                                     |
| Effect of change in tax rate                                  |      | (0.2)                                    | (2.4)                                    |
| Adjustment in respect of prior years                          | (ii) | 5.7                                      | 12.9                                     |
| Other   |      | -  | 1.8                                      |
| Total tax charge on the profit for the year                   | 13   | (68.7)                                   | (32.7)                                   |

- (i) Additional items deductible for tax purposes of £7.7 million (2016 £17.0 million) primarily relate to financing arrangements that result in asymmetrical tax treatments in the territories involved. Some of these are expected to recur in the short term.
- (ii) The net prior year credit of £5.7 million (2016 £12.9 million) arose largely from a reassessment of temporary differences.



Adjusted tax on profits before amortisation and impairment of intangible assets, restructuring costs and non-recurring items (adjusted tax charge) amounted to a charge of £29.0 million (2016 £37.4 million) and the resulting rate is 12.8% (2016 14.4%). The differences between the tax charge and the adjusted tax charge are shown in the reconciliation below:

|  | Note  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|-------|--|--|
| Total tax charge on the profit for the year    |       | <b>(68.7)</b>                            | (32.7)                                   |
| Share of tax in joint ventures and associates  | 7, 19 | <b>(4.9)</b>                             | (2.5)                                    |
| Deferred tax on intangible assets              |       | <b>(29.6)</b>                            | (12.0)                                   |
| Reassessment of temporary differences          |       | <b>108.9</b>                             | 24.0                                     |
| Tax on other adjusting items                   |       | <b>(34.7)</b>                            | (14.2)                                   |
| Adjusted tax charge on the profit for the year | 13    | <b>(29.0)</b>                            | (37.4)                                   |

In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects of intangible assets (other than internally generated and acquired computer software), as the Group prefers to give users of its accounts a view of the tax charge based on the current status of such items. Deferred tax would only crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale, being an exceptional item, would result in an exceptional tax impact.

Reassessment of temporary differences includes a net charge of £100.4 million (2016 £31.4 million) relating to the derecognition of overseas tax losses and a net charge of £8.5 million (2016 credit of £9.7 million) relating to the derecognition of UK tax losses which are treated as exceptional due to their distortive impact on the Group's adjusted tax charge.

### Uncertain tax positions

At 30 September 2017 the Group's 49.9% associate, Euromoney held provisions for uncertain tax of £10.2 million (30 September 2016 £12.5 million) relating to permanent establishment risk and challenges by tax authorities. The maximum potential additional exposure to Euromoney in relation to challenges by tax authorities not provided for is approximately £28.0 million if all cases were to be settled at their maximum potential liability. These additional exposures include challenges by: the Canadian Revenue Agency (CRA) on a foreign currency trade in 2009, which has a maximum exposure of £20.0 million; and the UK's HMRC on a share-for-share exchange with Euromoney's investment in Dealogic, which has a maximum exposure of £11.0 million of which £2.8 million has been provided. On 23 October 2017, the CRA issued a Notice of Reassessment to BCA Research Inc (BCA) based on the CRA view that the loss sustained by BCA on an intra-group derivative transaction cannot be deducted in computing income. We are confident that we will be able to set aside these reassessments through the normal litigation process, which has already begun. Nonetheless, BCA is obligated either to pay one-half of the consequential tax owing or to provide security for payment satisfactory to the CRA.

## 12 Dividends paid

|  | Year ended<br>30 September<br>2017<br>Pence per share | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>Pence per share | Year ended<br>30 September<br>2016<br>£m |
|--|---|--|---|--|
| Amounts recognisable as distributions to equity holders in the year                  |   |  |   |  |
| Ordinary Shares – final dividend for the year ended 30 September 2016                | <b>15.3</b>   | <b>3.0</b>                               | –   | –  |
| A Ordinary Non-Voting Shares – final dividend for the year ended 30 September 2016   | <b>15.3</b>   | <b>50.9</b>                              | –   | –  |
| Ordinary Shares – final dividend for the year ended 30 September 2015                | –   | –  | 14.9  | 3.0                                      |
| A Ordinary Non-Voting Shares – final dividend for the year ended 30 September 2015   | –   | –  | 14.9  | 49.7                                     |
|  |   | <b>53.9</b>                              |   | 52.7                                     |
| Ordinary Shares – interim dividend for the year ended 30 September 2017              | <b>6.9</b>  | <b>1.4</b>                               | –   | –  |
| A Ordinary Non-Voting Shares – interim dividend for the year ended 30 September 2017 | <b>6.9</b>  | <b>23.0</b>                              | –   | –  |
| Ordinary Shares – interim dividend for the year ended 30 September 2016              | –   | –  | 6.7   | 1.3                                      |
| A Ordinary Non-Voting Shares – interim dividend for the year ended 30 September 2016 | –   | –  | 6.7   | 22.4                                     |
|  |   | <b>24.4</b>                              |   | 23.7                                     |
|  |   | <b>78.3</b>                              |   | 76.4                                     |

The Board has declared a final dividend of 15.8 pence per Ordinary/A Ordinary Non-Voting Share (2016 15.3 pence) which will absorb an estimated £55.8 million (2016 £55.4 million) of shareholders' equity for which no liability has been recognised in these financial statements. It will be paid on 9 February 2018 to shareholders on the register at the close of business on 8 December 2017.

# Financial Statements

## Notes to the accounts

### 13 Adjusted profit

|  | Note        | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|-------------|--|--|
| (Loss)/profit before tax – continuing operations   | 3           | (112.3)                                  | 201.7                                    |
| Profit before tax – discontinued operations  | 19          | 14.0                                     | 45.2                                     |
| Profit on disposal of discontinued operations including recycled cumulative translation differences                              | 19          | 509.3                                    | –  |
| <b>Adjust for:</b>   |             |  |  |
| Amortisation of intangible assets in Group profit, including joint ventures and associates, arising on business combinations     | 3, 7, 19    | 50.3                                     | 51.5                                     |
| Impairment of goodwill and intangible assets arising on business combinations  | 3, 19       | 131.7                                    | 53.6                                     |
| Impairment of goodwill and intangible assets arising on business combinations of joint ventures and associates                   | 7           | 13.7                                     | –  |
| Exceptional operating costs, impairment of internally generated and acquired computer software and property, plant and equipment | 3, 19       | 167.1                                    | 54.7                                     |
| Share of exceptional operating costs of joint ventures and associates  | 7, 19       | 6.7                                      | 3.5                                      |
| Impairment of carrying value of joint ventures and associates  | 7           | 4.3                                      | 1.5                                      |
| <b>Other gains and losses:</b>   |             |  |  |
| Impairment of available-for-sale assets  | 8           | 0.5                                      | –  |
| Impairment of held-for-sale-assets   | 8           | 4.1                                      | –  |
| Profit on disposal of property, plant and equipment  | 8           | –  | (0.5)                                    |
| Profit on disposal of businesses, joint ventures, associates, change of control and recycled cumulative translation differences  | 8, 19       | (21.0)                                   | (137.4)                                  |
| Profit on disposal of discontinued operations including recycled cumulative translation differences                              | 19          | (509.3)                                  | –  |
| <b>Finance costs:</b>  |             |  |  |
| Finance charge on defined benefit pension schemes  | 10          | 4.9                                      | 4.6                                      |
| Fair value movements including share of joint ventures and associates  | (i), 10, 19 | (42.8)                                   | (21.3)                                   |
| <b>Tax:</b>  |             |  |  |
| Share of tax in joint ventures and associates  | 7, 11       | 4.9                                      | 2.5                                      |
| <b>Adjusted profit before tax and non-controlling interests</b>  |             | <b>226.1</b>                             | 259.6                                    |
| Total tax charge on the profit for the year  | 11          | (68.7)                                   | (32.7)                                   |
| <b>Adjust for:</b>   |             |  |  |
| Share of tax in joint ventures and associates  | 7           | (4.9)                                    | (2.5)                                    |
| Deferred tax on intangible assets  | 11          | (29.6)                                   | (12.0)                                   |
| Reassessment of temporary differences  | 11          | 108.9                                    | 24.0                                     |
| Tax on other adjusting items   | 11          | (34.7)                                   | (14.2)                                   |
| Non-controlling interests  | (ii)        | (0.8)                                    | (24.4)                                   |
| <b>Adjusted profit after taxation and non-controlling interests</b>  |             | <b>196.3</b>                             | 197.8                                    |

- (i) Fair value movements include movements on undesignated financial instruments, contingent consideration payable and receivable and change in value of acquisition put options.
- (ii) The adjusted non-controlling interests' share of profits for the year of £0.8 million (2016 £24.4 million) is stated after eliminating a charge of £3.8 million (2016 £14.4 million), being the non-controlling interests' share of adjusting items.

## 14 Earnings per share

Basic earnings per share of 97.8 pence (2016 57.8 pence) and diluted earnings per share of 96.3 pence (2016 56.4 pence) are calculated, in accordance with IAS 33, Earnings per share, on Group profit for the financial year of £345.3 million (2016 £204.2 million) as adjusted for the effect of dilutive Ordinary Shares of £0.1 million (2016 £0.9 million) and earnings from discontinued operations of £519.3 million (2016 £32.4 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 55.6 pence (2016 56.0 pence) are calculated on profit for continuing and discontinued operations before exceptional operating costs, impairment of goodwill and intangible assets, amortisation of intangible assets arising on business combinations, other gains and losses and exceptional financing costs after taxation and non-controlling interests associated with those profits, of £196.3 million (2016 £197.8 million), as set out in Note 13 and on the basic weighted average number of Ordinary Shares in issue during the year.

### Basic and diluted earnings per share:

|   | Year ended<br>30 September<br>2017<br>Diluted earnings<br>£m | Year ended<br>30 September<br>2016<br>Diluted earnings<br>£m | Year ended<br>30 September<br>2017<br>Basic earnings<br>£m | Year ended<br>30 September<br>2016<br>Basic earnings<br>£m |
|---|--|--|--|--|
| (Losses)/earnings from continuing operations                  | (174.0)  | 171.8  | (174.0)  | 171.8  |
| Effect of dilutive Ordinary Shares                            | (0.1)  | (0.9)  | -  | -  |
| Earnings from discontinued operations                         | 519.3  | 32.4   | 519.3  | 32.4   |
|   | <b>345.2</b>   | <b>203.3</b>   | <b>345.3</b>   | <b>204.2</b>   |
| Adjusted earnings from continuing and discontinued operations | 196.3  | 197.8  | 196.3  | 197.8  |
| Effect of dilutive Ordinary Shares                            | (0.1)  | (0.9)  | -  | -  |
|   | <b>196.2</b>   | <b>196.9</b>   | <b>196.3</b>   | <b>197.8</b>   |

|  | Year ended<br>30 September<br>2017<br>Diluted<br>pence<br>per share | Year ended<br>30 September<br>2016<br>Diluted<br>pence<br>per share | Year ended<br>30 September<br>2017<br>Basic<br>pence<br>per share | Year ended<br>30 September<br>2016<br>Basic<br>pence<br>per share |
|--|---|---|---|---|
| (Losses)/earnings per share from continuing operations                         | (48.5)  | 47.6  | (49.3)  | 48.6  |
| Effect of dilutive Ordinary Shares   | -   | (0.2)   | -   | -   |
| Earnings per share from discontinued operations                                | 144.8   | 9.0   | 147.1   | 9.2   |
| <b>Earnings per share from continuing and discontinued operations</b>          | <b>96.3</b>   | <b>56.4</b>   | <b>97.8</b>   | <b>57.8</b>   |
| Adjusted earnings per share from continuing and discontinued operations        | 54.7  | 54.9  | 55.6  | 56.0  |
| Effect of dilutive Ordinary Shares   | -   | (0.2)   | -   | -   |
| <b>Adjusted earnings per share from continuing and discontinued operations</b> | <b>54.7</b>   | <b>54.7</b>   | <b>55.6</b>   | <b>56.0</b>   |

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

|  | Year ended<br>30 September<br>2017<br>Number<br>m | Year ended<br>30 September<br>2016<br>Number<br>m |
|--|---|---|
| <b>Number of Ordinary Shares in issue</b>      | <b>362.1</b>                                      | 362.4   |
| Own shares held                                | (9.0)   | (9.0)   |
| <b>Basic earnings per share denominator</b>    | <b>353.1</b>                                      | 353.4   |
| Effect of dilutive share options               | 5.5   | 7.2   |
| <b>Dilutive earnings per share denominator</b> | <b>358.6</b>                                      | 360.6   |

# Financial Statements

## Notes to the accounts

### 15 EBITDA and cash generated by operations

|  | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--------|--|--|
| <b>Continuing operations</b>   |        |  |  |
| Adjusted operating profit  | 3      | 179.0                                    | 177.0                                    |
| Non-exceptional depreciation charge  | 3, 19  | 33.7                                     | 33.4                                     |
| Amortisation of internally generated and acquired computer software  | 3, 22  | 43.3                                     | 23.9                                     |
| Operating profits from joint ventures and associates   | 7      | 68.5                                     | 18.6                                     |
| Share of charge of depreciation and amortisation of internally generated and acquired computer software of joint ventures and associates |        | 4.0                                      | -  |
| Dividend income  | 9      | 0.1                                      | -  |
| <b>Discontinued operations</b>   |        |  |  |
| Adjusted operating profit  | 19     | 19.3                                     | 100.0                                    |
| Non-exceptional depreciation charge  | 19     | 0.8                                      | 2.8                                      |
| Amortisation of internally generated and acquired computer software  | 19     | 0.9                                      | 3.7                                      |
| Share of profits from operations of joint ventures and associates  | 19     | 0.8                                      | 4.3                                      |
| <b>EBITDA</b>  |        | <b>350.4</b>                             | <b>363.7</b>                             |
| Adjustments for:   |        |  |  |
| Share-based payments   | 39, 40 | 4.1                                      | 16.0                                     |
| Loss on disposal of property, plant and equipment  |        | -  | 0.4                                      |
| Pension charge less than cash contributions  | 3      | -  | (0.9)                                    |
| Share of profits from joint ventures and associates  | 7, 19  | (69.3)                                   | (22.9)                                   |
| Exceptional operating costs  | 3      | (43.4)                                   | (54.5)                                   |
| Dividend income  | 9      | (0.1)                                    | -  |
| Share of depreciation charge of joint ventures and associates  |        | (4.0)                                    | -  |
| Decrease in inventories  |        | 3.6                                      | 4.2                                      |
| Decrease/(increase) in trade and other receivables   |        | 8.0                                      | (11.2)                                   |
| Increase in trade and other payables   |        | 0.4                                      | 2.6                                      |
| Decrease in provisions   |        | (3.9)                                    | (2.4)                                    |
| Additional payments into pension schemes   |        | (13.1)                                   | (34.0)                                   |
| <b>Cash generated by operations</b>  |        | <b>232.7</b>                             | <b>261.0</b>                             |

## 16 Analysis of net debt

|  | Note   | At<br>30 September<br>2016<br>£m | Cash flow<br>£m | Fair value<br>hedging<br>adjustments<br>Note 10<br>£m | Foreign<br>exchange<br>movements<br>£m | Other<br>non-cash<br>movements (i)<br>£m | At<br>30 September<br>2017<br>£m |
|--|--------|----------------------------------|-----------------|---|--|--|----------------------------------|
| Cash and cash equivalents                        | 29     | 25.7                             | (11.2)          | -   | 0.1                                    | -  | <b>14.6</b>                      |
| Bank overdrafts                                  | 29, 33 | (8.2)                            | 0.9             | -   | 0.1                                    | -  | <b>(7.2)</b>                     |
| <b>Net cash and cash equivalents</b>             |        | <b>17.5</b>                      | <b>(10.3)</b>   | <b>-</b>  | <b>0.2</b>                             | <b>-</b>                                 | <b>7.4</b>                       |
| <b>Debt due within one year</b>                  |        |                                  |                 |   |  |  |                                  |
| Loan notes                                       | 33     | (2.4)                            | 0.6             | -   | -                                      | -  | <b>(1.8)</b>                     |
| Finance lease obligations                        | 33     | (0.4)                            | 0.2             | -   | -                                      | (0.2)                                    | <b>(0.4)</b>                     |
| <b>Debt due after one year</b>                   |        |                                  |                 |   |  |  |                                  |
| Bonds  | 33     | (425.3)                          | -               | 4.7   | -                                      | (2.9)                                    | <b>(423.5)</b>                   |
| Bank loans                                       | 33     | (267.7)                          | 224.9           | -   | (3.5)                                  | -  | <b>(46.3)</b>                    |
| Finance lease obligations                        | 33     | (0.7)                            | 0.5             | -   | -                                      | (0.3)                                    | <b>(0.5)</b>                     |
| <b>Net debt before effect<br/>of derivatives</b> |        | <b>(679.0)</b>                   | <b>215.9</b>    | <b>4.7</b>  | <b>(3.3)</b>                           | <b>(3.4)</b>                             | <b>(465.1)</b>                   |
| Effect of derivatives on debt                    | (ii)   | (16.8)                           | (6.6)           | (4.7)   | 14.4                                   | -  | <b>(13.7)</b>                    |
| Collateral deposits                              | 28     | 17.1                             | (2.6)           | -   | -                                      | -  | <b>14.5</b>                      |
| <b>Net debt at closing exchange rate</b>         |        | <b>(678.7)</b>                   | <b>206.7</b>    | <b>-</b>  | <b>11.1</b>                            | <b>(3.4)</b>                             | <b>(464.3)</b>                   |
| <b>Net debt at average exchange rate</b>         |        | <b>(643.9)</b>                   |                 |   |  |  | <b>(482.2)</b>                   |

The net cash outflow of £10.3 million (2016 £18.3 million) includes a cash outflow of £45.8 million (2016 £26.1 million) in respect of operating exceptional items.

- (i) Other non-cash movements comprise the unwinding of bond issue discount amounting to £2.6 million (2016 £2.5 million), amortisation of bond issue costs of £0.3 million (2016 £0.3 million), accrued collateral payments of £nil (2016 £3.0 million) together with the inception of new finance leases of £0.5 million (2016 £0.6 million).
- (ii) The effect of derivatives on debt is the net currency gain or loss on derivatives entered into with the intention of economically converting the currency borrowings into an alternative currency.

# Financial Statements

## Notes to the accounts

### 17 Summary of the effects of acquisitions

On 22 February 2017, the dmg events segment acquired 100% of the assets relating to the Coatings for Africa Symposium and Expo (CFA) for total consideration of £0.2 million. The Coatings for Africa Show is a biennial trade show held in Johannesburg, South Africa for paints, wallpaper and lacquer industry sectors.

CFA contributed £nil to the Group's revenue, £nil to the Group's operating profit and £nil to the Group's profit after tax for the period between the date of acquisition and 30 September 2017.

If the acquisition had been completed on the first day of the financial period, CFA would have contributed £nil to the Group's revenue, £nil to the Group's operating profit and £nil to the Group's adjusted profit after tax.

On 12 September 2017, the dmg information segment acquired 100% of the assets of Cerulean Analytics (CA) for total consideration of £0.9 million. CA offers a web-based, interactive software platform used to monitor collateralised loan obligation performance.

CA contributed £nil to the Group's revenue, £nil to the Group's operating profit and £nil to the Group's profit after tax for the period between the date of acquisition and 30 September 2017.

If the acquisition had been completed on the first day of the financial period, CA would have contributed £nil to the Group's revenue, £nil to the Group's operating profit and £nil to the Group's adjusted profit after tax.

#### Provisional fair value of net assets acquired with all acquisitions:

|   | Note    | CFA<br>£m  | CA<br>£m   | Total<br>£m |
|---|---------|------------|------------|-------------|
| Goodwill                                  | 21, (i) | –          | 0.4        | 0.4         |
| Intangible assets                         | 22      | 0.2        | 0.5        | 0.7         |
| <b>Group share of net assets acquired</b> |         | <b>0.2</b> | <b>0.9</b> | <b>1.1</b>  |

#### Cost of acquisitions:

|  | Note     | CFA<br>£m  | CA<br>£m   | Total<br>£m |
|--|----------|------------|------------|-------------|
| Cash paid in current year                |          | 0.2        | 0.3        | 0.5         |
| Contingent consideration                 | 36, (ii) | –          | 0.6        | 0.6         |
| <b>Total consideration at fair value</b> |          | <b>0.2</b> | <b>0.9</b> | <b>1.1</b>  |

- (i) The amount of goodwill which is deductible for the purposes of calculating the Group's tax charge is £nil.

Goodwill arising on these acquisitions is principally 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.

- (ii) The contingent consideration recognised during the period is based on future business valuations and profit multiples and has been estimated using available data forecasts. It is expected to fall due as follows: £0.1 million within one year, £0.1 million between one and two years and £0.4 million between two and five years.

The estimated range of undiscounted outcomes for contingent consideration relating to acquisitions in the year is £nil to £1.1 million.

The contingent consideration has been discounted back to current values in accordance with IFRS 3, Business Combinations. In each case, the Group has used acquisition accounting to account for the purchase.

All of the companies acquired during the period contributed £nil to the Group's revenue and £nil to the Group's profit after tax for the period between the date of acquisition and 30 September 2017.

Acquisition-related costs, amounting to £0.2 million, are charged against profits for the period in the Consolidated Income Statement.

If all acquisitions had been completed on the first day of the period, Group revenues for the period would have been £1,564.3 million and Group profit attributable to equity holders of the parent would have been a profit of £357.1 million. This information takes into account the amortisation of acquired intangible assets 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 period.



**Purchase of additional shares in controlled entities:**

|                    | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--------------------|--|--|
| Cash consideration | 2.1                                      | 0.2                                      |

During the year, the Group acquired additional shares in controlled entities amounting to £2.1 million (2016 £0.2 million).

**Reconciliation to purchase of subsidiaries as shown in the Consolidated Cash Flow Statement:**

|   | Note    | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|---------|--|--|
| Cash consideration  |         | 0.5                                      | 37.4                                     |
| Cash paid to settle contingent consideration in respect of acquisitions | 36, (i) | 8.2                                      | 0.3                                      |
| Cash paid to settle acquisition put options                             |         | 18.0                                     | -  |
| Cash and cash equivalents acquired with subsidiaries                    |         | -  | (8.2)                                    |
| <b>Purchase of subsidiaries</b>   |         | <b>26.7</b>                              | <b>29.5</b>                              |

- (i) Cash paid to settle contingent consideration in respect of acquisitions includes £7.5 million (2016 £0.3 million) within the dmg information segment, £0.2 million (2016 £nil) within the dmg events segment and £0.5 million (2016 £nil) in the Euromoney segment.

**18 Summary of the effects of disposals**

On 8 December 2016, the Group announced its intention to reduce its holding in Euromoney Institutional Investor PLC (Euromoney) by the sale of approximately 32.3 million shares in Euromoney. The sale comprised two parts:

- (i) a placing and
- (ii) a buy-back by Euromoney and subsequent cancellation of the bought-back shares.

The effect of the sale was to reduce the Group's holding from 67.9% of Euromoney's issued share capital to 49.9% after which Euromoney ceased to be a subsidiary and is accounted for as an associate.

Following loss of control the Group has also considered factors which may indicate de facto control. The Group has determined that it does not have de facto control over Euromoney since it cannot block any ordinary resolutions, which comprise the majority of corporate actions, has no control over the remuneration of Euromoney's directors and has no control over Euromoney's day-to-day operations nor budgets. In addition, the Group has no material trading activities or relationships which are critical for Euromoney to carry out its business. The Group's relationship with Euromoney is monitored on an ongoing basis to ensure no change in this assessment.

On 1 February 2017, the dmg information segment disposed of the assets in Beat the GMAT (BTG) for consideration of £0.4 million.

On 17 April 2017, the dmg media segment disposed of the assets and brand of Elite Daily for total consideration of £7.2 million.

On 29 September 2017, the dmg information segment disposed of the Admissions software business. The consideration received comprised a £15.7 million 9.0% loan note.

# Financial Statements

## Notes to the accounts

### 18 Summary of the effects of disposals continued

The impact of the disposal of businesses completed during the period on net assets is as follows:

|   | Note | Euro money<br>£m | BTG<br>£m  | Elite Daily<br>£m | Admissions<br>£m | Other<br>£m  | Sub Total<br>£m | Prior year<br>assets held<br>for sale<br>disposed in<br>current year<br>£m | Adjustment<br>on sale of<br>assets held<br>for sale in<br>current year<br>£m | Total<br>£m  |
|---|------|------------------|------------|-------------------|------------------|--------------|-----------------|--|--|--------------|
| Goodwill  | 21   | 433.8            | 1.2        | –                 | 5.4              | 0.2          | 440.6           | 4.0  | –  | 444.6        |
| Intangible assets   | 22   | 147.7            | 0.2        | –                 | 10.6             | 2.6          | 161.1           | –  | –  | 161.1        |
| Property, plant and equipment   | 23   | 12.7             | –          | –                 | 0.7              | –            | 13.4            | –  | –  | 13.4         |
| Investments in joint ventures   | 24   | 0.2              | –          | –                 | –                | –            | 0.2             | –  | –  | 0.2          |
| Investments in associates   | 24   | 29.8             | –          | –                 | –                | –            | 29.8            | –  | –  | 29.8         |
| Available-for-sale investments  | 25   | 5.8              | –          | –                 | –                | –            | 5.8             | –  | –  | 5.8          |
| Trade and other receivables   |      | 141.2            | 0.1        | –                 | 11.4             | 0.6          | 153.3           | 0.2  | 0.2  | 153.7        |
| Derivative financial assets   |      | 0.4              | –          | –                 | –                | –            | 0.4             | –  | –  | 0.4          |
| Cash and cash equivalents   |      | 32.0             | –          | –                 | –                | –            | 32.0            | –  | –  | 32.0         |
| Trade and other payables  |      | (246.2)          | –          | –                 | (11.8)           | (1.0)        | (259.0)         | (4.4)  | 0.5  | (262.9)      |
| Current tax payable   |      | (11.9)           | –          | –                 | –                | –            | (11.9)          | –  | –  | (11.9)       |
| Derivative financial liabilities  |      | (9.9)            | –          | –                 | –                | –            | (9.9)           | –  | –  | (9.9)        |
| Retirement benefit obligations  | 35   | (1.1)            | –          | –                 | –                | –            | (1.1)           | –  | –  | (1.1)        |
| Provisions  | 36   | (3.4)            | –          | –                 | –                | (0.1)        | (3.5)           | –  | –  | (3.5)        |
| Deferred tax liabilities  | 37   | (10.6)           | –          | –                 | –                | –            | (10.6)          | –  | –  | (10.6)       |
| Treasury shares   | 39   | 14.1             | –          | –                 | –                | –            | 14.1            | –  | –  | 14.1         |
| <b>Net assets/(liabilities) disposed</b>  |      | <b>534.6</b>     | <b>1.5</b> | <b>–</b>          | <b>16.3</b>      | <b>2.3</b>   | <b>554.7</b>    | <b>(0.2)</b>   | <b>0.7</b>   | <b>555.2</b> |
| Non-controlling interest share of net assets disposed                           | 40   | (171.1)          | –          | –                 | –                | –            | (171.1)         | –  | –  | (171.1)      |
| Gain on remeasurement of retained interest in Euro money                        |      | 357.4            | –          | –                 | –                | –            | 357.4           | –  | –  | 357.4        |
| Profit on sale of businesses including recycled cumulative exchange differences |      | 151.9            | (0.8)      | 6.2               | 0.8              | (8.0)        | 150.1           | –  | 2.4  | 152.5        |
|   |      | <b>872.8</b>     | <b>0.7</b> | <b>6.2</b>        | <b>17.1</b>      | <b>(5.7)</b> | <b>891.1</b>    | <b>(0.2)</b>   | <b>3.1</b>   | <b>894.0</b> |

#### Satisfied by:

|   |         |              |            |            |             |              |              |          |            |              |
|---|---------|--------------|------------|------------|-------------|--------------|--------------|----------|------------|--------------|
| Cash received   |         | 252.8        | 0.1        | 2.2        | –           | –            | 255.1        | –        | 0.6        | 255.7        |
| Directly attributable costs paid                              |         | (3.5)        | (0.1)      | (1.0)      | (3.2)       | –            | (7.8)        | –        | (0.1)      | (7.9)        |
| Deferred consideration  |         | –            | 0.3        | –          | –           | –            | 0.3          | –        | 2.4        | 2.7          |
| Fair value of available-for-sale investment in BDG Media Inc. | 25      | –            | –          | 3.4        | –           | –            | 3.4          | –        | –          | 3.4          |
| Fair value of associate investment in Euro money retained     | (i), 24 | 613.1        | –          | –          | –           | –            | 613.1        | –        | –          | 613.1        |
| Intercompany loan forgiven                                    |         | 64.5         | –          | –          | –           | –            | 64.5         | –        | –          | 64.5         |
| Loan notes  |         | –            | –          | 1.6        | 15.7        | –            | 17.3         | –        | –          | 17.3         |
| Working capital adjustment                                    |         | –            | –          | –          | –           | (5.4)        | (5.4)        | –        | –          | (5.4)        |
| Recycled cumulative translation differences                   | 39      | (54.1)       | 0.4        | –          | 4.6         | (0.3)        | (49.4)       | –        | –          | (49.4)       |
|   |         | <b>872.8</b> | <b>0.7</b> | <b>6.2</b> | <b>17.1</b> | <b>(5.7)</b> | <b>891.1</b> | <b>–</b> | <b>2.9</b> | <b>894.0</b> |

(i) This was measured in accordance with IFRS 10, as the fair value of this listed investment is quoted in an active market.

#### Reconciliation to disposal of businesses as shown in the Consolidated Cash Flow Statement:

|  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--|--|
| Cash consideration net of disposal costs             | 247.8                                    | 39.5                                     |
| Cash and cash equivalents disposed with subsidiaries | (32.0)                                   | –  |
| <b>Proceeds on disposal of businesses</b>            | <b>215.8</b>                             | <b>39.5</b>                              |

In addition, the Group's interest in Euromoney, before Euromoney ceased to be a subsidiary undertaking, was diluted during the period by 0.1%. Under the Group's accounting policy for the disposal of shares in controlled entities, no adjustment has been recorded to the fair value of assets and liabilities already held on the Condensed Consolidated Statement of Financial Position. The difference between the Group's share of net assets before and after this dilution is adjusted in retained earnings. The adjustment to retained earnings in the period was a charge of £0.3 million (2016 £0.1 million).

The Group's tax charge includes £4.4 million in relation to these disposals.

All of the businesses disposed of during the period generated £15.6 million of the Group's net operating cash flows, paid £3.0 million in investing activities and paid £0.8 million in financing activities.

#### Proceeds from redemption of preference share capital

During the prior period the Group received £14.4 million relating to preference share capital following the prior year sale of Capital DATA Ltd in the Euromoney segment.

### 19 Discontinued operations

On 8 December 2016, the Group announced its intention to reduce its holding in Euromoney to 49.9% by a sale of approximately 32.3 million shares in Euromoney. The sale comprised two parts:

- (i) a placing and
- (ii) a buy-back by Euromoney and subsequent cancellation for the bought-back shares.

The effect of the sale was to reduce DMGT's holding from 67.9% of Euromoney's issued share capital to 49.9% after which Euromoney ceased to be a subsidiary and is accounted for as an Associate. The results of Euromoney up to the point of disposal are included in discontinued operations for the current period.

The Group's Consolidated Income Statement includes the following results from discontinued operations:

|   | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|--------|--|--|
| <b>Revenue</b>  | 3      | <b>95.2</b>                              | 403.1                                    |
| Expenses  |        | <b>(74.2)</b>                            | (296.6)                                  |
| Depreciation  | 3      | <b>(0.8)</b>                             | (2.8)                                    |
| Amortisation of intangible assets not arising on business combinations                | 3      | <b>(0.9)</b>                             | (3.7)                                    |
| <b>Adjusted operating profit</b>  | 3      | <b>19.3</b>                              | 100.0                                    |
| Exceptional operating costs   | 3, 13  | <b>(0.9)</b>                             | (12.9)                                   |
| Impairment of goodwill and intangible assets  | 3      | <b>-</b>                                 | (28.7)                                   |
| Amortisation of intangible assets arising on business combinations                    | 3, 13  | <b>(5.4)</b>                             | (17.6)                                   |
| <b>Operating profit before share of results of joint ventures and associates</b>      |        | <b>13.0</b>                              | 40.8                                     |
| Share of adjusted operating profits from operations of joint ventures and associates  |        | <b>0.8</b>                               | 4.3                                      |
| Share of exceptional operating costs of associates                                    |        | <b>-</b>                                 | (0.4)                                    |
| Share of impairment of intangibles arising on business combinations of associates     | 13     | <b>-</b>                                 | (0.1)                                    |
| Share of amortisation of intangibles arising on business combinations of associates   | 13     | <b>(1.2)</b>                             | (4.4)                                    |
| Share of interest payable of associates   |        | <b>(0.6)</b>                             | (2.1)                                    |
| Share of tax in associates  | 13     | <b>0.3</b>                               | 0.8                                      |
| <b>Total operating profit</b>   |        | <b>12.3</b>                              | 38.9                                     |
| Other gains and losses  | 13     | <b>2.4</b>                               | 7.1                                      |
| <b>Profit before net finance costs and tax</b>  | 13     | <b>14.7</b>                              | 46.0                                     |
| Investment revenue  |        | <b>-</b>                                 | 0.3                                      |
| Interest, arrangement and commitment fees payable on bonds, bank loans and loan notes |        | <b>-</b>                                 | (0.5)                                    |
| Change in present value of acquisition put options                                    |        | <b>(0.7)</b>                             | (0.6)                                    |
| Finance costs   |        | <b>(0.7)</b>                             | (1.1)                                    |
| <b>Profit before tax</b>  |        | <b>14.0</b>                              | 45.2                                     |
| Tax charge  | 11     | <b>(4.0)</b>                             | (12.8)                                   |
| <b>Profit after tax attributable to discontinued operations</b>                       |        | <b>10.0</b>                              | 32.4                                     |
| Profit on disposal of discontinued operations   | 13, 18 | <b>563.4</b>                             | -  |
| Recycled cumulative translation differences on disposal of discontinued operations    | 13, 18 | <b>(54.1)</b>                            | -  |
| <b>Profit attributable to discontinued operations</b>                                 |        | <b>519.3</b>                             | 32.4                                     |

During the period as a subsidiary undertaking Euromoney generated £15.3 million (2016 £87.1 million) of the Group's net operating cash flows, paid £3.0 million (2016 received £6.1 million) in respect of investing activities and paid £0.8 million (2016 £10.5 million) in respect of financing activities.

## Financial Statements

## Notes to the accounts

**20 Total assets and liabilities of businesses held for sale**

At 30 September 2017, the assets and liabilities held for sale principally relate to EDR and Hobsons Solutions, both of which are included in the dmg information segment. The main classes of assets and liabilities comprising the operations classified as held-for-sale are set out in the table below. These assets and liabilities are recorded at their fair value with all losses taken to the Consolidated Income Statement. The impairment charge recorded in the period in relation to these assets and liabilities amounted to £6.5 million, of which £2.4 million relates to goodwill and intangible asset impairment and £4.1 million relates to impairment of other net assets (Note 8).

During the prior year, the assets and liabilities held for sale principally related to Euromoney Indices, HedgeFund Intelligence and the assets of II Searches, all within the Euromoney segment. The main classes of assets and liabilities comprising the operations classified as held-for-sale are set out in the table below. These assets and liabilities were recorded at their fair value with all losses taken to the Consolidated Income Statement.

|   | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|------|----------------------------------|----------------------------------|
| Goodwill  | 21   | 70.9                             | 4.0                              |
| Intangible assets   | 22   | 8.6                              | 0.3                              |
| Property, plant and equipment                                     | 23   | 8.7                              | -                                |
| Inventories   | 26   | 0.1                              | -                                |
| Trade and other receivables                                       | 27   | 19.5                             | 0.7                              |
| <b>Total assets associated with businesses held for sale</b>      |      | <b>107.8</b>                     | <b>5.0</b>                       |
| Trade and other payables  | 30   | (16.8)                           | (5.5)                            |
| Current tax   | 31   | (5.3)                            | -                                |
| Deferred tax  | 37   | (6.9)                            | -                                |
| <b>Total liabilities associated with businesses held for sale</b> |      | <b>(29.0)</b>                    | <b>(5.5)</b>                     |
| <b>Net assets/(liabilities) of the disposal group</b>             |      | <b>78.8</b>                      | <b>(0.5)</b>                     |

## 21 Goodwill

|                                      | Note | Goodwill<br>£m |
|--------------------------------------|------|----------------|
| <b>Cost</b>                          |      |                |
| <b>At 30 September 2015</b>          |      | 966.3          |
| Additions                            | 17   | 39.1           |
| Disposals                            | 18   | (7.1)          |
| Classified as held-for-sale          | 20   | (14.7)         |
| Exchange adjustment                  |      | 90.3           |
| <b>At 30 September 2016</b>          |      | <b>1,073.9</b> |
| Additions                            | 17   | 0.4            |
| Disposals                            | 18   | (504.2)        |
| Classified as held-for-sale          | 20   | (72.7)         |
| Exchange adjustment                  |      | 8.8            |
| <b>At 30 September 2017</b>          |      | <b>506.2</b>   |
| <b>Accumulated impairment losses</b> |      |                |
| <b>At 30 September 2015</b>          |      | 57.6           |
| Impairment                           | 3    | 46.8           |
| Disposals                            | 18   | (1.9)          |
| Classified as held-for-sale          | 20   | (10.7)         |
| Exchange adjustment                  |      | 0.5            |
| <b>At 30 September 2016</b>          |      | <b>92.3</b>    |
| Impairment                           | 3    | 117.0          |
| Disposals                            | 18   | (63.6)         |
| Classified as held-for-sale          | 20   | (1.8)          |
| Exchange adjustment                  |      | (0.8)          |
| <b>At 30 September 2017</b>          |      | <b>143.1</b>   |
| <b>Net book value – 2015</b>         |      | <b>908.7</b>   |
| <b>Net book value – 2016</b>         |      | <b>981.6</b>   |
| <b>Net book value – 2017</b>         |      | <b>363.1</b>   |

Goodwill impairment losses recognised in the year amounted to £117.0 million (2016 £46.8 million).

The Group's policy on impairment of goodwill is set out in Note 2.

Further disclosures, in accordance with paragraph 134 of IAS 36, Impairment of assets, are provided where the Group holds an individual goodwill item relating to a cash generating unit (CGU) that is significant. The Group considers this to be the case when the goodwill carrying value of the individual CGU is 15.0% or more of the Group's total carrying value of goodwill.

Using this criteria the only significant items of goodwill included in the net book value above relate to Genscape, Landmark and Hobsons in the dmg information segment.

Genscape goodwill has a carrying value of £100.5 million (2016 £196.3 million) together with intangible assets with a carrying value of £40.4 million (2016 £97.3 million). The recoverable amount of Genscape has been determined using a value in use calculation in line with IAS 36. The methodology applied to the value in use calculations reflects past experience and external sources of information including:

- (i) cash flows for the business for the following year derived from budgets for 2018. The Directors believe these to be reasonably achievable;
- (ii) subsequent cash flows for four additional years increased in line with growth expectations of the business;
- (ii) cash flows beyond the four-year period extrapolated using a long-term nominal growth rate of 2.5%; and
- (iv) a pre-tax discount rate of 19.2%.

Using the above methodology the recoverable amount was lower than the carrying value by £140.3 million (2016 exceeding carrying value by £10.3 million). Accordingly an impairment charge was recorded in the year amounting to £140.3 million.

# Financial Statements

## Notes to the accounts

### 21 Goodwill continued

Landmark goodwill has a carrying value of £80.9 million (2016 £80.9 million) together with intangible assets with a carrying value of £22.0 million (2016 £20.5 million). The carrying value of Landmark has been determined using a value in use calculation in line with IAS 36. The methodology applied to the value in use calculations reflects past experience and external sources of information including:

- (i) cash flows for the business for the following year derived from budgets for 2018. The Directors believe these to be reasonably achievable;
- (ii) subsequent cash flows for two additional years increased in line with growth expectations of the business;
- (iii) cash flows beyond the three-year period extrapolated using a long-term nominal growth rate of 2.0%; and
- (iv) a pre-tax discount rate of 13.3%.

Using the above methodology the recoverable amount exceeded the total carrying value by £169.9 million (2016 £292.8 million). For this business the Directors performed a sensitivity analysis on the total carrying value of the CGU. For the recoverable amount to be equal to the carrying value the discount rate would need to be increased by 15.47% to 26.47% (2016 by 25.78% to 35.78%), the long-term growth rate would need to decline by 22.69% to -20.69% (2016 by 31.51% to -28.51%), or the CGU would need to miss budget by 62.4% (2016 77.4%).

Hobsons goodwill has a carrying value of £69.6 million (2016 £76.1 million) together with intangible assets with a carrying value of £22.4 million (2016 £37.4 million). The carrying value of Hobsons has been determined using a value in use calculation in line with IAS 36. The methodology applied to the value in use calculations reflects past experience and external sources of information including:

- (i) cash flows for the business for the following year derived from budgets for 2018. The Directors believe these to be reasonably achievable;
- (ii) subsequent cash flows for two additional years increased in line with growth expectations of the business;
- (iii) cash flows beyond the three-year period extrapolated using a long-term nominal growth rate of 3.0%; and
- (iv) a pre-tax discount rate of 18.3%.

Using the above methodology the recoverable amount exceeded the total carrying value by £25.2 million (2016 £302.9 million). For this business the Directors performed a sensitivity analysis on the total carrying value of the CGU. For the recoverable amount to be equal to the carrying value the discount rate would need to be increased by 1.96% to 12.96% (2016 by 20.27% to 30.27%), the long-term growth rate would need to decline by 2.23% to 0.77% (2016 by 24.66% to -21.66%), or the CGU would need to miss budget by 21.3% (2016 71.8%).

#### The impairment charge is analysed by major CGU as follows:

| CGU          | Segment         | Goodwill impairment<br>£m | Intangible asset impairment<br>£m | Recoverable amount<br>£m | 2017 pre-tax discount rate<br>% | 2016 pre-tax discount rate<br>% | Reason for impairment charge   |
|--------------|-----------------|---------------------------|-----------------------------------|--------------------------|---------------------------------|---------------------------------|--|
| Genscape     | dmg information | 85.6                      | 54.7                              | 140.9                    | 19.2                            | 20.0                            | A weaker performance than expected and a significantly reduced forecast since March 2017 when a recovery in revenue growth plus a reduction in costs was envisaged. Genscape's financial performance however continued to decline and new management forecasts have resulted in a reduction in value in use. |
| SiteCompli   | dmg information | 17.5                      | 6.4                               | –                        | 18.3                            | 16.7                            | Lower than anticipated customer demand and the abandonment of the national retail product roll-out in the second half of the year.   |
| Xceligent    | dmg information | 11.7                      | 29.8                              | –                        | 18.3                            | 25.0                            | Weaker revenues and renewal rates in the second half of the year.  |
| Other        |                 | 2.2                       | 5.5                               |                          |                                 |                                 |  |
| <b>Total</b> |                 | <b>117.0</b>              | <b>96.4</b>                       | <b>140.9</b>             |                                 |                                 |  |

Recoverable amounts have been determined using value in use calculations for all of the above CGUs.



## 22 Other intangible assets

|   | Note   | Publishing rights, mastheads and titles<br>£m | Brands<br>£m | Market- and customer-related databases and customer relationships<br>£m | Computer software (i)<br>£m | Other<br>£m | Total<br>£m    |
|---|--------|---|--------------|---|-----------------------------|-------------|----------------|
| <b>Cost</b>                               |        |   |              |   |                             |             |                |
| <b>At 30 September 2015</b>               |        | 254.6   | 84.1         | 219.1   | 376.2                       | 10.4        | 944.4          |
| Additions from business combinations      | 17     | 1.9   | 5.9          | 24.2  | 8.0                         | –           | 40.0           |
| Other additions                           |        | –   | –            | –   | 3.0                         | –           | 3.0            |
| Internally generated                      | (i)    | –   | –            | –   | 58.3                        | –           | 58.3           |
| Disposals                                 | 18     | –   | (0.1)        | –   | (5.0)                       | –           | (5.1)          |
| Classified as held-for-sale               | 20     | –   | –            | (3.4)   | –                           | (1.2)       | (4.6)          |
| Exchange adjustment                       |        | 18.6  | 9.4          | 20.4  | 52.1                        | 2.0         | 102.5          |
| <b>At 30 September 2016</b>               |        | <b>275.1</b>                                  | <b>99.3</b>  | <b>260.3</b>  | <b>492.6</b>                | <b>11.2</b> | <b>1,138.5</b> |
| Additions from business combinations      | 17     | –   | 0.1          | 0.1   | 0.5                         | –           | 0.7            |
| Other additions                           |        | –   | –            | –   | 0.2                         | –           | 0.2            |
| Internally generated                      | (i)    | –   | –            | –   | 57.7                        | –           | 57.7           |
| Disposals                                 | 18     | (185.1)                                       | (48.9)       | (150.9)   | (114.8)                     | (4.7)       | (504.4)        |
| Classified as held-for-sale               | 20     | (0.2)   | (1.2)        | (8.0)   | (9.0)                       | –           | (18.4)         |
| Transfer to property, plant and equipment | 23     | –   | –            | –   | (47.1)                      | –           | (47.1)         |
| Exchange adjustment                       |        | 6.1   | (0.8)        | 4.1   | (7.6)                       | –           | 1.8            |
| <b>At 30 September 2017</b>               |        | <b>95.9</b>                                   | <b>48.5</b>  | <b>105.6</b>  | <b>372.5</b>                | <b>6.5</b>  | <b>629.0</b>   |
| <b>Accumulated amortisation</b>           |        |   |              |   |                             |             |                |
| <b>At 30 September 2015</b>               |        | 179.5   | 38.7         | 112.4   | 185.8                       | 4.1         | 520.5          |
| Charge for the year                       | 3      | 8.3   | 5.4          | 18.9  | 36.7                        | 0.6         | 69.9           |
| Impairment                                | 3      | –   | 5.2          | 0.6   | –                           | 1.0         | 6.8            |
| Disposals                                 | 17, 18 | –   | –            | –   | (3.9)                       | –           | (3.9)          |
| Classified as held-for-sale               | 20     | –   | –            | (3.1)   | –                           | (1.2)       | (4.3)          |
| Exchange adjustment                       |        | 9.6   | 5.2          | 11.1  | 23.5                        | 0.9         | 50.3           |
| <b>At 30 September 2016</b>               |        | <b>197.4</b>                                  | <b>54.5</b>  | <b>139.9</b>  | <b>242.1</b>                | <b>5.4</b>  | <b>639.3</b>   |
| Charge for the year                       | 3      | 4.1   | 4.2          | 13.7  | 52.6                        | 1.5         | 76.1           |
| Impairment                                | 3      | 1.0   | 0.6          | 10.4  | 81.7                        | 2.7         | 96.4           |
| Disposals                                 | 17, 18 | (124.4)                                       | (13.9)       | (105.6)   | (94.8)                      | (4.9)       | (343.6)        |
| Classified as held-for-sale               | 20     | (0.2)   | (1.2)        | (3.3)   | (5.1)                       | –           | (9.8)          |
| Transfer to property, plant and equipment | 23     | –   | –            | –   | (41.1)                      | –           | (41.1)         |
| Exchange adjustment                       |        | 3.1   | (1.0)        | 2.6   | (6.2)                       | 0.2         | (1.3)          |
| <b>At 30 September 2017</b>               |        | <b>81.0</b>                                   | <b>43.2</b>  | <b>57.7</b>   | <b>229.2</b>                | <b>4.9</b>  | <b>416.0</b>   |
| Net book value – 2015                     |        | 75.1  | 45.4         | 106.7   | 190.4                       | 6.3         | 423.9          |
| Net book value – 2016                     |        | 77.7  | 44.8         | 120.4   | 250.5                       | 5.8         | 499.2          |
| <b>Net book value – 2017</b>              |        | <b>14.9</b>                                   | <b>5.3</b>   | <b>47.9</b>   | <b>143.3</b>                | <b>1.6</b>  | <b>213.0</b>   |

# Financial Statements

## Notes to the accounts

### 22 Other intangible assets continued

(i) Computer software includes purchased and internally generated intangible assets, not forming part of a business combination, as follows:

|                                 | Note | £m           |
|---------------------------------|------|--------------|
| <b>Cost</b>                     |      |              |
| <b>At 30 September 2015</b>     |      | 315.8        |
| Additions                       |      | 61.3         |
| Disposals                       |      | (5.0)        |
| Exchange adjustment             |      | 42.7         |
| <b>At 30 September 2016</b>     |      | <b>414.8</b> |
| Additions                       |      | 57.9         |
| Disposals                       |      | (88.0)       |
| Analysis reclassifications      |      | (39.5)       |
| Classified as held-for-sale     | 20   | (7.4)        |
| Exchange adjustment             |      | (7.8)        |
| <b>At 30 September 2017</b>     |      | <b>330.0</b> |
| <b>Accumulated amortisation</b> |      |              |
| <b>At 30 September 2015</b>     |      | 166.6        |
| Charge for the year             |      | 27.6         |
| Disposals                       |      | (3.9)        |
| Exchange adjustment             |      | 20.2         |
| <b>At 30 September 2016</b>     |      | <b>210.5</b> |
| Charge for the year             |      | 44.2         |
| Impairment                      |      | 57.8         |
| Disposals                       |      | (69.5)       |
| Analysis reclassifications      |      | (33.5)       |
| Classified as held-for-sale     | 20   | (4.1)        |
| Exchange adjustment             |      | (5.7)        |
| <b>At 30 September 2017</b>     |      | <b>199.7</b> |
| Net book value – 2015           |      | 149.2        |
| Net book value – 2016           |      | 204.3        |
| <b>Net book value – 2017</b>    |      | <b>130.3</b> |

The following table analyses intangible assets in the course of construction included in the internally generated intangibles above, on which no amortisation has been charged in the year since they have not been brought into use.

|                             | £m          |
|-----------------------------|-------------|
| <b>Cost</b>                 |             |
| <b>At 30 September 2015</b> | <b>86.7</b> |
| Additions                   | 29.1        |
| Projects completed          | (78.0)      |
| Exchange adjustment         | 2.6         |
| <b>At 30 September 2016</b> | <b>40.4</b> |
| Additions                   | 18.4        |
| Impairment                  | (21.9)      |
| Projects completed          | (16.9)      |
| Exchange adjustment         | (0.5)       |
| <b>At 30 September 2017</b> | <b>19.5</b> |

The Group's most significant individual internally developed intangible asset is RMS(one). The development of RMS(one) was completed during the prior period and the asset was transferred out of the assets in the course of construction category and amortisation commenced. The RMS(one) intangible asset has a carrying value of £71.3 million (2016 £89.1 million) which has been assessed for recoverability using a value in use calculation in line with IAS 36, Impairment of assets. The methodology applied to the value in use calculations reflects past experience and external sources of information including:

- (i) budget and forecast data which the Directors believe to be reasonably achievable;
- (ii) cash flows over five years post-launch;
- (iii) the rate at which core clients start using RMS(one) platform;
- (iv) a pre-tax discount rate of 17.4% for platform & software and 15.2% for models & data; and
- (v) average annual growth rates of 4.0%–15.0% in the core underlying business.

Using the above methodology the recoverable amount exceeded the carrying value and accordingly no impairment charge was recorded in the year.

The methodologies applied to the Group's CGUs when testing for impairment and details of the above impairment charge are set out in Note 2.

The carrying values of the Group's larger intangible assets are further analysed as follows:

|   |                 | At<br>30 September<br>2017<br>Carrying value<br>£m | At<br>30 September<br>2016<br>Carrying value<br>£m | At<br>30 September<br>2017<br>Remaining<br>amortisation<br>period<br>Years | At<br>30 September<br>2016<br>Remaining<br>amortisation<br>period<br>Years |
|---|-----------------|--|--|--|--|
| RMS(one)  | RMS             | 71.3   | 89.1   | 4.8  | 5.8  |
| DIIG customer relationships                       | dmg information | 22.8   | 26.5   | 7.0  | 8.0  |
| Genscape intellectual property                    | dmg information | 9.8  | 11.3   | 8.5  | 9.5  |
| Instant Services customer relationships           | dmg information | 8.7  | 9.6  | 8.5  | 9.5  |
| Genscape real time power platform                 | dmg information | 5.3  | 5.2  | 4.8  | 5.8  |
| Genscape tradenames                               | dmg information | 5.2  | 6.0  | 7.6  | 8.6  |
| Petrotranz proprietary knowledge                  | dmg information | 4.5  | 5.1  | 7.1  | 8.1  |
| Estate Technical Solutions customer relationships | dmg information | 4.1  | 4.6  | 7.4  | 8.4  |
| Starfish customer relationships                   | dmg information | 3.7  | 4.3  | 8.0  | 9.0  |
| Higher Education student matching platform        | dmg information | 3.4  | 0.2  | –  | –  |

# Financial Statements

## Notes to the accounts

### 23 Property, plant and equipment

|  | Note | Freehold properties<br>£m | Long leasehold properties<br>£m | Short leasehold properties<br>£m | Plant and equipment<br>£m | Total<br>£m  |
|--|------|---------------------------|---------------------------------|----------------------------------|---------------------------|--------------|
| <b>Cost</b>                                    |      |                           |                                 |                                  |                           |              |
| <b>At 30 September 2015</b>                    |      | 58.9                      | 0.8                             | 37.9                             | 296.1                     | 393.7        |
| Owned by subsidiaries acquired                 | 17   | -                         | -                               | -                                | 0.3                       | 0.3          |
| Additions                                      |      | -                         | 0.7                             | 1.3                              | 25.2                      | 27.2         |
| Disposals                                      |      | -                         | -                               | -                                | (6.9)                     | (6.9)        |
| Owned by subsidiaries disposed                 | 18   | -                         | -                               | -                                | (1.1)                     | (1.1)        |
| Reclassifications                              |      | (1.0)                     | -                               | -                                | 1.0                       | -            |
| Exchange adjustment                            |      | -                         | 0.2                             | 3.5                              | 21.0                      | 24.7         |
| <b>At 30 September 2016</b>                    |      | <b>57.9</b>               | <b>1.7</b>                      | <b>42.7</b>                      | <b>335.6</b>              | <b>437.9</b> |
| Additions                                      |      | -                         | 0.2                             | 1.9                              | 19.0                      | 21.1         |
| Disposals                                      |      | -                         | (0.1)                           | (0.1)                            | (10.4)                    | (10.6)       |
| Classified as held-for-sale                    | 20   | -                         | -                               | -                                | (27.5)                    | (27.5)       |
| Owned by subsidiaries disposed                 | 18   | -                         | (1.3)                           | (16.3)                           | (27.1)                    | (44.7)       |
| Transfers from intangible fixed assets         | 22   | -                         | -                               | -                                | 47.1                      | 47.1         |
| Reclassifications                              |      | -                         | -                               | (1.6)                            | 1.6                       | -            |
| Exchange adjustment                            |      | -                         | 0.1                             | (0.3)                            | (1.8)                     | (2.0)        |
| <b>At 30 September 2017</b>                    |      | <b>57.9</b>               | <b>0.6</b>                      | <b>26.3</b>                      | <b>336.5</b>              | <b>421.3</b> |
| <b>Accumulated depreciation and impairment</b> |      |                           |                                 |                                  |                           |              |
| <b>At 30 September 2015</b>                    |      | 14.0                      | 0.4                             | 19.7                             | 178.5                     | 212.6        |
| Charge for the year                            | 3    | 1.8                       | 0.1                             | 3.2                              | 31.1                      | 36.2         |
| Impairment                                     |      | -                         | -                               | -                                | 0.2                       | 0.2          |
| Disposals                                      |      | -                         | -                               | -                                | (5.4)                     | (5.4)        |
| Owned by subsidiaries disposed                 |      | -                         | -                               | -                                | (0.5)                     | (0.5)        |
| Reclassifications                              |      | (1.6)                     | -                               | -                                | 1.6                       | -            |
| Exchange adjustment                            |      | -                         | 0.2                             | 2.3                              | 16.2                      | 18.7         |
| <b>At 30 September 2016</b>                    |      | <b>14.2</b>               | <b>0.7</b>                      | <b>25.2</b>                      | <b>221.7</b>              | <b>261.8</b> |
| Charge for the year                            | 3    | 1.9                       | 0.1                             | 2.8                              | 29.7                      | 34.5         |
| Impairment                                     | 3    | 22.4                      | -                               | 0.6                              | 19.0                      | 42.0         |
| Impairment of assets held for sale             |      | -                         | -                               | -                                | 0.4                       | 0.4          |
| Disposals                                      |      | -                         | (0.1)                           | (0.1)                            | (9.8)                     | (10.0)       |
| Classified as held for sale                    | 20   | -                         | -                               | -                                | (18.8)                    | (18.8)       |
| Owned by subsidiaries disposed                 | 18   | -                         | (0.6)                           | (9.3)                            | (21.4)                    | (31.3)       |
| Transfers from intangible fixed assets         | 22   | -                         | -                               | -                                | 41.1                      | 41.1         |
| Reclassifications                              |      | -                         | -                               | (1.5)                            | 1.5                       | -            |
| Exchange adjustment                            |      | 0.1                       | (0.1)                           | -                                | (1.7)                     | (1.7)        |
| <b>At 30 September 2017</b>                    |      | <b>38.6</b>               | <b>-</b>                        | <b>17.7</b>                      | <b>261.7</b>              | <b>318.0</b> |
| Net book value – 2015                          |      | 44.9                      | 0.4                             | 18.2                             | 117.6                     | 181.1        |
| Net book value – 2016                          |      | 43.7                      | 1.0                             | 17.5                             | 113.9                     | 176.1        |
| <b>Net book value – 2017</b>                   |      | <b>19.3</b>               | <b>0.6</b>                      | <b>8.6</b>                       | <b>74.8</b>               | <b>103.3</b> |

## 24 Investments in joint ventures and associates

|  | Note  | Cost of shares<br>£m | Share of<br>post-acquisition<br>retained reserves<br>£m | Total<br>£m |
|--|-------|----------------------|---|-------------|
| <b>Joint ventures</b>                  |       |                      |   |             |
| <b>At 30 September 2015</b>            |       | 12.6                 | (11.3)  | 1.3         |
| Additions – cash                       |       | 0.3                  | –   | 0.3         |
| Additions – non cash                   | (ii)  | 2.8                  | –   | 2.8         |
| Disposals                              |       | –                    | 2.1   | 2.1         |
| Impairment                             | 7     | (0.1)                | –   | (0.1)       |
| Share of retained reserves             |       | –                    | 0.2   | 0.2         |
| Reclassification from other debtors    |       | 2.4                  | (3.4)   | (1.0)       |
| Transfer to investment in subsidiaries | (iii) | –                    | (1.4)   | (1.4)       |
| Exchange adjustment                    |       | 1.7                  | (1.1)   | 0.6         |
| <b>At 30 September 2016</b>            |       | <b>19.7</b>          | <b>(14.9)</b>   | <b>4.8</b>  |
| Reclassifications                      |       | 1.0                  | (1.0)   | –           |
| Additions – cash                       |       | 0.3                  | –   | 0.3         |
| Disposals                              | (iv)  | (10.5)               | 10.5  | –           |
| Owned by subsidiaries disposed         | 18    | (4.7)                | 4.5   | (0.2)       |
| Share of retained reserves             | 7     | –                    | (0.5)   | (0.5)       |
| Dividends received                     | (i)   | –                    | (0.6)   | (0.6)       |
| Impairment                             | 7     | (3.3)                | –   | (3.3)       |
| Exchange adjustment                    |       | 0.3                  | (0.6)   | (0.3)       |
| <b>At 30 September 2017</b>            |       | <b>2.8</b>           | <b>(2.6)</b>  | <b>0.2</b>  |

- (i) The Group received dividends from Decision First in the dmg information segment.
- (ii) During the prior year, the dmg information segment disposed of the assets of Enrolment Management Services in exchange for a 50.0% interest in Knowlura, Inc.
- (iii) During the prior year the Group increased its interest in Instant Services AG, held by the dmg information segment and obtained control.
- (iv) During the year the Group disposed of Mail Today Newspapers Pte Ltd in the dmg media segment.

# Financial Statements

## Notes to the accounts

### 24 Investments in joint ventures and associates continued

Summary aggregated financial information for the Group's joint ventures, extracted on a 100% basis from the joint ventures' own financial information, is set out below:

|                                     | Revenue<br>£m | Operating<br>(loss)/profit<br>£m | Total<br>expenses<br>£m | (Loss)/profit<br>for the year<br>£m | Total<br>comprehensive<br>(expense)/income<br>£m |
|-------------------------------------|---------------|----------------------------------|-------------------------|-------------------------------------|--|
| <b>Year ended 30 September 2017</b> |               |                                  |                         |                                     |  |
| dmg information                     | 10.9          | 1.6                              | (9.5)                   | 1.4                                 | 1.4  |
| dmg media                           | -             | (1.9)                            | (1.9)                   | (1.9)                               | (1.9)  |
|                                     | 10.9          | (0.3)                            | (11.4)                  | (0.5)                               | (0.5)  |

|                             | Non-current<br>assets<br>£m | Current<br>assets<br>£m | Total<br>assets<br>£m | Current<br>liabilities<br>£m | Total<br>liabilities<br>£m | Net assets/<br>(liabilities)<br>£m |
|-----------------------------|-----------------------------|-------------------------|-----------------------|------------------------------|----------------------------|------------------------------------|
| <b>At 30 September 2017</b> |                             |                         |                       |                              |                            |                                    |
| dmg information             | 0.6                         | 3.1                     | 3.7                   | (1.6)                        | (1.6)                      | 2.1                                |
| dmg media                   | -                           | -                       | -                     | (1.9)                        | (1.9)                      | (1.9)                              |
|                             | 0.6                         | 3.1                     | 3.7                   | (3.5)                        | (3.5)                      | 0.2                                |

|                                     | Revenue<br>£m | Operating<br>profit/(loss)<br>£m | Total<br>expenses<br>£m | Profit/(loss)<br>for the year<br>£m | Total<br>comprehensive<br>income/(expense)<br>£m |
|-------------------------------------|---------------|----------------------------------|-------------------------|-------------------------------------|--|
| <b>Year ended 30 September 2016</b> |               |                                  |                         |                                     |  |
| dmg information                     | 19.7          | 2.1                              | (18.3)                  | 1.4                                 | 1.4  |
| Euromoney                           | 0.1           | (0.1)                            | (0.2)                   | (0.1)                               | (0.1)  |
|                                     | 19.8          | 2.0                              | (18.5)                  | 1.3                                 | 1.3  |

|                             | Non-current<br>assets<br>£m | Current<br>assets<br>£m | Total<br>assets<br>£m | Current<br>liabilities<br>£m | Total<br>liabilities<br>£m | Net assets/<br>(liabilities)<br>£m |
|-----------------------------|-----------------------------|-------------------------|-----------------------|------------------------------|----------------------------|------------------------------------|
| <b>At 30 September 2016</b> |                             |                         |                       |                              |                            |                                    |
| dmg information             | 6.1                         | 4.7                     | 10.8                  | (2.7)                        | (2.7)                      | 8.1                                |
| Euromoney                   | -                           | -                       | -                     | (0.1)                        | (0.1)                      | (0.1)                              |
|                             | 6.1                         | 4.7                     | 10.8                  | (2.8)                        | (2.8)                      | 8.0                                |

At 30 September 2017 the Group's joint ventures had capital commitments amounting to £nil (2016 £nil). There were no material contingent assets (2016 none).

#### Information on principal joint ventures:

|   | Segment         | Principal activity                                 | Year ended           | Description<br>of holding | Group interest % |
|---|-----------------|--|----------------------|---------------------------|------------------|
| <b>Unlisted</b>   |                 |  |                      |                           |                  |
| The Sanborn Map Company, Inc.<br>(incorporated and operating in the US)       | dmg information | Photogrammetric mapping<br>and GIS data conversion | 30 September<br>2017 | Preferred stock           | 49.00            |
| Knowlura, Inc.<br>(incorporated and operating in the US)                      | dmg information | Provider of online<br>educational services         | 30 September<br>2017 | Common                    | 50.00            |
| Daily Mail On-Air LLC (DailyMailTV)<br>(incorporated and operating in the US) | dmg media       | Producer of DailyMailTV                            | 30 September<br>2017 | Membership<br>interests   | 50.00            |



|  | Note     | Cost of shares<br>£m | Share of<br>post-acquisition<br>retained reserves<br>£m | Total<br>£m  |
|--|----------|----------------------|---|--------------|
| <b>Associates</b>                            |          |                      |   |              |
| <b>At 30 September 2015</b>                  |          | 162.3                | (20.4)  | 141.9        |
| Reclassifications                            |          | (3.6)                | 3.6   | -            |
| Additions – cash                             |          | 4.4                  | -   | 4.4          |
| Additions – non cash                         |          | 0.1                  | -   | 0.1          |
| Share of retained reserves                   | 7        | -                    | 4.3   | 4.3          |
| Dividends received                           | (i)      | -                    | (5.3)   | (5.3)        |
| Impairment                                   | 7        | (1.4)                | -   | (1.4)        |
| Transfer to investment in subsidiaries       | 17, (ii) | (3.8)                | 1.7   | (2.1)        |
| Exchange adjustment                          |          | 3.4                  | -   | 3.4          |
| <b>At 30 September 2016</b>                  |          | <b>161.4</b>         | <b>(16.1)</b>   | <b>145.3</b> |
| Reclassifications                            |          | 0.2                  | (0.2)   | -            |
| Additions – cash                             |          | 2.0                  | -   | 2.0          |
| Additions – non cash Euromoney               | 18       | 613.1                | -   | 613.1        |
| Additions – non cash                         |          | 0.2                  | -   | 0.2          |
| Share of retained reserves                   | 7        | -                    | 11.3  | 11.3         |
| Dividends received                           | (i)      | -                    | (35.3)  | (35.3)       |
| Impairment                                   | 7        | (1.0)                | -   | (1.0)        |
| Deemed disposal of investment in associates  | 8        | 18.0                 | -   | 18.0         |
| Transfer from available-for-sale investments | 25       | 1.4                  | -   | 1.4          |
| Transfer from derivatives                    |          | 10.2                 | -   | 10.2         |
| Disposals                                    | (iii)    | (0.6)                | 0.7   | 0.1          |
| Owned by subsidiaries disposed               | 18       | (32.4)               | 2.6   | (29.8)       |
| Exchange adjustment                          |          | (1.2)                | 0.9   | (0.3)        |
| <b>At 30 September 2017</b>                  |          | <b>771.3</b>         | <b>(36.1)</b>   | <b>735.2</b> |

The cumulative unrecognised share of losses of the Group's associates principally comprises £23.5 million (2016 £14.7 million) in relation to the Group's investment in ITN.

Joint ventures and associates have been accounted for under the equity method using unaudited financial information to 30 September 2017.

- (i) Dividends received in the current and prior year principally relate to the Group's investments in ZPG (2017 £7.3 million, 2016 £5.2 million) in the dmg media segment, RGJ Destiny LLC (previously named Axiometrics LLC) (2017 £9.2 million, 2016 £nil) in the dmg information segment and Euromoney (2017 £18.8 million, 2016 £nil) in the Euromoney segment.
- (ii) During the prior year the group increased its interest in Ochresoft Technologies Ltd, held by the dmg information segment, and World Bulk Wine Exhibition S.L., held by the Euromoney segment and obtained control.
- (iii) During the year the Group disposed of its investment in Clipper Data in the dmg information segment and Fortunegreen, IntoStuff and Spaceway Storage Services UK in the dmg media segment.

# Financial Statements

## Notes to the accounts

### 24 Investments in joint ventures and associates continued

Summary aggregated financial information for the Group's associates, extracted on a 100% basis from the associates' own financial information is set out below:

| Year ended 30 September 2017 | Revenue<br>£m | Operating<br>profit/(loss)<br>£m | Total expenses<br>£m | Profit/(loss)<br>for the year<br>£m | Other<br>comprehensive<br>income<br>£m | Total<br>comprehensive<br>income/(expense)<br>£m |
|------------------------------|---------------|----------------------------------|----------------------|-------------------------------------|--|--|
| RMS                          | 3.8           | (2.8)                            | (7.5)                | (3.7)                               | -                                      | (3.7)  |
| dmg information              | 38.0          | (10.8)                           | (49.4)               | (11.4)                              | -                                      | (11.4)   |
| dmg events                   | 1.6           | 0.1                              | (1.5)                | 0.1                                 | -                                      | 0.1  |
| Euromoney                    | 386.9         | 43.4                             | (343.7)              | 43.2                                | 3.5                                    | 46.7   |
| dmg media                    | 379.5         | 49.5                             | (357.6)              | 21.9                                | 1.1                                    | 23.0   |
|                              | 809.8         | 79.4                             | (759.7)              | 50.1                                | 4.6                                    | 54.7   |

| At 30 September 2017 | Non-current<br>assets<br>£m | Current assets<br>£m | Total assets<br>£m | Current liabilities<br>£m | Non-current<br>liabilities<br>£m | Total liabilities<br>£m | Net assets<br>£m |
|----------------------|-----------------------------|----------------------|--------------------|---------------------------|----------------------------------|-------------------------|------------------|
| RMS                  | 3.1                         | 6.5                  | 9.6                | (1.3)                     | (4.7)                            | (6.0)                   | 3.6              |
| dmg information      | 16.6                        | 36.7                 | 53.3               | (24.8)                    | (8.5)                            | (33.3)                  | 20.0             |
| dmg events           | -                           | 0.3                  | 0.3                | (0.2)                     | -                                | (0.2)                   | 0.1              |
| Euromoney            | 648.7                       | 127.9                | 776.6              | (267.5)                   | (212.3)                          | (479.8)                 | 296.8            |
| dmg media            | 511.5                       | 152.5                | 664.0              | (105.2)                   | (436.5)                          | (541.7)                 | 122.3            |
|                      | 1,179.9                     | 323.9                | 1,503.8            | (399.0)                   | (662.0)                          | (1,061.0)               | 442.8            |

| Year ended 30 September 2016 | Revenue<br>£m | Operating<br>profit/(loss)<br>£m | Total expenses<br>£m | Profit/(loss)<br>for the year and total<br>comprehensive<br>income/(expense)<br>£m |
|------------------------------|---------------|----------------------------------|----------------------|--|
| RMS                          | 3.6           | (0.9)                            | (5.4)                | (1.8)  |
| dmg information              | 35.8          | (12.1)                           | (49.7)               | (13.9)   |
| dmg events                   | 0.9           | -                                | (0.9)                | -  |
| Euromoney                    | 105.9         | 0.7                              | (115.4)              | (9.5)  |
| dmg media                    | 300.3         | 50.2                             | (263.3)              | 37.0   |
|                              | 446.5         | 37.9                             | (434.7)              | 11.8   |

| At 30 September 2016 | Non-current<br>assets<br>£m | Current assets<br>£m | Total assets<br>£m | Current liabilities<br>£m | Non-current<br>liabilities<br>£m | Total liabilities<br>£m | Net assets<br>£m |
|----------------------|-----------------------------|----------------------|--------------------|---------------------------|----------------------------------|-------------------------|------------------|
| RMS                  | 3.4                         | 8.3                  | 11.7               | (1.1)                     | (3.1)                            | (4.2)                   | 7.5              |
| dmg information      | 12.5                        | 52.3                 | 64.8               | (24.4)                    | (6.7)                            | (31.1)                  | 33.7             |
| dmg events           | -                           | 0.5                  | 0.5                | (0.2)                     | -                                | (0.2)                   | 0.3              |
| Euromoney            | 505.4                       | 58.6                 | 564.0              | (280.1)                   | (5.3)                            | (285.4)                 | 278.6            |
| dmg media            | 328.6                       | 86.2                 | 414.8              | (106.9)                   | (238.8)                          | (345.7)                 | 69.1             |
|                      | 849.9                       | 205.9                | 1,055.8            | (412.7)                   | (253.9)                          | (666.6)                 | 389.2            |

At 30 September 2017 the Group's associates had capital commitments amounting to £nil (2016 £nil). There were no material contingent liabilities (2016 none).

**Information on principal associates:**

|   | Segment         | Note | Principal activity  | Year ended        | Description of holding | Group interest % |
|---|-----------------|------|---|-------------------|------------------------|------------------|
| <b>Listed</b>   |                 |      |   |                   |                        |                  |
| ZPG Plc (incorporated and operating in the UK)                              | dmg media       | (i)  | Online property portal  | 30 September 2017 | Ordinary               | 29.84            |
| Euromoney Institutional Investor PLC (incorporated and operating in the UK) | Euromoney       | (ii) | Provider of information focused on the global asset management, capital markets and commodities sectors | 30 September 2017 | Ordinary               | 49.90            |
| <b>Unlisted</b>   |                 |      |   |                   |                        |                  |
| Excalibur Holdco Ltd (incorporated and operating in the UK)                 | dmg media       |      | Operator of online discount businesses  | 30 September 2017 | B Ordinary             | 23.90            |
| Real Capital Analytics, Inc. (incorporated and operating in the US)         | dmg information |      | Provider of real estate information   | 30 September 2017 | Preferred stock        | 39.73            |
| Independent Television News Ltd (incorporated and operating in the UK)      | dmg media       |      | Independent TV news provider  | 31 December 2016  | Ordinary               | 20.00            |
| Praedicat, Inc. (incorporated and operating in the US)                      | RMS             |      | Provision of catastrophe risk analytics   | 30 September 2017 | Preferred stock        | 29.60            |
| Propstack Services Private Ltd (incorporated and operating in India)        | dmg information |      | Provider of commercial real estate information  | 31 March 2017     | Ordinary               | 21.83            |

- (i) The market value of the Group's investment in ZPG at 30 September 2017 was £473.7 million (2016 £426.0 million). The Group does not have the power to control the majority of shareholder voting rights nor the Board of Directors. With an effective interest of 29.84% the Group has treated this investment as an associated undertaking.

Summary financial information for ZPG, extracted on a 100% basis from ZPG's own financial statements, for the year to 30 September 2017 is set out below:

|   |           |
|---|-----------|
|   | <b>£m</b> |
| Revenue                                 | 244.5     |
| Depreciation and amortisation           | (18.4)    |
| Profit from continuing operations       | 53.7      |
| Interest expense                        | (5.6)     |
| Tax charge                              | (10.7)    |
| Post-tax profit from operations         | 37.4      |
| Other comprehensive income              | 1.1       |
| Total comprehensive income              | 38.5      |
|   | <b>£m</b> |
| Non-current assets                      | 502.0     |
| Cash and cash equivalents               | 75.4      |
| Other current assets                    | 38.5      |
| Total assets                            | 615.9     |
| Current liabilities                     | (71.4)    |
| Non-current liabilities                 | (304.6)   |
| Total liabilities                       | (376.0)   |
| Net assets                              | 239.9     |
| Group interest (29.84%)                 | 71.6      |
| Goodwill and intangibles carrying value | 37.6      |
| Group carrying value                    | 109.2     |

- (ii) On 8 December 2016, the Group announced its intention to reduce its holding in Euromoney by the sale of approximately 32.3 million shares in Euromoney. The sale comprised two parts: (i) a placing and (ii) a buy-back by Euromoney and subsequent cancellation of the bought back shares. The effect of the sale was to reduce the Group's holding from 67.9% of Euromoney's issued share capital to 49.9% after which Euromoney ceased to be a subsidiary and is accounted for as an associate.

# Financial Statements

## Notes to the accounts

### 24 Investments in joint ventures and associates continued

The market value of the Group's investment in Euromoney at 30 September 2017 was £627.0 million.

Summary financial information for Euromoney, extracted on a 100% basis from Euromoney's own financial statements, for the year to 30 September 2017 is set out below:

|   | £m          |
|---|-------------|
| Revenue   | 386.9       |
| Depreciation and amortisation                     | (28.0)      |
| Profit from continuing operations                 | 43.4        |
| Share of results in joint ventures and associates | (1.9)       |
| Interest income                                   | 3.3         |
| Interest expense                                  | (4.1)       |
| Tax charge  | (3.4)       |
| Post-tax profit from discontinued operations      | 5.9         |
| Post-tax profit from operations                   | 43.2        |
| Other comprehensive income                        | 3.5         |
| <b>Total comprehensive income</b>                 | <b>46.7</b> |
|   | £m          |
| Non-current assets                                | 648.7       |
| Cash and cash equivalents                         | 4.4         |
| Other current assets                              | 123.5       |
| Total assets                                      | 776.6       |
| Current liabilities                               | (267.5)     |
| Non-current liabilities                           | (212.3)     |
| Total liabilities                                 | (479.8)     |
| Net assets  | 296.8       |
| Group interest (49.9%)                            | 148.1       |
| Goodwill and intangibles carrying value           | 449.8       |
| Group carrying value                              | 597.9       |

### 25 Available-for-sale investments

|                                      | Note    | Unlisted<br>£m |
|--------------------------------------|---------|----------------|
| <b>At 30 September 2015</b>          |         | <b>13.8</b>    |
| Additions – cash                     |         | 1.6            |
| Disposals                            |         | (0.1)          |
| Exchange adjustment                  |         | 0.5            |
| <b>At 30 September 2016</b>          |         | <b>15.8</b>    |
| Additions – cash                     |         | 19.4           |
| Additions – non cash                 | 18      | 3.4            |
| Owned by subsidiaries disposed       | 18      | (5.8)          |
| Transfer to investment in associates | 24, (i) | (1.4)          |
| Impairment charge                    | 8       | (0.5)          |
| Exchange adjustment                  |         | (0.3)          |
| <b>At 30 September 2017</b>          |         | <b>30.6</b>    |

The investments above represent 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. Since there is no active market upon which they are traded, unlisted securities are recorded at cost less provision for impairment, as their fair values cannot be reliably measured.

- (i) During the year, the Group acquired an additional interest in PropStak Services Limited (PropStak), taking its overall holding to 23.17%. By virtue of the Group's board representation and shareholder rights the Group now has significant influence over PropStak and has treated this investment as an associate (see Note 24).

Available-for-sale investments are analysed as follows:

|   | Note   | Class of holding | Group interest % | At<br>30 September<br>2017<br>NBV<br>£m | At<br>30 September<br>2016<br>NBV<br>£m |
|---|--------|------------------|------------------|---|---|
| <b>Unlisted</b>   |        |                  |                  |   |   |
| Yopa Property Ltd (incorporated and operating in the UK)                      | (i)    | Ordinary         | 17.4             | 15.4                                    | 0.5                                     |
| Brit Media, Inc. (incorporated and operating in the US)                       | (ii)   | Ordinary         | 10.1             | 5.3                                     | 1.5                                     |
| BDG Media, Inc. (incorporated and operating in the US)                        | (iii)  | Common stock     | 2.8              | 3.2                                     | –                                       |
| Taboola.com Ltd (incorporated and operating in Israel)                        | (iv)   | Ordinary         | 0.4              | 2.0                                     | 2.0                                     |
| Pascal Metrics, Inc. (incorporated and operating in the US)                   | (v)    | Ordinary         | 4.3              | 1.5                                     | 1.5                                     |
| Cue Ball Capital (incorporated and operating in the US)                       | (vi)   | Limited Partner  | 2.5              | 1.4                                     | 1.1                                     |
| CompStak (incorporated and operating in the US)                               | (vii)  | Ordinary         | 2.0              | 0.5                                     | 0.5                                     |
| Evening Standard Ltd (incorporated and operating in the UK)                   | (viii) | Ordinary         | 24.9             | 0.3                                     | 0.3                                     |
| Shanghai Maili Marine Technology Co Ltd (incorporated and operating in China) | (ix)   | Preferred        | 20.0             | 0.1                                     | 0.1                                     |
| Other   |        |                  |                  | 0.9                                     | 8.3                                     |
|   |        |                  |                  | <b>30.6</b>                             | <b>15.8</b>                             |

- (i) Yopa Property provides an online estate agency service.
- (ii) Brit Media, Inc. owns and operates an online media and e-commerce platform that provides tools to teach, inspire, and enable creativity among women and girls.
- (iii) BDG Media, Inc. operates a website with news, entertainment, fashion and beauty, books and lifestyle content.
- (iv) Taboola.com Limited provides a content marketing platform that provides a web widget to content creators on their website to show contents that include relevant links within the site and from other publishers.
- (v) Pascal Metrics, Inc. is used by healthcare organisations including hospitals to improve patient safety and clinical reliability by measuring and using workforce and clinical data.
- (vi) Cue ball Capital LLC is a venture capital and private equity firm specialising in start-ups, early-stage, mid-venture, growth equity scale-ups and buy-out investments.
- (vii) CompStak provides commercial real estate information to brokers, appraisers, researchers, landlords, lenders and investors.
- (viii) The Group has no Board representation and no influence over the day-to-day management of the Evening Standard Ltd. Accordingly the Group has treated this investment as an available-for-sale investment.
- (ix) Shanghai Maili Marine Technology Co Ltd provides maritime information services.

Interest analysis of available-for-sale investments is as follows:

|                      | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|----------------------|----------------------------------|----------------------------------|
| Non-interest bearing | 30.6                             | 15.8                             |

## 26 Inventories

|                               | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|-------------------------------|------|----------------------------------|----------------------------------|
| Raw materials and consumables |      | 7.5                              | 7.0                              |
| Work in progress              |      | 17.6                             | 20.8                             |
| Finished goods                |      | 1.6                              | 3.0                              |
|                               |      | <b>26.7</b>                      | <b>30.8</b>                      |
| Classified as held-for-sale   | 20   | (0.1)                            | –                                |
|                               |      | <b>26.6</b>                      | <b>30.8</b>                      |

# Financial Statements

## Notes to the accounts

### 27 Trade and other receivables

|                                | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|--------------------------------|------|----------------------------------|----------------------------------|
| <b>Current assets</b>          |      |                                  |                                  |
| Trade receivables              |      | 170.4                            | 245.9                            |
| Allowance for doubtful debts   |      | (5.1)                            | (16.1)                           |
|                                |      | <b>165.3</b>                     | 229.8                            |
| Prepayments and accrued income |      | 72.2                             | 90.8                             |
| Other receivables              |      | 18.8                             | 26.3                             |
|                                |      | <b>256.3</b>                     | 346.9                            |
| Classified as held-for-sale    | 20   | (19.5)                           | (0.7)                            |
|                                |      | <b>236.8</b>                     | 346.2                            |
| <b>Non-current assets</b>      |      |                                  |                                  |
| Trade receivables              |      | 3.6                              | 8.0                              |
| Prepayments and accrued income |      | 1.3                              | 3.4                              |
| Other receivables              |      | 15.6                             | 7.3                              |
|                                |      | <b>20.5</b>                      | 18.7                             |
|                                |      | <b>257.3</b>                     | 364.9                            |

Movement in the allowance for doubtful debts is as follows:

|                                      | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|--------------------------------------|----------------------------------|----------------------------------|
| <b>At 30 September 2016</b>          | <b>(16.1)</b>                    | (14.6)                           |
| Impairment losses recognised         | (4.3)                            | (8.7)                            |
| Amounts written off as uncollectable | 6.6                              | 5.1                              |
| Amounts recovered during the year    | 0.8                              | 3.7                              |
| Owned by subsidiaries disposed       | 7.9                              | 0.1                              |
| Exchange adjustment                  | -                                | (1.7)                            |
| <b>30 September 2017</b>             | <b>(5.1)</b>                     | (16.1)                           |

In determining the allowance for doubtful debts the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the period end date.

Ageing of impaired trade receivables:

|               | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---------------|----------------------------------|----------------------------------|
| 0 – 30 days   | 0.2                              | 1.8                              |
| 31 – 60 days  | 0.1                              | 0.6                              |
| 61 – 90 days  | 0.1                              | 1.3                              |
| 91 – 120 days | 0.2                              | 0.8                              |
| 121+ days     | 4.5                              | 11.6                             |
| <b>Total</b>  | <b>5.1</b>                       | 16.1                             |

Included in the Group's trade receivables are debtors with a carrying value of £94.8 million (2016 £85.8 million) which are past due at 30 September 2017 for which no allowance has been made. The Group is not aware of any deterioration in the credit quality of these customers and considers that the amounts are still recoverable.



Ageing of past due but not impaired receivables is as follows:

|                      | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|----------------------|----------------------------------|----------------------------------|
| 1 – 30 days overdue  | 32.3                             | 35.6                             |
| 31 – 60 days overdue | 9.8                              | 18.0                             |
| 61 – 90 days overdue | 34.3                             | 12.0                             |
| 91+ days overdue     | 18.4                             | 20.2                             |
| <b>Total</b>         | <b>94.8</b>                      | <b>85.8</b>                      |

The carrying amount of trade and other receivables approximates to their fair value.

## 28 Other financial assets

|  | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|--|------|----------------------------------|----------------------------------|
| <b>Current assets</b>                  |      |                                  |                                  |
| Collateral                             | (i)  | 14.5                             | 17.1                             |
|  |      | <b>14.5</b>                      | <b>17.1</b>                      |
| <b>Non-current assets</b>              |      |                                  |                                  |
| Loans to associates and joint ventures |      | 15.5                             | 21.0                             |
|  |      | <b>15.5</b>                      | <b>21.0</b>                      |

- (i) The Group deposits collateral with its bank counterparties with whom it has entered into a credit support annex to an ISDA (International Swaps and Derivatives Association) Master Agreement. This represents cash that cannot be readily used in operations.

## 29 Cash and cash equivalents

|  | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|--|------|----------------------------------|----------------------------------|
| Cash and cash equivalents                                      |      | 14.6                             | 25.7                             |
| Unsecured bank overdrafts                                      | 33   | (7.2)                            | (8.2)                            |
| Cash and cash equivalents in the cash flow statement           | 16   | 7.4                              | 17.5                             |
| <b>Analysis of cash and cash equivalents by currency:</b>      |      |                                  |                                  |
| Sterling   |      | 0.9                              | 2.4                              |
| US dollar  |      | 2.9                              | 2.3                              |
| Australian dollar  |      | 0.2                              | 0.3                              |
| Canadian dollar  |      | 0.4                              | 0.8                              |
| Euro   |      | 3.7                              | 3.9                              |
| Other  |      | 6.5                              | 16.0                             |
|  |      | <b>14.6</b>                      | <b>25.7</b>                      |
| <b>Analysis of cash and cash equivalents by interest type:</b> |      |                                  |                                  |
| Floating rate interest   |      | 14.6                             | 25.7                             |

The carrying amount of cash and cash equivalents equates to their fair values.

# Financial Statements

## Notes to the accounts

### 30 Trade and other payables

|                                    | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|------------------------------------|------|----------------------------------|----------------------------------|
| <b>Current liabilities</b>         |      |                                  |                                  |
| Trade payables                     |      | 83.1                             | 67.9                             |
| Interest payable                   |      | 14.2                             | 14.7                             |
| Other taxation and social security |      | 10.7                             | 17.8                             |
| Other creditors                    |      | 13.5                             | 34.1                             |
| Accruals                           |      | 154.8                            | 253.0                            |
| Deferred income                    |      | 243.2                            | 374.2                            |
|                                    |      | 519.5                            | 761.7                            |
| Classified as held-for-sale        | 20   | (16.8)                           | (5.5)                            |
|                                    |      | 502.7                            | 756.2                            |
| <b>Non-current liabilities</b>     |      |                                  |                                  |
| Other creditors                    |      | 2.9                              | 5.7                              |
|                                    |      | 505.6                            | 761.9                            |

The carrying amount of trade and other payables approximates to their fair value.

### 31 Current tax

|                             | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|-----------------------------|------|----------------------------------|----------------------------------|
| Corporation tax payable     |      | 7.0                              | 27.0                             |
| Classified as held-for-sale | 20   | (5.3)                            | –                                |
|                             |      | 1.7                              | 27.0                             |
| Corporation tax receivable  |      | (9.6)                            | (15.6)                           |
|                             |      | (7.9)                            | 11.4                             |

### 32 Acquisition put option commitments

|             | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|-------------|----------------------------------|----------------------------------|
| Current     | 0.6                              | 18.5                             |
| Non-current | 7.4                              | 26.3                             |
|             | 8.0                              | 44.8                             |

The carrying amount of put option commitments approximates to their fair value.

### 33 Borrowings

The Group's borrowings are unsecured and are analysed as follows:

|                             | Overdrafts<br>£m | Bank loans<br>£m | Bonds<br>£m | Loan notes<br>£m | Finance leases<br>£m | Total<br>£m |
|-----------------------------|------------------|------------------|-------------|------------------|----------------------|-------------|
| <b>At 30 September 2017</b> |                  |                  |             |                  |                      |             |
| Within one year             | 7.2              | -                | -           | 1.8              | 0.4                  | 9.4         |
| Between one and two years   | -                | -                | 216.2       | -                | 0.3                  | 216.5       |
| Between two and five years  | -                | 46.3             | 10.0        | -                | 0.2                  | 56.5        |
| Over five years             | -                | -                | 197.3       | -                | -                    | 197.3       |
|                             | -                | 46.3             | 423.5       | -                | 0.5                  | 470.3       |
|                             | 7.2              | 46.3             | 423.5       | 1.8              | 0.9                  | 479.7       |
| <b>At 30 September 2016</b> |                  |                  |             |                  |                      |             |
| Within one year             | 8.2              | -                | -           | 2.4              | 0.4                  | 11.0        |
| Between one and two years   | -                | -                | -           | -                | 0.1                  | 0.1         |
| Between two and five years  | -                | 267.7            | 223.6       | -                | 0.6                  | 491.9       |
| Over five years             | -                | -                | 201.7       | -                | -                    | 201.7       |
|                             | -                | 267.7            | 425.3       | -                | 0.7                  | 693.7       |
|                             | 8.2              | 267.7            | 425.3       | 2.4              | 1.1                  | 704.7       |

The Group's borrowings are analysed by currency and interest rate type as follows:

|                             | Sterling<br>£m | US dollar<br>£m | Total<br>£m |
|-----------------------------|----------------|-----------------|-------------|
| <b>At 30 September 2017</b> |                |                 |             |
| Fixed rate interest         | 423.5          | 0.9             | 424.4       |
| Floating rate interest      | 28.2           | 27.1            | 55.3        |
|                             | 451.7          | 28.0            | 479.7       |
| <b>At 30 September 2016</b> |                |                 |             |
| Fixed rate interest         | 425.3          | 1.1             | 426.4       |
| Floating rate interest      | 98.9           | 179.4           | 278.3       |
|                             | 524.2          | 180.5           | 704.7       |

The Group's borrowings, analysed by currency and interest rate type, adjusting the principal borrowed and interest rate type by the notional amount of interest rate swaps and by the notional amount of currency derivatives, are as follows:

|                             | Sterling<br>£m | US dollar<br>£m | Total<br>£m |
|-----------------------------|----------------|-----------------|-------------|
| <b>At 30 September 2017</b> |                |                 |             |
| Fixed rate interest         | 214.7          | 334.5           | 549.2       |
| Floating rate interest      | (71.3)         | 1.8             | (69.5)      |
|                             | 143.4          | 336.3           | 479.7       |
| <b>At 30 September 2016</b> |                |                 |             |
| Fixed rate interest         | 231.9          | 345.2           | 577.1       |
| Floating rate interest      | 36.0           | 91.6            | 127.6       |
|                             | 267.9          | 436.8           | 704.7       |

# Financial Statements

## Notes to the accounts

### 33 Borrowings continued

#### Committed borrowing facilities

The Group's bank loans bear interest charged at LIBOR plus a margin. The margin varies by bank and is based on the Group's ratio of net debt to EBITDA or the Group's credit rating. Each committed bank facility contains covenants based on a maximum 3.75 times net debt to EBITDA ratio and a minimum interest cover ratio of 3.0 times. EBITDA for these purposes is defined as the aggregate of the Group's consolidated operating profit including share of results of joint ventures and associates before deducting depreciation, amortisation and impairment of goodwill, intangible and tangible assets, before exceptional items and before interest and finance charges, and the ratio is shown in Note 34. These covenants were met at the relevant test dates during the year.

The Group's total committed bank facilities amount to £611.4 million. Of these facilities £195.0 million are denominated in sterling and £416.4 million (US\$558.0 million) are denominated in US dollars. Drawings are permitted in all major currencies.

The Group's committed bank facilities analysed by maturity are as follows:

|   | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|----------------------------------|----------------------------------|
| Expiring in more than one year but not more than two years    | 611.4                            | –                                |
| Expiring in more than two years but not more than three years | –                                | 624.2                            |
| <b>Total bank facilities</b>                                  | <b>611.4</b>                     | <b>624.2</b>                     |

The following undrawn committed borrowing facilities were available to the Group in respect of which all conditions precedent had been met:

|   | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|----------------------------------|----------------------------------|
| Expiring in more than one year but not more than two years    | 565.1                            | –                                |
| Expiring in more than two years but not more than three years | –                                | 366.5                            |
| <b>Total undrawn committed bank facilities</b>                | <b>565.1</b>                     | <b>366.5</b>                     |

The Group has issued standby letters of credit amounting to £3.5 million (2016 £3.8 million).

#### Bonds

The nominal, carrying and fair values of the Group's bonds and the coupons payable are as follows:

| Maturity | Coupon % | At<br>30 September<br>2017<br>Fair value<br>£m | At<br>30 September<br>2016<br>Fair value<br>£m | At<br>30 September<br>2017<br>Carrying value<br>£m | At<br>30 September<br>2016<br>Carrying value<br>£m | At<br>30 September<br>2017<br>Nominal value<br>£m | At<br>30 September<br>2016<br>Nominal value<br>£m |
|----------|----------|--|--|--|--|---|---|
| 2018     | 5.75     | 229.4  | 237.4  | 216.2  | 214.1  | 218.5   | 218.5   |
| 2021     | 10.00    | 9.0  | 9.6  | 10.0   | 9.5  | 7.2   | 7.2   |
| 2027     | 6.375    | 235.8  | 251.5  | 197.3  | 201.7  | 200.0   | 200.0   |
|          |          | <b>474.2</b>                                   | <b>498.5</b>                                   | <b>423.5</b>                                       | <b>425.3</b>                                       | <b>425.7</b>                                      | <b>425.7</b>                                      |

The Group's bonds have been adjusted from their nominal values to take account of the premia, direct issue costs, discounts and movements in hedged risks. The issue costs, premia and discounts are being amortised over the expected lives of the bonds using the effective interest method. The unamortised issue costs amount to £0.9 million (2016 £1.2 million) and the unamortised premia £4.1 million (2016 £6.8 million).

The fair value of the Group's bonds have been calculated on the basis of quoted market rates.

Further details of the Group's borrowing arrangements are set out in the Financial Review.

#### Loan notes

The Group has issued loan notes which attract interest at rates which range between approximately 6.0% to LIBID minus 1.0%. The loan notes are repayable at the option of the loan note holders with a six-month notice period and are treated as current liabilities.

### 34 Financial instruments and risk management

The Group is exposed to credit, interest rate and currency risks arising in the normal course of business. Derivative financial instruments are used to manage exposures to fluctuations in foreign currency exchange rates and interest rates but are not employed for speculative purposes.

#### Capital risk management

The Group manages its capital, defined as equity shareholders' funds and net borrowings, to ensure that entities in the Group are able to continue as going concerns for the foreseeable future.

#### Debt management

The Group borrows on an unsecured basis and arranges its debt to ensure an appropriate maturity profile. The Group's principal sources of funding are the long-term sterling bond market and committed bank facilities. The Group is mindful of its credit rating, currently BBB- and ensures it has sufficient committed bank facilities in order to meet short-term business requirements, after taking into account the Group's holding of cash and cash equivalents together with any distribution restrictions which exist. The Group aims to maximise the term and flexibility of indebtedness and retain headroom in the form of undrawn committed bank facilities of approximately £100.0 million. Additionally, the Group arranges its currency borrowings in order that they are in proportion to the ratio of earnings in that particular currency to total Group earnings.

The Directors consider that the Group's bond issuances together with its bank facilities are sufficient to cover the likely medium-term cash requirements of the Group.

Associates, joint ventures and other investments in general arrange and maintain their own financing and funding requirements. In all cases such financing is on a non-recourse basis to the Company.

Whilst the Group's internal target of a 12-month rolling net debt to EBITDA ratio of no greater than 2.0 times at any point, the limit imposed by its bank covenants is no greater than 3.75 times measured in March and September. The bank covenant ratio uses the average exchange rate in the calculation of net debt. The resultant net debt to EBITDA ratio is 1.38 times (2016 1.77 times). Using a closing rate basis for the valuation of net debt, the ratio was 1.33 times (2016 1.87 times).

#### Cash and liquidity risk management

The Group monitors its cash balances to ensure that sufficient resources are available to meet operational requirements as they fall due. Short-term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to credit risk. A detailed maturity analysis of both derivative and non-derivative financial instruments are analysed in the table on page 157 of this note.

#### Market risk management

The Group's primary market risks are interest rate fluctuations and exchange rate movements.

#### Interest rate risk management

The limit imposed by the Group's bank covenants is at least 3.0 times EBITDA to net interest. The actual ratio for the year was 10.07 times (2016 9.4 times).

Group debt is largely comprised of floating rate sterling (GBP) and US dollar (USD) bank borrowings and fixed GBP bond debt.

The Group's interest rate exposure management policy is aimed at reducing the exposure of the consolidated businesses to changes in interest rates. Group policy is to have 70.0% to 80.0% of interest rate exposures fixed with the balance floating.

This is achieved by issuing fixed rate GBP bond debt and entering into derivative contracts that economically swap fixed rate interest into floating rate. 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.

To meet policy the Group:

- swaps a portion of its fixed GBP bond debt into GBP floating debt using interest rate swaps;
- swaps a portion of its fixed GBP bond debt into USD fixed bond debt by using cross-currency fixed to fixed swaps;
- buys USD caps to fix its USD debt; and
- enters forward contracts, selling USD and buying GBP to swap its GBP floating rate debt into USD floating rate debt.

The derivatives in place to meet Group policy are as follows:

- (i) Fixed-to-floating interest rate swaps hedging a portion of the Group's bonds; changes in the fair value of the swaps are recognised in the Income Statement and at the same time the carrying value of the hedged bonds is adjusted for movements in the hedged risk to the extent effective and those adjustments are also recognised in the Income Statement. The notional value of these interest rate swaps amounts to £93.1 million (2016 £73.9 million) with the Group paying floating rates of between 0.29% and 0.99% (2016 0.38% and 1.05%).
- (ii) Floating-to-fixed interest rate swaps which are not designated as hedging instruments; changes in the fair value of the swaps are recognised in the Income Statement. The notional value of these interest rate swaps amounts to US\$67.0 million (2016 US\$67.0 million) with the Group receiving floating US dollar interest at rates of between 0.86% and 1.33% (2016 0.35% and 0.86%).

## Financial Statements

## Notes to the accounts

**34 Financial instruments and risk management continued**

- (iii) Cross-currency fixed-to-fixed interest rate swaps. The notional value of these cross-currency swaps amounts to £96.3 million/US\$155.0 million (2016 £96.3 million/US\$155.0 million) resulting in the Group paying fixed US dollar interest at rates of between 5.56% and 6.99% (2016 5.56% and 6.99%).
- (iv) The Group also had a number of outstanding interest rate caps. These amounted to US\$225.0 million notional (2016 US\$225.0 million) at rates of between 1.00% and 2.75% (2016 1.00% and 2.75%).

Derivative financial instruments are measured at fair value at the date the derivatives are entered into and are subsequently remeasured to fair value at each reporting date. The fair value is determined by using market rates of interest and exchange as at 30 September 2017 and the use of established estimation techniques such as discounted cash flow and option valuation models. The fair value of long-term borrowings has been calculated by discounting expected future cash flows at market rates.

**Foreign exchange rate risk management**

Translation exposures arise on the earnings and net assets of business operations in entities with functional currencies other than that of the parent company. The net asset exposures are economically hedged, to a significant extent, by a policy of denominating borrowings in currencies where significant translation exposures exist, most notably US dollars.

The Group also designates currency swaps, forward contracts and US dollar bank borrowings as net investment hedges, hedging the Group's overseas investments.

**Credit risk management**

The Group's principal credit risk relates to its trade and other receivables and non-performance by counterparties to financial instrument contracts.

**Trade and other receivables**

The Group's customer base is diversified geographically and by segment with customers generally of a good financial standing. Before accepting any new customers, the Group assesses the potential customers' credit quality and sets credit limits by customer. The average credit period is 32 days (2016 39 days). The Group considers the credit risk of trade receivables to be low, although the Group remains vigilant in the current economic climate. The Group reserves the right to charge interest on overdue receivables, although the Group does not hold collateral over any trade receivable balances. The Group makes an allowance for bad and doubtful debts specific to individual debts. This provision is reviewed regularly in conjunction with a detailed analysis of historic payment profiles and past default experience.

The Group's receivables are stated net of allowances for doubtful debts and allowances for impairment are made where appropriate.

The maximum exposure to credit risk from trade and other receivables at the reporting date is the amount of each class disclosed in the table on page 155.

**Institutional counterparty risk**

The Group seeks to limit interest rate and foreign exchange risks, described above, by the use of financial instruments. As a result, credit risk arises from the potential non-performance by the counterparties to those 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 risk is 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 credit risk on short-term deposits and derivative financial instruments is considered low since the counterparties are banks with high credit ratings. Group policy is to have no more than £20.0 million deposited (or at risk) with any 'AA' counterparty or £10.0 million for 'A' rated counterparties. The Group has no significant concentration of risk with exposure spread over a large number of counterparties and customers.

The maximum exposure to credit risk from derivative assets and cash and cash equivalents at the reporting date is the amount of each class disclosed in the table on page 155.

**Derivative financial instruments and hedge accounting**

The Group designates certain derivatives as:

- (i) hedges of the change in 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).

To qualify for hedge accounting, each individual hedging relationship must be expected to be effective, be designated and documented at its inception and throughout the life of the hedge relationship.



### Fair value hedges

The Group's policy is to use interest rate swaps to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk.

Gains and losses on the borrowings and related derivatives designated as fair value hedges included in the Consolidated Income Statement for the year ended 30 September 2017 were:

|                              | At<br>30 September<br>2015<br>£m | Fair value<br>movement<br>gain/<br>(loss)<br>£m | At<br>30 September<br>2016<br>£m | Fair value<br>movement<br>gain/<br>(loss)<br>£m | At<br>30 September<br>2017<br>£m |
|------------------------------|----------------------------------|---|----------------------------------|---|----------------------------------|
| Sterling interest rate swaps | 5.2                              | 2.3   | 7.5                              | (4.7)   | 2.8                              |
| Sterling debt                | (5.2)                            | (2.3)   | (7.5)                            | 4.7   | (2.8)                            |
| <b>Total</b>                 | -                                | -   | -                                | -   | -                                |

### Cash flow hedges

The Group's policy is to use certain derivative financial instruments in order to hedge the foreign exchange risk arising from certain firm commitments or forecast highly probable transactions in currencies other than the functional currency of the relevant Group entity.

All cash flow hedges were effective throughout the year ended 30 September 2017.

### Net investment hedges

The Group seeks to manage the foreign currency exposure arising on retranslation of the reporting entity's share of net assets of foreign operations at each reporting date by designating certain derivative financial instruments and foreign currency borrowings as net investment hedging instruments.

All net investment hedges were effective throughout the year ended 30 September 2017.

The Group's derivative financial instruments, other than acquisition option commitments, and their maturity profiles are summarised as follows:

### Derivative financial assets:

|                             | Fair value<br>hedges<br>£m | Cash flow<br>hedges<br>£m | Net<br>investment<br>hedges<br>£m | Derivatives<br>not qualifying<br>for hedge<br>accounting<br>£m | Option<br>over equity<br>instrument (i)<br>£m | Derivative<br>financial<br>assets<br>£m |
|-----------------------------|----------------------------|---------------------------|-----------------------------------|--|---|---|
| <b>At 30 September 2017</b> |                            |                           |                                   |  |   |   |
| Within one year             | -                          | -                         | 3.0                               | -  | -   | 3.0                                     |
| Between one and two years   | 1.4                        | -                         | -                                 | -  | -   | 1.4                                     |
| Between two and five years  | 2.7                        | -                         | -                                 | 0.4  | -   | 3.1                                     |
| Over five years             | -                          | -                         | -                                 | 0.1  | -   | 0.1                                     |
|                             | 4.1                        | -                         | -                                 | 0.5  | -   | 4.6                                     |
|                             | 4.1                        | -                         | 3.0                               | 0.5  | -   | 7.6                                     |
| <b>At 30 September 2016</b> |                            |                           |                                   |  |   |   |
| Within one year             | -                          | 0.4                       | -                                 | -  | -   | 0.4                                     |
| Between one and two years   | -                          | -                         | -                                 | -  | -   | -                                       |
| Between two and five years  | 4.4                        | -                         | -                                 | 0.4  | 7.1   | 11.9                                    |
| Over five years             | 16.4                       | -                         | -                                 | -  | -   | 16.4                                    |
|                             | 20.8                       | -                         | -                                 | 0.4  | 7.1   | 28.3                                    |
|                             | 20.8                       | 0.4                       | -                                 | 0.4  | 7.1   | 28.7                                    |

- (i) During the prior year the dmg information segment purchased an option to acquire an 18.7% equity instrument in RGJ Destiny LLC (previously named Axiometrics LLC). The option does not represent an equity interest since dmg information is not entitled to any economic benefits associated with this option.

The option was recognised as a derivative asset and recorded at a fair value of £7.1 million. Changes in the fair value of this instrument were recognised in the Consolidated Income Statement in Financing.

# Financial Statements

## Notes to the accounts

### 34 Financial instruments and risk management continued

#### Derivative financial liabilities:

|                             | Fair value hedges<br>£m | Cash flow hedges<br>£m | Net investment hedges<br>£m | Derivatives not qualifying for hedge accounting<br>£m | Derivative financial liabilities<br>£m |
|-----------------------------|-------------------------|------------------------|-----------------------------|---|--|
| <b>At 30 September 2017</b> |                         |                        |                             |   |  |
| Within one year             | -                       | -                      | (0.4)                       | -   | (0.4)                                  |
| Between one and two years   | -                       | -                      | (5.7)                       | -   | (5.7)                                  |
| Between two and five years  | -                       | -                      | -                           | -   | -                                      |
| Over five years             | (1.3)                   | -                      | (11.8)                      | -   | (13.1)                                 |
|                             | (1.3)                   | -                      | (17.5)                      | -   | (18.8)                                 |
|                             | (1.3)                   | -                      | (17.9)                      | -   | (19.2)                                 |
| <b>At 30 September 2016</b> |                         |                        |                             |   |  |
| Within one year             | -                       | (9.7)                  | (1.8)                       | -   | (11.5)                                 |
| Between one and two years   | -                       | (0.8)                  | -                           | -   | (0.8)                                  |
| Between two and five years  | -                       | -                      | (6.9)                       | -   | (6.9)                                  |
| Over five years             | -                       | -                      | (16.1)                      | (23.5)  | (39.6)                                 |
|                             | -                       | (0.8)                  | (23.0)                      | (23.5)  | (47.3)                                 |
|                             | -                       | (10.5)                 | (24.8)                      | (23.5)  | (58.8)                                 |

In managing the Group's interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations. However, changes in foreign exchange rates and interest rates may have an impact on the Group's statutory results.

At 30 September 2017 it is estimated that an increase of 1.0% in interest rates would have decreased the Group's finance costs by £3.7 million (2016 £4.6 million). There would have been no effect on amounts recognised directly in equity. This sensitivity has been calculated by applying the interest rate change to the Group's variable rate borrowings, net of any interest rate swaps, at the year-end date.

At 30 September 2017 it is estimated that a decrease of 1.0% in interest rates would have increased the Group's finance costs by £3.0 million (2016 £3.8 million). There would have been no effect on amounts recognised directly in equity. This sensitivity has been calculated by applying the interest rate change to the Group's variable rate borrowings, net of any interest rate swaps, as at the year-end date.

At 30 September 2017 it is estimated that a 10.0% strengthening of sterling against the US dollar would have decreased the net loss taken to equity by £33.2 million (2016 £50.8 million) with no change to the net gain taken to income (2016 decreased the net loss by £2.1 million). A 10.0% weakening of sterling against the US dollar would have increased the net loss taken to equity by £40.5 million (2016 £60.5 million) and increased the net gain taken to income by £0.1 million (2016 increased the net loss by £2.6 million). This sensitivity has been calculated by applying the foreign exchange change to the Group's financial instruments which are affected by changes in foreign exchange rates.

At 30 September 2017, it is estimated that an increase of 1.0% in the rate used to discount the expected gross value of payments would lead to a decrease in the present value of acquisition put option commitments of £nil (2016 £1.0 million).

At 30 September 2017, it is estimated that a decrease of 1.0% in the rate used to discount the expected gross value of payments would lead to an increase in the present value of acquisition put option commitments of £nil (2016 £1.0 million).

The carrying amounts and gains and losses on financial instruments are as follows:

|   | At<br>30 September<br>2017<br>Carrying<br>amount<br>£m | Year ended<br>30 September<br>2017<br>Gain/(loss)<br>to income<br>£m | Year ended<br>30 September<br>2017<br>(Loss)/gain<br>to equity<br>£m | At<br>30 September<br>2016<br>Carrying<br>amount<br>£m | Year ended<br>30 September<br>2016<br>Gain/(loss)<br>to income<br>£m | Year ended<br>30 September<br>2016<br>(Loss)/gain<br>to equity<br>£m |
|---|--|--|--|--|--|--|
| Investments   | 30.6   | (0.5)  | (0.3)  | 15.8   | -  | 0.5  |
| <b>Available-for-sale investments</b>                               | <b>30.6</b>  | <b>(0.5)</b>   | <b>(0.3)</b>   | <b>15.8</b>  | <b>-</b>   | <b>0.5</b>   |
| Trade receivables   | 149.4  | (3.1)  | (1.7)  | 237.1  | (0.1)  | 21.4   |
| Other receivables   | 34.1   | -  | (1.6)  | 32.2   | -  | 11.5   |
| Other financial assets  | 30.0   | 1.4  | -  | 38.1   | 1.8  | -  |
| Cash and cash equivalents   | 14.6   | 1.0  | 0.1  | 25.7   | 0.4  | 4.8  |
| <b>Loans and receivables</b>  | <b>228.1</b>   | <b>(0.7)</b>   | <b>(3.2)</b>   | <b>333.1</b>   | <b>2.1</b>   | <b>37.7</b>  |
| Option over equity instrument                                       | -  | 2.9  | -  | 7.1  | -  | -  |
| Contingent consideration  | 0.3  | -  | -  | 1.4  | -  | 0.1  |
| <b>Assets at fair value through profit or loss</b>                  | <b>0.3</b>   | <b>2.9</b>   | <b>-</b>   | <b>8.5</b>   | <b>-</b>   | <b>0.1</b>   |
| Interest rate swaps   | 4.1  | (1.4)  | -  | 20.8   | 5.8  | -  |
| Forward foreign currency contracts                                  | 3.0  | (1.7)  | (2.8)  | 0.4  | -  | (9.4)  |
| <b>Derivative assets in effective hedging relationships</b>         | <b>7.1</b>   | <b>(3.1)</b>   | <b>(2.8)</b>   | <b>21.2</b>  | <b>5.8</b>   | <b>(9.4)</b>   |
| Interest rate swaps   | 0.1  | 1.8  | -  | -  | -  | -  |
| Interest rate caps  | 0.4  | -  | -  | 0.4  | (0.7)  | -  |
| <b>Derivative assets not designated as hedging instruments</b>      | <b>0.5</b>   | <b>1.8</b>   | <b>-</b>   | <b>0.4</b>   | <b>(0.7)</b>   | <b>-</b>   |
| Trade payables  | (66.3)   | -  | 0.6  | (62.4)   | -  | (2.6)  |
| Bank overdrafts   | (7.2)  | -  | 0.1  | (8.2)  | -  | (0.5)  |
| Bonds   | (423.5)  | (24.2)   | -  | (425.3)  | (31.1)   | -  |
| Bank loans  | (46.3)   | (6.6)  | (3.5)  | (267.7)  | (8.9)  | (21.6)   |
| Loan notes  | (1.8)  | (0.2)  | -  | (2.4)  | (0.1)  | (0.4)  |
| Amounts payable under finance leases                                | (0.9)  | (0.2)  | -  | (1.1)  | (0.1)  | (0.1)  |
| <b>Liabilities at amortised cost</b>                                | <b>(546.0)</b>   | <b>(31.2)</b>  | <b>(2.8)</b>   | <b>(767.1)</b>   | <b>(40.2)</b>  | <b>(25.2)</b>  |
| Contingent consideration  | (17.0)   | 28.6   | (0.6)  | (52.6)   | 12.2   | (7.5)  |
| <b>Liabilities at fair value through profit or loss</b>             | <b>(17.0)</b>  | <b>28.6</b>  | <b>(0.6)</b>   | <b>(52.6)</b>  | <b>12.2</b>  | <b>(7.5)</b>   |
| Interest rate swaps   | (1.3)  | -  | -  | -  | -  | -  |
| Fixed-to-fixed cross currency swaps                                 | (17.5)   | (1.7)  | 5.5  | (23.0)   | (0.6)  | (18.1)   |
| Forward foreign currency contracts                                  | (0.4)  | -  | (3.2)  | (12.3)   | (0.8)  | (66.6)   |
| <b>Derivative liabilities in effective hedging relationships</b>    | <b>(19.2)</b>  | <b>(1.7)</b>   | <b>2.3</b>   | <b>(35.3)</b>  | <b>(1.4)</b>   | <b>(84.7)</b>  |
| Acquisition put option commitments                                  | (8.0)  | 7.4  | (0.9)  | (44.8)   | 15.0   | (7.5)  |
| Interest rate swaps   | -  | -  | -  | (23.5)   | (7.9)  | -  |
| <b>Derivative liabilities not designated as hedging instruments</b> | <b>(8.0)</b>   | <b>7.4</b>   | <b>(0.9)</b>   | <b>(68.3)</b>  | <b>7.1</b>   | <b>(7.5)</b>   |
| <b>Total for financial instruments</b>                              | <b>(323.6)</b>   | <b>3.5</b>   | <b>(8.3)</b>   | <b>(544.3)</b>   | <b>(15.1)</b>  | <b>(96.0)</b>  |

# Financial Statements

## Notes to the accounts

### 34 Financial instruments and risk management continued

Reconciliation of net (loss)/gain taken to equity is as follows:

|  | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--------|--|--|
| Change in fair value of hedging derivatives  | 39, 40 | (3.7)                                    | (96.4)                                   |
| Translation of financial instruments of overseas operations  |        | (7.9)                                    | (1.8)                                    |
| Transfer of gain on cash flow hedges from translation reserve to the Consolidated Income Statement | 39, 40 | 3.3                                      | 2.2                                      |
| <b>Total loss on financial instruments to equity</b>   |        | <b>(8.3)</b>                             | <b>(96.0)</b>                            |

Reconciliation of loss taken through income to net finance costs is as follows:

|  | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|------|--|--|
| <b>Total gain/(loss) on financial instruments to income</b>                          |      | <b>3.5</b>                               | <b>(15.1)</b>                            |
| Add back:  |      |  |  |
| Impairment of trade receivables  | 27   | 3.1                                      | 0.1                                      |
| Impairment of available-for-sale assets  | 8    | 0.5                                      | -  |
| Dividend income  | 9    | (0.1)                                    | -  |
| Interest receivable  | 9    | (2.4)                                    | (2.2)                                    |
| Interest on pension scheme liabilities less expected return on pension scheme assets | 10   | (4.9)                                    | (4.6)                                    |
| <b>Net finance costs</b>   | 10   | <b>(0.3)</b>                             | <b>(21.8)</b>                            |

Reconciliation of amounts due under finance lease agreements is as follows:

|   | Total<br>£m | Due in less<br>than one year<br>£m | Due between one<br>and five years<br>£m |
|---|-------------|------------------------------------|---|
| <b>At 30 September 2017</b>             |             |                                    |   |
| Future minimum lease payments           | 0.9         | 0.4                                | 0.5                                     |
| Present value of minimum lease payments | 0.9         | 0.4                                | 0.5                                     |
| <b>At 30 September 2016</b>             |             |                                    |   |
| Future minimum lease payments           | 1.1         | 0.4                                | 0.7                                     |
| Present value of minimum lease payments | 1.1         | 0.4                                | 0.7                                     |

The remaining undiscounted contractual liabilities and their maturities are as follows:

|                                    | Within<br>one year<br>£m | Between one<br>and two years<br>£m | Between two<br>and five years<br>£m | Between five<br>and ten years<br>£m | Between<br>ten and<br>fifteen years<br>£m | Total<br>£m      |
|------------------------------------|--------------------------|------------------------------------|-------------------------------------|-------------------------------------|---|------------------|
| <b>At 30 September 2017</b>        |                          |                                    |                                     |                                     |   |                  |
| Trade payables                     | (66.3)                   | -                                  | -                                   | -                                   | -   | (66.3)           |
| Bank loans                         | -                        | -                                  | (47.6)                              | -                                   | -   | (47.6)           |
| Bank overdrafts                    | (7.3)                    | -                                  | -                                   | -                                   | -   | (7.3)            |
| Bonds                              | (26.0)                   | (234.3)                            | (46.5)                              | (260.2)                             | -   | (567.0)          |
| Loan notes                         | (1.8)                    | -                                  | -                                   | -                                   | -   | (1.8)            |
| Finance leases                     | (0.4)                    | (0.3)                              | (0.2)                               | -                                   | -   | (0.9)            |
| Contingent consideration           | (3.4)                    | (6.9)                              | (7.8)                               | -                                   | -   | (18.1)           |
| Acquisition put option commitments | (0.6)                    | -                                  | (7.4)                               | -                                   | -   | (8.0)            |
| Interest rate swaps                | 0.4                      | 0.4                                | 1.1                                 | 1.7                                 | -   | 3.6              |
| Currency swaps                     | (7.2)                    | (35.7)                             | (16.6)                              | (112.1)                             | -   | (171.6)          |
| Forward contracts                  | (36.9)                   | -                                  | -                                   | -                                   | -   | (36.9)           |
|                                    | <b>(149.5)</b>           | <b>(276.8)</b>                     | <b>(125.0)</b>                      | <b>(370.6)</b>                      | <b>-</b>                                  | <b>(921.9)</b>   |
| <b>At 30 September 2016</b>        |                          |                                    |                                     |                                     |   |                  |
| Trade payables                     | (62.4)                   | -                                  | -                                   | -                                   | -   | (62.4)           |
| Bank loans                         | -                        | -                                  | (278.2)                             | -                                   | -   | (278.2)          |
| Bank overdrafts                    | (8.4)                    | -                                  | -                                   | -                                   | -   | (8.4)            |
| Bonds                              | (26.0)                   | (26.0)                             | (268.1)                             | (63.8)                              | (209.2)                                   | (593.1)          |
| Loan notes                         | (2.4)                    | -                                  | -                                   | -                                   | -   | (2.4)            |
| Finance leases                     | (0.4)                    | (0.1)                              | (0.6)                               | -                                   | -   | (1.1)            |
| Contingent consideration           | (9.3)                    | (5.0)                              | (38.5)                              | -                                   | -   | (52.8)           |
| Acquisition put option commitments | (18.5)                   | -                                  | (35.4)                              | -                                   | -   | (53.9)           |
| Interest rate swaps                | (2.5)                    | (2.5)                              | (7.6)                               | (12.6)                              | (1.9)                                     | (27.1)           |
| Currency swaps                     | (7.4)                    | (7.4)                              | (48.1)                              | (28.5)                              | (92.7)                                    | (184.1)          |
| Forward contracts                  | (210.0)                  | (22.1)                             | -                                   | -                                   | -   | (232.1)          |
|                                    | <b>(347.3)</b>           | <b>(63.1)</b>                      | <b>(676.5)</b>                      | <b>(104.9)</b>                      | <b>(303.8)</b>                            | <b>(1,495.6)</b> |

Included in the maturity table above are interest rate swaps with a notional value of US\$67.0 million (2016 US\$67.0 million) and currency swaps with a notional value of US\$90.0 million (2016 US\$90.0 million) with mutual break clauses at fair value every five years.

# Financial Statements

## Notes to the accounts

### 34 Financial instruments and risk management continued

Reconciliation of undiscounted liabilities to amounts on the Consolidated Statement of Financial Position is as follows:

|                                     | Undiscounted value of financial liabilities<br>£m | Interest<br>£m | Unamortised issue costs<br>£m | Discount/premium on issue<br>£m | Discounting and mark-to-market adjustments<br>£m | Undiscounted value of financial asset<br>£m | Total<br>£m    |
|-------------------------------------|---|----------------|-------------------------------|---------------------------------|--|---|----------------|
| <b>At 30 September 2017</b>         |   |                |                               |                                 |  |   |                |
| Trade payables                      | (66.3)  | -              | -                             | -                               | -  | -   | (66.3)         |
| Bank loans                          | (47.6)  | 1.3            | -                             | -                               | -  | -   | (46.3)         |
| Bank overdrafts                     | (7.3)   | 0.1            | -                             | -                               | -  | -   | (7.2)          |
| Bonds                               | (567.0)   | 141.4          | 0.9                           | 4.1                             | (2.9)  | -   | (423.5)        |
| Loan notes                          | (1.8)   | -              | -                             | -                               | -  | -   | (1.8)          |
| Finance leases                      | (0.9)   | -              | -                             | -                               | -  | -   | (0.9)          |
| Contingent consideration            | (18.1)  | -              | -                             | -                               | 1.1  | -   | (17.0)         |
| Acquisition put option commitments  | (8.0)   | -              | -                             | -                               | -  | -   | (8.0)          |
| Interest rate swaps                 | 3.6   | (3.6)          | -                             | -                               | (1.3)  | -   | (1.3)          |
| Fixed-to-fixed cross currency swaps | (171.6)   | 9.1            | -                             | -                               | 2.0  | 143.0                                       | (17.5)         |
| Forward foreign currency contracts  | (36.9)  | -              | -                             | -                               | (0.3)  | 36.8  | (0.4)          |
|                                     | <b>(921.9)</b>                                    | <b>148.3</b>   | <b>0.9</b>                    | <b>4.1</b>                      | <b>(1.4)</b>                                     | <b>179.8</b>                                | <b>(590.2)</b> |
| <b>At 30 September 2016</b>         |   |                |                               |                                 |  |   |                |
| Trade payables                      | (62.4)  | -              | -                             | -                               | -  | -   | (62.4)         |
| Bank loans                          | (278.2)   | 10.5           | -                             | -                               | -  | -   | (267.7)        |
| Bank overdrafts                     | (8.4)   | 0.2            | -                             | -                               | -  | -   | (8.2)          |
| Bonds                               | (593.1)   | 167.3          | 1.2                           | 6.8                             | (7.5)  | -   | (425.3)        |
| Loan notes                          | (2.4)   | -              | -                             | -                               | -  | -   | (2.4)          |
| Finance leases                      | (1.1)   | -              | -                             | -                               | -  | -   | (1.1)          |
| Contingent consideration            | (52.8)  | -              | -                             | -                               | 0.2  | -   | (52.6)         |
| Acquisition put option commitments  | (53.9)  | -              | -                             | -                               | 9.1  | -   | (44.8)         |
| Interest rate swaps                 | (27.1)  | 27.1           | -                             | -                               | (23.5)   | -   | (23.5)         |
| Fixed-to-fixed cross currency swaps | (184.1)   | 18.8           | -                             | -                               | (6.6)  | 148.9                                       | (23.0)         |
| Forward foreign currency contracts  | (232.1)   | -              | -                             | -                               | 0.6  | 219.2                                       | (12.3)         |
|                                     | <b>(1,495.6)</b>                                  | <b>223.9</b>   | <b>1.2</b>                    | <b>6.8</b>                      | <b>(27.7)</b>                                    | <b>368.1</b>                                | <b>(923.3)</b> |

### Valuation techniques and assumptions applied for the purpose of measuring fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| At 30 September 2017  | Note | Level 1<br>£m | Level 2 (i)<br>£m | Level 3 (ii)<br>£m | Total<br>£m |
|---|------|---------------|-------------------|--------------------|-------------|
| <b>Financial assets</b>   |      |               |                   |                    |             |
| Available-for-sale financial assets                                     | 25   | -             | -                 | 30.6               | 30.6        |
| Fair value through profit and loss                                      |      |               |                   |                    |             |
| Derivative instruments not designated in hedge accounting relationships |      | -             | 0.5               | -                  | 0.5         |
| Provision for contingent consideration receivable                       |      | -             | -                 | 0.3                | 0.3         |
| Derivative instruments in designated hedge accounting relationships     |      | -             | 7.1               | -                  | 7.1         |
|   |      | -             | 7.6               | 30.9               | 38.5        |
| <b>Financial liabilities</b>  |      |               |                   |                    |             |
| Fair value through profit and loss                                      |      |               |                   |                    |             |
| Provision for contingent consideration payable                          | 36   | -             | -                 | (17.0)             | (17.0)      |
| Derivative instruments in designated hedge accounting relationships     |      | -             | (19.2)            | -                  | (19.2)      |
|   |      | -             | (19.2)            | (17.0)             | (36.2)      |
| <b>At 30 September 2016</b>   |      |               |                   |                    |             |
| At 30 September 2016  | Note | Level 1<br>£m | Level 2<br>£m     | Level 3<br>£m      | Total<br>£m |
| <b>Financial assets</b>   |      |               |                   |                    |             |
| Available-for-sale financial assets                                     | 25   | -             | -                 | 15.8               | 15.8        |
| Fair value through profit and loss                                      |      |               |                   |                    |             |
| Derivative instruments not designated in hedge accounting relationships |      | -             | 0.4               | -                  | 0.4         |
| Option over equity instrument   |      | -             | -                 | 7.1                | 7.1         |
| Provision for contingent consideration receivable                       |      | -             | -                 | 1.4                | 1.4         |
| Derivative instruments in designated hedge accounting relationships     |      | -             | 21.2              | -                  | 21.2        |
|   |      | -             | 21.6              | 24.3               | 45.9        |
| <b>Financial liabilities</b>  |      |               |                   |                    |             |
| Fair value through profit and loss                                      |      |               |                   |                    |             |
| Derivative instruments not designated in hedge accounting relationships |      | -             | (23.5)            | -                  | (23.5)      |
| Provision for contingent consideration payable                          | 36   | -             | -                 | (52.6)             | (52.6)      |
| Derivative instruments in designated hedge accounting relationships     |      | -             | (35.3)            | -                  | (35.3)      |
|   |      | -             | (58.8)            | (52.6)             | (111.4)     |

There were no transfers between categories in the period.

- The fair value of derivative instruments is determined using market rates of interest and exchange, and established estimation techniques such as discounted cash flow and option valuation models.
- Available-for-sale financial assets are recorded at cost less provision for impairment, as since there is no active market upon which they are traded their fair values cannot be reliably measured. The recoverable amount is determined by discounting future cash flows to present value using market interest rates.

Contingent consideration is valued based on the future profitability of the businesses to which the contingent consideration relates, discounted at market rates of interest.



# Financial Statements

## Notes to the accounts

### 34 Financial instruments and risk management continued

Reconciliation of level 3 fair value measurement of financial liabilities is as follows:

|   | Note | £m            |
|---|------|---------------|
| <b>At 30 September 2015</b>   |      | (54.3)        |
| Cash paid to settle contingent consideration in respect of acquisitions |      | 0.3           |
| Change in fair value of contingent consideration in income              |      | 12.3          |
| Finance charge on discounting of contingent consideration               |      | (0.1)         |
| Additions to contingent consideration                                   |      | (5.3)         |
| Release of payments made in advance in prior year                       |      | 2.0           |
| Exchange adjustment   |      | (7.5)         |
| <b>At 30 September 2016</b>   |      | <b>(52.6)</b> |
| Cash paid to settle contingent consideration in respect of acquisitions | 36   | 8.2           |
| Change in fair value of contingent consideration in income              | 10   | 28.6          |
| Additions to contingent consideration                                   | 36   | (0.6)         |
| Exchange adjustment   |      | (0.6)         |
| <b>At 30 September 2017</b>   |      | <b>(17.0)</b> |

The key inputs into the significant level 3 financial liabilities are the future profitability of the businesses to which the contingent consideration relate and the discount rate. The estimated range of possible outcomes for the fair value of these liabilities is £1.1 million to £233.0 million (2016 £2.2 million to £311.3 million).

The reduction in fair value of contingent consideration of £28.6 million (2016 £12.3 million increase) and finance charge on discounting of contingent consideration of £nil (2016 £0.1 million) were charged or credited to the Income statement within net finance costs (Note 10).

A one percentage point increase or decrease in the growth rate used in estimating the expected profits, results in the contingent consideration liability at 30 September 2017 increasing or decreasing by £1.7 million and £1.3 million respectively (2016 £0.5 million increase and £0.6 million decrease), with the corresponding change to the value at 30 September 2017 charged or credited to the Consolidated Income Statement in future periods.

The rates used to discount contingent consideration range from 0.0% to 0.2% (2016 0.0% to 1.3%). A one percentage point increase or decrease in the discount rate used to discount the expected gross value of payments, results in the liability at 30 September 2017 decreasing or increasing by £0.3 million and £0.1 million respectively (2016 £1.1 million and £0.3 million), with the corresponding change to the value at 30 September 2017 charged or credited to the Consolidated Income Statement in future periods.

### 35 Retirement benefit obligations

The Group operates a number of pension schemes under which contributions are paid by the employer and employees. The total net pension costs of the Group for the year ended 30 September 2017 were £18.2 million (2016 £19.9 million).

The schemes include a number of defined contribution pension arrangements, in addition to funded defined benefit pension arrangements which are closed to future accrual. The defined benefit schemes in the UK, together with some defined contribution plans, are administered by Trustees or Trustee Companies.

#### Defined benefit schemes

##### Background

The Company operates two main defined benefit schemes, the Harmsworth Pension Scheme (HPS) and the Senior Executive Pension Scheme (SEPF), both of which are closed to new entrants and to further accrual.

Full actuarial valuations of the defined benefit schemes are carried out triennially by the scheme actuary. Prior to its closure to future accrual on 1 January 2016, the Group made annual contributions of 12.0% or 18.0% of members' basic pay (depending on membership section) to HPS. Following the results of the latest triennial valuation as at 31 March 2016, the Company agreed a Recovery Plan involving a series of annual funding payments, of £13.0 million on 5 October 2016 to 2018, £16.2 million on 5 October 2019 to 2025 and £76.2 million on 5 October 2026. The Company considers that these contribution rates are sufficient to eliminate any deficit over the agreed period. This Recovery Plan will be reviewed at the next triennial funding valuation of the main schemes which is due to be completed with an effective date of 31 March 2019.

In addition the Company has agreed with the Trustees that, should it make any permanent reductions in the Company's capital, including share buy-backs, it will make additional contributions to the schemes amounting to 20.0% of the capital reduction. Contributions of £nil (2016 £3.5 million) relating to this agreement were made in the year to 30 September 2017.

### Limited Partnership investment vehicle

HPS owns a beneficial interest in a Limited Partnership investment vehicle (LP). The LP has been designed to facilitate annual payments of £10.8 million as part of the deficit funding payments described above over the period to 2026. In addition, the LP is required to make a final payment to the scheme of £149.9 million, or the funding deficit within the scheme on an ongoing actuarial valuation basis, at the end of the period to 2026 if this is less. The Recovery Plan above assumes £60.0 million of the £149.9 million final payment is required. For funding purposes, the interest of HPS in the LP is treated as an asset of the scheme and reduces the actuarial deficit within the scheme. However, under IAS 19, Employee benefits, the LP is not included as an asset of the scheme and therefore is not included in the disclosures below.

The Trustee has developed a comprehensive approach to managing the Scheme's investment strategy to ensure it is always aligned with the Strategic Plan of becoming fully funded on a gilts+0.5% funding basis by 2028. This approach is defined in the Trustee's Strategic Plan whose overriding objective is to set out a framework for reducing investment risk as and when the improvement in the Scheme's funding position allows.

This framework defines a series of triggers which present opportunities for the Trustee to reduce risk either by reducing the allocation to return seeking assets, such as equities and increasing the interest rate and inflation hedge or a combination of the two.

The figures in this note are based on calculations using membership data as at 30 September 2017 along with asset valuations and cash flow information from the schemes for the year to 30 September 2017.

A reconciliation of the net pension obligation reported in the Consolidated Statement of Financial Position is shown in the following table:

|  | At<br>30 September<br>2017<br>Schemes<br>in surplus<br>£m | At<br>30 September<br>2017<br>Schemes<br>in deficit<br>£m | At<br>30 September<br>2017<br>Total<br>£m | At<br>30 September<br>2016<br>Schemes<br>in surplus<br>£m | At<br>30 September<br>2016<br>Schemes<br>in deficit<br>£m | At<br>30 September<br>2016<br>Total<br>£m |
|--|---|---|---|---|---|---|
| Present value of defined benefit obligation                                    | <b>(2,631.9)</b>  | <b>(58.8)</b>   | <b>(2,690.7)</b>                          | (296.8)   | (2,702.1)   | (2,998.9)                                 |
| Assets at fair value   | <b>2,705.3</b>  | <b>47.8</b>   | <b>2,753.1</b>                            | 336.9   | 2,416.0   | 2,752.9                                   |
| Surplus/(deficit) reported in the Consolidated Statement of Financial Position | <b>73.4</b>   | <b>(11.0)</b>   | <b>62.4</b>                               | 40.1  | (286.1)   | (246.0)                                   |

The IAS 19 accounting surplus/(deficit) data above differs to the triennial actuarial surplus/(deficit) calculation used in the assessment of future funding obligations. There are a number of reasons for this – the actuarial valuation is as at the Schemes' year end date of 31 March and is calculated triennially based on more prudent assumptions including those covering discount rates and mortality. IAS 19 requires the Company to use best estimate assumptions.

The International Financial Reporting Interpretations Committee, in its document IFRIC 14, has interpreted the extent to which a company can recognise a pension surplus on its Statement of Financial Position.

In relation to HPS and the SEPF, having taken account of the rules of the Schemes, the Company has an unconditional right to a refund of any surplus under IFRIC 14 and considers that the recognition of surpluses in these Schemes on its Statement of Financial Position is in accordance with the interpretations of IFRIC 14. In relation to the AVC, having taken account of the rules of the Scheme, the Company does not have an unconditional right to a refund under IFRIC 14. However, at 30 September 2017 the AVC Plan showed a deficit and no contributions are payable into the AVC Plan. Therefore no asset ceiling needs to be applied to restrict surplus on the balance sheet and no additional minimum funding liability is needed under IFRIC 14.

IFRIC 14 is in the process of being revised which may lead to a reassessment of the Company's recognition of any pension surplus on its Statement of Financial Position.

The surplus/(deficit) for the year, set out above, excludes a related deferred tax asset of £9.9 million (2016 £42.8 million).

## Financial Statements

## Notes to the accounts

**35 Retirement benefit obligations continued**

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

|   | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|--------|--|--|
| Defined benefit obligation at start of year         |        | <b>(2,998.9)</b>                         | (2,437.4)                                |
| Attributable to subsidiaries disposed               | 18     | <b>72.2</b>                              | -  |
| Current service cost                                |        | -  | (1.7)                                    |
| Current service cost in respect of salary sacrifice |        | -  | (0.6)                                    |
| Interest cost                                       | 10     | <b>(62.6)</b>                            | (88.3)                                   |
| Net benefit payments                                |        | <b>106.8</b>                             | 104.0                                    |
| Actuarial gain/(loss) as a result of:               |        |  |  |
| - changes in financial assumptions                  | 39, 40 | <b>140.7</b>                             | (720.3)                                  |
| - changes in demographic assumptions                | 39, 40 | <b>47.3</b>                              | 27.4                                     |
| - membership experience                             | 39, 40 | <b>3.8</b>                               | 118.0                                    |
| Defined benefit obligation at end of year           |        | <b>(2,690.7)</b>                         | (2,998.9)                                |

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

|   | Note   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|--------|--|--|
| Fair value of assets at start of year   |        | <b>2,752.9</b>                           | 2,278.1                                  |
| Attributable to subsidiaries disposed   | 18     | <b>(71.1)</b>                            | -  |
| Interest income on scheme assets  | 10     | <b>57.7</b>                              | 83.7                                     |
| Company contributions   | 15     | <b>13.1</b>                              | 34.9                                     |
| Net benefit payments  |        | <b>(106.8)</b>                           | (104.0)                                  |
| Return on plan assets, excluding amounts included in interest income on scheme assets | 39, 40 | <b>107.3</b>                             | 460.2                                    |
| Fair value of assets at end of year   |        | <b>2,753.1</b>                           | 2,752.9                                  |

The fair value of assets is categorised as follows:

|                   | Note  |                                   | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2017<br>% | Year ended<br>30 September<br>2016<br>£m | Year ended<br>30 September<br>2016<br>% |
|-------------------|-------|-----------------------------------|--|---|--|---|
| Quoted equities   | (i)   | Consumer goods and services       | 131.9                                    | 4.8                                     | 162.2                                    | 5.9                                     |
|                   |       | Financials                        | 166.3                                    | 6.0                                     | 188.3                                    | 6.8                                     |
|                   |       | Healthcare                        | 52.1                                     | 1.9                                     | 61.2                                     | 2.2                                     |
|                   |       | Industrials                       | 157.2                                    | 5.7                                     | 187.7                                    | 6.8                                     |
|                   |       | Technology and telecommunications | 78.7                                     | 2.9                                     | 97.8                                     | 3.6                                     |
|                   |       | Other                             | 69.7                                     | 2.5                                     | 91.1                                     | 3.3                                     |
| Unquoted equities | (i)   | Consumer goods and services       | 40.9                                     | 1.5                                     | 45.3                                     | 1.6                                     |
|                   |       | Financials                        | 33.4                                     | 1.2                                     | 37.0                                     | 1.3                                     |
|                   |       | Healthcare                        | 35.0                                     | 1.3                                     | 38.8                                     | 1.4                                     |
|                   |       | Industrials                       | 109.3                                    | 4.0                                     | 109.2                                    | 4.0                                     |
|                   |       | Technology and telecommunications | 58.9                                     | 2.1                                     | 62.9                                     | 2.3                                     |
|                   |       | Private equity and infrastructure | 67.9                                     | 2.5                                     | 62.8                                     | 2.3                                     |
|                   |       | Other                             | 36.9                                     | 1.3                                     | 37.8                                     | 1.4                                     |
| Bonds/Credit      | (ii)  | Government gilts                  | 4.9                                      | 0.2                                     | 5.7                                      | 0.2                                     |
|                   |       | Investment grade                  | 422.7                                    | 15.4                                    | 277.0                                    | 10.1                                    |
|                   |       | Non-investment grade              | 321.0                                    | 11.7                                    | 290.8                                    | 10.6                                    |
| LDI               | (iii) | Quoted                            | 11.7                                     | 0.4                                     | -  | -                                       |
|                   |       | Unquoted                          | 495.6                                    | 18.0                                    | 617.0                                    | 22.4                                    |
| Property          | (iv)  | Industrial                        | 70.0                                     | 2.5                                     | 52.4                                     | 1.9                                     |
|                   |       | Retail                            | 73.2                                     | 2.7                                     | 67.2                                     | 2.4                                     |
|                   |       | Office                            | 102.3                                    | 3.7                                     | 71.7                                     | 2.6                                     |
|                   |       | Leisure/Mixed                     | 154.4                                    | 5.6                                     | 104.5                                    | 3.8                                     |
|                   |       | Forests                           | 0.0                                      | 0.0                                     | 11.0                                     | 0.4                                     |
|                   |       | Other                             | 14.5                                     | 0.5                                     | 13.8                                     | 0.5                                     |
| Other assets      |       | Quoted                            | 44.5                                     | 1.6                                     | 57.4                                     | 2.1                                     |
|                   |       | Unquoted                          | -  | -                                       | 2.3                                      | 0.1                                     |
| Total             |       | Quoted                            | 1,139.7                                  | 41.4                                    | 1,128.4                                  | 41.0                                    |
|                   |       | Unquoted                          | 1,613.4                                  | 58.6                                    | 1,624.5                                  | 59.0                                    |
| <b>Total</b>      |       |                                   | <b>2,753.1</b>                           | <b>100.0</b>                            | <b>2,752.9</b>                           | <b>100.0</b>                            |

- (i) Equities include hedge funds and infrastructure funds. Quoted securities in active markets are valued at the latest available bid price at the reporting date.
- Private equity and infrastructure funds are valued by investment managers using appropriate valuation techniques. These are derived from market based multiples and discount rates of comparable quoted businesses or market transactions which have been determined by the Trustees' investment advisors to represent fair value.
- (ii) Bonds and credit assets include corporate bonds, distressed credit and loans. Corporate bonds are held in unitised pooled investment vehicles and are valued at the latest available bid price provided by the pooled investment manager. Distressed credit and loans are valued by the investment managers using relevant valuation techniques.
- (iii) Liability Driven Investment funds (LDI) are a collateralised portfolio of gilt repo and swap contracts designed to hedge circa 50.0% (by value of assets) of the scheme's inflation and discount rate risks. These are independently valued using quoted prices and for OTC instruments by the investment manager using recognised discounting techniques.
- (iv) The Schemes' property portfolio represent a mixture of industrial, retail, office and leisure. These assets are independently valued at open market value at 31 March each year with subsequent changes in value based on changes in the Investment Property Databank Index (IPD) which tracks retail, office and industrial property transactions.

The value of employer-related assets held on behalf of the schemes at 30 September 2017 was £nil (0.0% of assets), (2016 £nil, 0.0% of assets).

# Financial Statements

## Notes to the accounts

### 35 Retirement benefit obligations continued

The main financial assumptions are shown in the following table:

|                   | Year ended<br>30 September<br>2017<br>% | Year ended<br>30 September<br>2016<br>% |
|-------------------|---|---|
| Price inflation   | 3.20                                    | 2.95                                    |
| Pension increases | 3.00                                    | 2.80                                    |
| Discount rate     | 2.60                                    | 2.15                                    |

The discount rate for both scheme liabilities and the fair value of scheme assets reflects yields at the year-end date on high-quality corporate bonds and are based on a cash flow-based yield curve, calculating a single equivalent discount rate reflecting the average duration of the schemes' liabilities, rounded to the nearest 0.05% p.a. This methodology incorporates bonds given an AA rating from at least two of the main four rating agencies (Standard and Poors, Moody's, Fitch and DBRS).

RPI inflation is derived in a similar way to the discount rate but with reference to the Bank of England spot curve at the duration of the schemes' weighted averaged duration with an appropriate allowance for inflation risk premium (0.20% p.a.), rounded to the nearest 0.05% p.a..

Mortality assumptions take account of scheme experience, and also allow for further improvements in life expectancy based on the Continuous Mortality Investigation (CMI) projections but with a long-term rate of improvement in future mortality rates of 1.25% p.a.. Allowance is made for the extent to which employees have chosen to commute part of their pension for cash at retirement.

The average duration of the defined benefit obligation at the end of the year is approximately 20 years (2016 20 years).

The table below illustrates examples of the assumed average life expectancies from age 60 for the principal schemes:

|   | Year ended<br>30 September<br>2017<br>Future life<br>expectancy<br>from age 60<br>(years) | Year ended<br>30 September<br>2016<br>Future life<br>expectancy<br>from age 60<br>(years) |
|---|---|---|
| For a current 60-year-old male member of the scheme   | 26.4  | 26.5  |
| For a current 60-year-old female member of the scheme | 28.3  | 28.6  |
| For a current 50-year-old male member of the scheme   | 26.8  | 27.2  |
| For a current 50-year-old female member of the scheme | 29.2  | 29.8  |

The amounts charged to the Consolidated Income Statement relating to the Group's defined benefit schemes, based on the above assumptions are shown in the following table:

|   | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|------|--|--|
| Current service cost                                |      | -  | (1.7)                                    |
| Current service cost in respect of salary sacrifice |      | -  | (0.6)                                    |
| Charge to operating profit                          |      | -  | (2.3)                                    |
| Finance cost  | 10   | (4.9)                                    | (4.6)                                    |
| Total charge to the Consolidated Income Statement   |      | (4.9)                                    | (6.9)                                    |

Pension costs and the size of any pension surplus or deficit are sensitive to the assumptions adopted. The table below indicates the effect from changes in the principal assumptions used above:

|   |     | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|-----|--|--|
| <b>Mortality</b>  |     |  |  |
| Increase in pension obligation at 30 September 2017 from a one-year increase in life expectancy |     | 78.9                                     | 89.4                                     |
| Change in pension cost from a one-year increase   | +/- | 0.1                                      | 1.9                                      |
| <b>Inflation rate</b>   |     |  |  |
| Decrease in pension obligation at 30 September 2017 from a 0.1% p.a. increase                   |     | 46.5                                     | 54.1                                     |
| Change in pension cost from a 0.1% p.a. increase  | +/- | 0.8                                      | 1.1                                      |
| <b>Discount rate</b>  |     |  |  |
| Decrease in pension obligation at 30 September 2017 from a 0.1% p.a. decrease                   |     | 53.2                                     | 61.7                                     |
| Change in pension cost from a 0.1% p.a. decrease  | +/- | 0.6                                      | 1.0                                      |

There are significant risks in connection with running defined benefit schemes, and the key risks are highlighted below:

#### Inflation rate risk

A significant proportion of the defined benefit obligation is linked to inflation, therefore increased inflation will result in a higher pension obligations. The Trustees have sought to acquire certain assets with exposure to inflationary uplifts in order to negate a proportion of this risk, including the LDI investment funds which reduce this risk by 50.0%.

#### Life expectancy risk

The present value of the defined benefit obligation is calculated with reference to the best estimate of the mortality of scheme members. An increase in assumed life expectancy will result in an increase in the defined benefit obligation. Regular reviews of mortality experience are performed to ensure life expectancy assumptions remain appropriate.

#### Investment risk

This is a measure of the uncertainty that the return on the schemes' assets meet the return necessary to fund pension obligations. The schemes hold a significant proportion of equities, but during the period have been reallocating some of these investments into credit and property investments which exhibit lower volatility of return and the LDI investments.

#### Discount rate risk

The present value of the defined benefit obligation is calculated using a discount rate set with reference to high-quality corporate bond yields. A decrease in corporate bond yields will increase the present value of the defined benefit obligation, although this will be partially offset by the LDI investment funds which reduce the gilt rate risk by 50.0% and an increase in the value of corporate bonds held by the schemes.

Amounts recognised in the Consolidated Statement of Comprehensive Income (SOCi) are shown in the following table:

|  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|--|--|
| Actuarial gain/(loss) recognised in SOCi                           | 299.1                                    | (114.7)                                  |
| Impact of asset ceiling on AVC Plan                                | -  | -  |
| Total gain/(loss) recognised in SOCi                               | 299.1                                    | (114.7)                                  |
| Cumulative actuarial loss recognised in SOCi at beginning of year  | (151.4)                                  | (36.7)                                   |
| Cumulative actuarial gain/(loss) recognised in SOCi at end of year | 147.7                                    | (151.4)                                  |

# Financial Statements

## Notes to the accounts

### 35 Retirement benefit obligations continued

A history of experience gains and losses is shown in the following table:

|   | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m | At<br>30 September<br>2015<br>£m | At<br>30 September<br>2014<br>£m | At<br>3 October<br>2013<br>£m |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Present value of defined benefit obligation           | (2,690.7)                        | (2,998.9)                        | (2,437.4)                        | (2,381.9)                        | (2,169.7)                     |
| Fair value of scheme assets                           | 2,753.1                          | 2,752.9                          | 2,278.1                          | 2,170.1                          | 1,962.0                       |
| Combined surplus/(deficit) in schemes                 | 62.4                             | (246.0)                          | (159.3)                          | (211.8)                          | (207.7)                       |
| Experience adjustments on defined benefit obligation  | 191.8                            | (574.9)                          | (47.0)                           | (195.7)                          | (73.8)                        |
| Experience adjustments on fair value of scheme assets | 107.3                            | 460.2                            | 54.5                             | 145.8                            | 168.1                         |

The Group expects to contribute approximately £13.0 million to the schemes during the year to 30 September 2018 including the deficit funding payments described above.

#### UK defined contribution plans

The Group has introduced a number of PensionSaver group personal pension plans that have replaced the trust-based defined contribution pension plans previously offered to employees. These plans create a consistent pensions savings vehicle across all Group segments. The benefits for all members of the trust-based plans have been transferred to individual policies held in the member's own name and the scheme is now wound up. Insured death benefits previously held under this trust have already been transferred to a new trust-based arrangement specifically for life assurance purposes.

The aggregate value of the Group personal pension plans was £130.5 million (2016 £105.4 million) at the year end. The pension cost attributable to these plans during the year amounted to £13.1 million (2016 £14.0 million).

#### Overseas pension plans

Overseas subsidiaries of certain Group segments operate defined contribution retirement benefit plans, primarily in North America. The pension cost attributable to these plans during the year amounts to £4.5 million (2016 £4.2 million).

### 36 Provisions

| Note  | Contract discounts and rebates<br>£m | Coupon discount<br>£m | Onerous leases<br>£m | Reorganisation costs<br>£m | Contingent consideration (ii)<br>£m | Claims and legal<br>£m | Other (i)<br>£m | Total<br>£m |
|---|--------------------------------------|-----------------------|----------------------|----------------------------|-------------------------------------|------------------------|-----------------|-------------|
| <b>Current liabilities</b>                        |                                      |                       |                      |                            |                                     |                        |                 |             |
| <b>At 30 September 2015</b>                       |                                      |                       |                      |                            |                                     |                        |                 |             |
| Owned by subsidiaries acquired                    | 25.6                                 | 1.0                   | 1.8                  | 4.9                        | 5.2                                 | 3.4                    | 11.3            | 53.2        |
| Additions   | -                                    | -                     | -                    | -                          | 1.3                                 | -                      | -               | 1.3         |
| Charged during year                               | 17.6                                 | -                     | -                    | 5.0                        | -                                   | 4.6                    | 3.6             | 30.8        |
| Utilised during year                              | (22.4)                               | (0.4)                 | (0.8)                | (4.9)                      | -                                   | (3.2)                  | (1.5)           | (33.2)      |
| Owned by subsidiaries disposed                    | -                                    | -                     | -                    | -                          | -                                   | -                      | (0.9)           | (0.9)       |
| Transfer (to)/from non-current liabilities        | -                                    | -                     | 0.5                  | -                          | 1.8                                 | -                      | (0.8)           | 1.5         |
| Reclassification of amounts held in escrow        | -                                    | -                     | -                    | -                          | (2.0)                               | -                      | -               | (2.0)       |
| Contingent consideration paid                     | -                                    | -                     | -                    | -                          | (0.3)                               | -                      | -               | (0.3)       |
| Fair value adjustment to contingent consideration | -                                    | -                     | -                    | -                          | 2.2                                 | -                      | -               | 2.2         |
| Exchange adjustment                               | 0.1                                  | -                     | -                    | 0.1                        | 1.1                                 | -                      | 0.4             | 1.7         |
| <b>At 30 September 2016</b>                       |                                      |                       |                      |                            |                                     |                        |                 |             |
| Additions   | 20.9                                 | 0.6                   | 1.5                  | 5.1                        | 9.3                                 | 4.8                    | 12.2            | 54.4        |
| Charged during year                               | -                                    | -                     | -                    | -                          | 0.1                                 | -                      | -               | 0.1         |
| Charged during year                               | 17                                   | -                     | -                    | -                          | -                                   | 0.1                    | -               | 0.1         |
| Charged during year                               | 20.7                                 | (0.1)                 | (0.5)                | 0.1                        | -                                   | 13.0                   | 0.6             | 33.8        |
| Utilised during year                              | (21.9)                               | -                     | (0.6)                | (3.6)                      | -                                   | (9.2)                  | (3.5)           | (38.8)      |
| Owned by subsidiaries disposed                    | -                                    | -                     | (0.2)                | -                          | -                                   | -                      | (0.1)           | (0.3)       |
| Transfer (to)/from non-current liabilities        | -                                    | -                     | 0.4                  | -                          | 5.3                                 | -                      | 0.4             | 6.1         |
| Contingent consideration paid                     | -                                    | -                     | -                    | -                          | (8.2)                               | -                      | -               | (8.2)       |
| Fair value adjustment to contingent consideration | -                                    | -                     | -                    | -                          | (3.3)                               | -                      | -               | (3.3)       |
| Exchange adjustment                               | -                                    | -                     | 0.2                  | (0.1)                      | 0.2                                 | (0.3)                  | (0.2)           | (0.2)       |
| <b>At 30 September 2017</b>                       |                                      |                       |                      |                            |                                     |                        |                 |             |
|   | 19.7                                 | 0.5                   | 0.8                  | 1.5                        | 3.4                                 | 8.3                    | 9.4             | 43.6        |



|   | Note | Onerous leases<br>£m | Reorganisation costs<br>£m | Contingent consideration (ii)<br>£m | Legal<br>£m | Other (i)<br>£m | Total<br>£m |
|---|------|----------------------|----------------------------|-------------------------------------|-------------|-----------------|-------------|
| <b>Non-current liabilities</b>                    |      |                      |                            |                                     |             |                 |             |
| <b>At 30 September 2015</b>                       |      | 7.9                  | 0.1                        | 49.1                                | -           | 3.9             | 61.0        |
| Additions   | 17   | -                    | -                          | 4.0                                 | -           | -               | 4.0         |
| Charged during year                               |      | -                    | -                          | -                                   | -           | 0.7             | 0.7         |
| Utilised during year                              |      | (3.4)                | (0.1)                      | -                                   | -           | (0.1)           | (3.6)       |
| Transfer (to)/from current liabilities            |      | (0.5)                | -                          | (1.8)                               | -           | 0.8             | (1.5)       |
| Notional interest on contingent consideration     | 10   | -                    | -                          | 0.1                                 | -           | -               | 0.1         |
| Fair value adjustment to contingent consideration | 10   | -                    | -                          | (14.5)                              | -           | -               | (14.5)      |
| Exchange adjustment                               |      | 0.1                  | -                          | 6.4                                 | -           | 0.1             | 6.6         |
| <b>At 30 September 2016</b>                       |      | <b>4.1</b>           | <b>-</b>                   | <b>43.3</b>                         | <b>-</b>    | <b>5.4</b>      | <b>52.8</b> |
| Additions   | 17   | -                    | -                          | 0.5                                 | -           | -               | 0.5         |
| Charged during year                               |      | -                    | -                          | -                                   | -           | 0.3             | 0.3         |
| Utilised during year                              |      | -                    | -                          | -                                   | -           | (0.1)           | (0.1)       |
| Owned by subsidiaries disposed                    | 18   | (0.5)                | -                          | -                                   | -           | (2.7)           | (3.2)       |
| Transfer (to)/from current liabilities            |      | (0.4)                | -                          | (5.3)                               | -           | (0.4)           | (6.1)       |
| Fair value adjustment to contingent consideration | 10   | -                    | -                          | (25.3)                              | -           | -               | (25.3)      |
| Exchange adjustment                               |      | 0.1                  | -                          | 0.4                                 | -           | (0.3)           | 0.2         |
| <b>At 30 September 2017</b>                       |      | <b>3.3</b>           | <b>-</b>                   | <b>13.6</b>                         | <b>-</b>    | <b>2.2</b>      | <b>19.1</b> |

- (i) Other current provisions principally comprise provisions for VAT of £1.8 million (2016 £1.1 million), end of service provisions of £3.1 million (2016 £2.1 million), dilapidation provisions of £2.1 million (2016 £2.1 million) and provisions for the future funding of a joint venture of £nil (2016 £1.3 million).

Other non-current provisions principally comprise dilapidation provisions of £0.9 million (2016 £3.8 million), end of service provisions amounting to £0.5 million (2016 £nil) and a provision for amounts payable to the Newspaper Society following the cessation of membership on disposal of Northcliffe Newspapers Ltd in 2012 of £0.8 million (2016 £0.8 million).

- (ii) The maturity profile of the Group's contingent consideration provision is as follows:

|                                     | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|-------------------------------------|----------------------------------|----------------------------------|
| Expiring in one year or less        | 3.4                              | 9.3                              |
| Expiring between one and two years  | 5.8                              | 5.1                              |
| Expiring between two and five years | 7.8                              | 38.2                             |
|                                     | <b>17.0</b>                      | 52.6                             |

The contingent consideration is based on future business valuations and profit multiples and has been estimated using available data forecasts. The estimated range of undiscounted outcomes for contingent consideration relating to acquisitions in the year is £nil to £1.1 million. Certain contingent consideration arrangements are not capped since they are based on future business performance.

# Financial Statements

## Notes to the accounts

### 37 Deferred taxation

| Note  | Accelerated capital allowances<br>£m | Goodwill and intangible assets<br>£m | Share-based payments<br>£m | Deferred interest<br>£m | Trading losses and tax credits<br>£m | Pension scheme deficit<br>£m | Other<br>£m | Total<br>£m   |
|---|--------------------------------------|--------------------------------------|----------------------------|-------------------------|--------------------------------------|------------------------------|-------------|---------------|
| Disclosed within non-current liabilities        | (0.2)                                | (38.1)                               | –                          | 2.9                     | 4.8                                  | 0.4                          | 6.1         | (24.1)        |
| Disclosed within non-current assets             | 31.6                                 | (91.1)                               | 14.4                       | 144.6                   | 19.4                                 | 42.7                         | 6.5         | 168.1         |
| <b>At 30 September 2015</b>                     | <b>31.4</b>                          | <b>(129.2)</b>                       | <b>14.4</b>                | <b>147.5</b>            | <b>24.2</b>                          | <b>43.1</b>                  | <b>12.6</b> | <b>144.0</b>  |
| Credit/(charge) to income                       | 11                                   | 6.8                                  | (5.5)                      | 0.1                     | (28.8)                               | 9.2                          | 1.3         | 18.9          |
| Credit to equity                                | 39, 40                               | –                                    | –                          | 1.4                     | –                                    | –                            | 6.4         | 1.4           |
| Owned by subsidiaries acquired                  | –                                    | (6.8)                                | –                          | –                       | –                                    | –                            | –           | (6.8)         |
| Owned by subsidiaries sold                      | (0.2)                                | –                                    | –                          | –                       | –                                    | –                            | (0.2)       | (0.4)         |
| Exchange adjustment                             | 1.0                                  | (14.5)                               | 1.4                        | 12.2                    | 5.0                                  | –                            | 0.5         | 5.6           |
| <b>At 30 September 2016</b>                     | <b>39.0</b>                          | <b>(156.0)</b>                       | <b>17.3</b>                | <b>130.9</b>            | <b>38.4</b>                          | <b>50.8</b>                  | <b>33.2</b> | <b>153.6</b>  |
| Disclosed within non-current liabilities        | –                                    | (23.9)                               | –                          | –                       | 0.3                                  | –                            | (0.2)       | (23.8)        |
| Disclosed within non-current assets             | 39.0                                 | (132.1)                              | 17.3                       | 130.9                   | 38.1                                 | 50.8                         | 33.4        | 177.4         |
| Credit/(charge) to income                       | 11, (i)                              | 12.9                                 | 43.7                       | (5.5)                   | (92.6)                               | (5.4)                        | (6.4)       | (57.0)        |
| Charge to equity                                | 39, 40                               | –                                    | –                          | (0.4)                   | –                                    | –                            | (49.3)      | (49.7)        |
| Owned by subsidiaries sold                      | 18                                   | (0.5)                                | 36.2                       | (0.1)                   | (4.3)                                | (5.4)                        | (1.7)       | 10.6          |
| Classified as held-for-sale                     | 20                                   | 0.7                                  | 7.6                        | –                       | –                                    | –                            | (1.4)       | 6.9           |
| Exchange adjustment                             | –                                    | (0.2)                                | –                          | –                       | (0.1)                                | –                            | (0.3)       | (0.6)         |
| <b>At 30 September 2017</b>                     | <b>52.1</b>                          | <b>(68.7)</b>                        | <b>11.3</b>                | <b>34.0</b>             | <b>27.5</b>                          | <b>(6.6)</b>                 | <b>14.2</b> | <b>63.8</b>   |
| <b>Disclosed within non-current liabilities</b> | <b>8.6</b>                           | <b>(61.9)</b>                        | <b>9.5</b>                 | <b>–</b>                | <b>19.1</b>                          | <b>–</b>                     | <b>12.6</b> | <b>(12.1)</b> |
| <b>Disclosed within non-current assets</b>      | <b>43.5</b>                          | <b>(6.8)</b>                         | <b>1.8</b>                 | <b>34.0</b>             | <b>8.4</b>                           | <b>(6.6)</b>                 | <b>1.6</b>  | <b>75.9</b>   |
| <b>At 30 September 2017</b>                     | <b>52.1</b>                          | <b>(68.7)</b>                        | <b>11.3</b>                | <b>34.0</b>             | <b>27.5</b>                          | <b>(6.6)</b>                 | <b>14.2</b> | <b>63.8</b>   |

(i) All attributable to continuing operations.

The net deferred tax asset disclosed in the Consolidated Statement of Financial Position in respect of deferred interest, tax losses and tax credits is analysed as follows:

|                | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|----------------|----------------------------------|----------------------------------|
| UK             | 41.2                             | 55.2                             |
| Rest of Europe | 1.5                              | 1.5                              |
| North America  | 18.8                             | 101.6                            |
| Australia      | –                                | 11.0                             |
|                | <b>61.5</b>                      | <b>169.3</b>                     |

These losses 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. Of these assets £18.9 million (2016 £21.1 million) have expiry dates between 2017 and 2036.

Included within other deferred tax are £nil (2016 £1.7 million) in respect of financial instruments. The £nil credit to equity (2016 £1.4 million) relates entirely to financial instruments.

There is an unrecognised deferred tax asset of £75.4 million (2016 £72.2 million) which relates to revenue losses and £131.4 million (2016 £34.3 million) which relates to deferred interest 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 £127.4 million (2016 £131.2 million). Of these assets £40.1 million (2016 £42.7 million) have expiry dates between 2022 and 2036.

No deferred tax liability is recognised on temporary differences of £58.8 million (2016 £321.5 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The temporary differences at 30 September 2017 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

### 38 Called-up share capital

|   | Allotted, issued and fully paid At 30 September 2017<br>£m | Allotted, issued and fully paid At 30 September 2016<br>£m |
|---|--|--|
| Ordinary Shares of 12.5 pence each              | 2.5  | 2.5  |
| A Ordinary Non-Voting Shares of 12.5 pence each | 42.8   | 42.8   |
|   | <b>45.3</b>  | 45.3   |

|                              | Allotted, issued and fully paid At 30 September 2017<br>Number of shares | Allotted, issued and fully paid At 30 September 2016<br>Number of shares |
|------------------------------|--|--|
| Ordinary Shares              | 19,890,364   | 19,890,364   |
| A Ordinary Non-Voting Shares | 342,204,470  | 342,204,470  |
|                              | <b>362,094,834</b>   | 362,094,834  |

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.

# Financial Statements

## Notes to the accounts

### 39 Reserves

|  | Note     | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|----------|--|--|
| <b>Share premium account</b>                             |          |  |  |
| At start and end of the year                             |          | 17.8                                     | 17.8                                     |
| <b>Capital redemption reserve</b>                        |          |  |  |
| At start of year   |          | 5.0                                      | 4.9                                      |
| On cancellation of A Ordinary Non-Voting Shares          |          | -  | 0.1                                      |
| At end of year   |          | 5.0                                      | 5.0                                      |
| <b>Own shares</b>  |          |  |  |
| At start of year   |          | (88.7)                                   | (76.3)                                   |
| Purchase of DMGT shares                                  | 38, (ii) | (28.6)                                   | (29.8)                                   |
| Disposal of Group share of Euromoney own shares acquired | 18       | 14.1                                     | -  |
| Own shares released on vesting of share options          | (i)      | 38.9                                     | 10.9                                     |
| On cancellation of A Ordinary Non-Voting Shares          | (iii)    | -  | 6.5                                      |
| At end of year   |          | (64.3)                                   | (88.7)                                   |

The Group's investment in its own shares represents shares held in treasury or shares held by an employee benefit trust to satisfy incentive schemes.

- (i) During the year the Company utilised 5.3 million A Ordinary Non-Voting Shares in order to satisfy incentive schemes. This represented 1.6% of the called-up A Ordinary Non-Voting Share capital at 30 September 2017.
- (ii) The Company also purchased 3.9 million A Ordinary Non-Voting Shares having a nominal value of £0.5 million to match obligations under incentive plans. The consideration paid for these shares was £28.6 million.
- (iii) During the prior period the Company cancelled 0.9 million A Ordinary Non-Voting shares held in treasury.

At 30 September 2017, this investment comprised 4,812,419 A Ordinary Non-Voting Shares (2016 5,000,000 shares) held in treasury and 3,710,764 A Ordinary Non-Voting Shares (2016 4,887,935 shares) held in the employee benefit trust. The market value of the Treasury Shares at 30 September 2017 was £31.2 million (2016 £37.2 million) and the market value of the shares held in the employee benefit trust at 30 September 2017 was £24.1 million (2016 £36.4 million).

The employee benefit trust is independently managed and purchases shares in order to satisfy outstanding share options and potential awards under long-term incentive plans.

At 30 September 2017 options were outstanding under the terms of the Company's Executive Share Option Schemes, Long-Term Incentive Plans and nil-cost options, over a total of 4,052,581 A Ordinary Non-Voting Shares (2016 5,841,614 shares).

|  | Note      | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|-----------|--|--|
| <b>Translation reserve</b>   |           |  |  |
| At start of year   |           | 11.9                                     | (25.9)                                   |
| Foreign exchange differences on translation of foreign operations                              |           | 8.7                                      | 116.0                                    |
| Translation reserves recycled to Consolidated Income Statement on disposals                    | 8, 18, 19 | 49.4                                     | (0.4)                                    |
| Transfer of loss on cash flow hedges from translation reserve to Consolidated Income Statement |           | 2.2                                      | 1.5                                      |
| Change in fair value of cash flow hedges   |           | (1.8)                                    | (6.4)                                    |
| Gain/(loss) on hedges of net investments in foreign operations                                 |           | 4.5                                      | (72.9)                                   |
| At end of year   |           | 74.9                                     | 11.9                                     |

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.

|   | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|---|------|--|--|
| <b>Retained earnings</b>  |      |  |  |
| At start of year  |      | 359.8                                    | 339.0                                    |
| Profit for the year   |      | 345.3                                    | 204.2                                    |
| Dividends paid  | 12   | (78.3)                                   | (76.4)                                   |
| Expenses incurred in relation to scheme of arrangement  |      |  |  |
| Actuarial gain/(loss) on defined benefit pension schemes  | 35   | 296.4                                    | (112.0)                                  |
| Credit to equity for share-based payments   | 15   | 4.0                                      | 15.8                                     |
| Settlement of exercised share options of subsidiaries   |      | (38.4)                                   | (12.1)                                   |
| Initial recording of put options granted to non-controlling interests in subsidiary undertakings      | (i)  | -  | (0.5)                                    |
| Exercise of acquisition put option commitments  |      | -  | (0.3)                                    |
| Cancellation of shares held in treasury   |      | -  | (6.5)                                    |
| Adjustment to equity following increased stake in controlled entity                                   |      | 0.4                                      | (4.9)                                    |
| Adjustment to equity following decreased stake in controlled entity                                   |      | (0.3)                                    | (0.2)                                    |
| Corporation tax on share-based payments   |      | -  | 5.4                                      |
| Deferred tax on actuarial movement  | 37   | (49.3)                                   | 5.9                                      |
| Deferred tax on financial instruments   | 37   | -  | 1.0                                      |
| Deferred tax on other items recognised directly in equity   | 37   | (0.4)                                    | 1.4                                      |
| Share of items recognised in Statement of Comprehensive Income by the Group's associated undertakings | 7    | (9.7)                                    | -  |
| At end of year  |      | 829.5                                    | 359.8                                    |
| At end of year – total reserves   |      | 862.9                                    | 305.8                                    |

- (i) £nil (2016 £0.5 million) representing the present value of written put options granted to non-controlling interests in the year has been recorded as a reduction in equity on initial recognition, as the arrangement represents a transaction with equity holders. Changes in value after initial recognition are recorded in the Consolidated Income Statement.

# Financial Statements

## Notes to the accounts

### 40 Non-controlling interests

|  | Note  | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|--|-------|--|--|
| At start of year   |       | 178.2                                    | 154.9                                    |
| Share of (loss)/profit for the year  |       | (3.0)                                    | 10.0                                     |
| Dividends paid   |       | -  | (12.7)                                   |
| Shares issued  |       | 0.5                                      | 0.3                                      |
| Non-controlling interests arising from business combinations                               | 17    | -  | 7.6                                      |
| Loss on hedges of net investments in foreign operations                                    |       | (5.5)                                    | (14.0)                                   |
| Transfer of loss on cash flow hedges to Consolidated Income Statement                      |       | 1.1                                      | 0.7                                      |
| Change in fair value of cash flow hedges   |       | (0.9)                                    | (3.1)                                    |
| Foreign exchange differences on translation of foreign operations                          |       | 11.4                                     | 31.2                                     |
| Actuarial gain/(loss) on defined benefit pension schemes                                   | 35    | 2.7                                      | (2.7)                                    |
| Credit to equity for share-based payments  | 15    | 0.1                                      | 0.2                                      |
| Deferred tax on actuarial movement   | 37    | -  | 0.5                                      |
| Deferred tax on financial instruments  | 37    | -  | 0.4                                      |
| Adjustment to non-controlling interest following decreased stake in controlled entity      |       | 0.3                                      | 0.2                                      |
| Adjustment to non-controlling interest following increased stake in controlled entity      |       | (2.6)                                    | 4.9                                      |
| Other transactions with non-controlling interests  |       | (0.2)                                    | 0.2                                      |
| Initial recording of put options granted to non-controlling interests in subsidiaries      |       | -  | (0.2)                                    |
| Recycled to Consolidated Income Statement on disposals                                     | 8, 18 | -  | (0.2)                                    |
| Recycled to Consolidated Income Statement on disposal of controlling interest in Euromoney | 8, 18 | (171.1)                                  | -  |
| At end of year   |       | 11.0                                     | 178.2                                    |

The movement in the non-controlling interest in Euromoney is as follows:

|   | 2017<br>£m | 2016<br>£m |
|---|------------|------------|
| At start of year  | 158.9      | 147.1      |
| Share of profit for the year  | 3.4        | 10.3       |
| Dividends paid  | -          | (9.9)      |
| Shares issued   | -          | 0.3        |
| Adjustment to non-controlling interest following decreased stake in controlled entity | 0.3        | 0.2        |
| Adjustment to non-controlling interest following increased stake in controlled entity | 0.1        | -          |
| Other transactions with non-controlling interests                                     | 8.4        | 9.6        |
| Exchange adjustment   | -          | 1.3        |
| Recycled to Consolidated Income Statement on disposals                                | (171.1)    | -          |
| At end of year  | -          | 158.9      |

## 41 Commitments and contingent liabilities

### Commitments:

|   | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|---|----------------------------------|----------------------------------|
| <b>Property, plant and equipment</b>                    |                                  |                                  |
| Contracted but not provided in the financial statements | -                                | -                                |

At 30 September 2017 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | At<br>30 September<br>2017<br>Properties<br>£m | At<br>30 September<br>2016<br>Properties<br>£m | At<br>30 September<br>2017<br>Plant and<br>equipment<br>£m | At<br>30 September<br>2016<br>Plant and<br>equipment<br>£m |
|----------------------------|--|--|--|--|
| Within one year            | 25.1   | 32.2   | 1.4  | 6.3  |
| Between one and two years  | 23.8   | 26.2   | 1.0  | 1.4  |
| Between two and five years | 49.4   | 63.9   | 1.0  | 1.8  |
| After five years           | 11.7   | 22.1   | -  | -  |
|                            | <b>110.0</b>                                   | 144.4  | <b>3.4</b>   | 9.5  |

The Group's most significant leasing arrangements relate to rented properties. The Group negotiates lease contracts according to the Group's needs with a view to balancing stability, security of tenure and lease terms against the risk of entering into excessively long or onerous arrangements.

Of the Group's rented properties, the most significant operating lease commitments relate to the DMGT head office premises at 2 Derry Street, London W8 5TT, which expires in December 2022, and to the RMS head office at 7575 Gateway Blvd, Newark, California which expires in December 2020.

Future payments under non-cancellable agreements made to secure venues for future events and exhibitions are separately disclosed below.

|                            | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|----------------------------|----------------------------------|----------------------------------|
| Within one year            | 9.4                              | 13.1                             |
| Between one and two years  | 3.4                              | -                                |
| Between two and five years | 2.0                              | -                                |
|                            | <b>14.8</b>                      | 13.1                             |

The Group has entered into arrangements with ink suppliers to obtain ink for the period to December 2020 at competitive prices and to secure supply. At the year end, the commitment to purchase ink over this period was £24.2 million (2016 £31.1 million).

The Group has entered into agreements with various printers for periods up to December 2022 at competitive prices and to secure supply. At the year end, the commitment to purchase printing capacity over this period was £39.4 million (2016 £49.2 million).

The Group has entered into a number of arrangements with Microsoft to provide cloud infrastructure to the RMS segment until June 2019. At the year end the commitment under this agreement was £12.1 million (2016 £11.6 million).

### Contingent liabilities

The Group has issued standby letters of credit amounting to £3.5 million (2016 £3.8 million).

The Group is exposed to libel claims in the ordinary course of business and vigorously defends against claims received. The Group makes provision for the estimated costs to defend such claims and provides for any settlement costs when such an outcome is judged probable.

Four writs claiming damages for libel were issued in Malaysia against Euromoney, the Group's 49.9% associate, and three of Euromoney's employees in respect of an article published in one of the Company's magazines, International Commercial Litigation, in November 1995. The writs were served on Euromoney on 22 October 1996. Two of these writs have been discontinued. The total outstanding amount claimed on the two remaining writs is Malaysian Ringgit 83.1 million (£14.7 million). No provision has been made for these claims by Euromoney as Euromoney does not believe it has any material liability in respect of these writs.

On 12 December 2016, CoStar Inc. (CoStar) filed a complaint in the Missouri Federal Court against Xceligent, Inc. (Xceligent) asserting, inter alia, misuse by Xceligent of CoStar's intellectual property. The damages claimed have not been quantified. Xceligent consider CoStar's actions to be in violation of the FTC consent order which was put in place when Xceligent was spun out of CoStar's acquisition of LoopNet. The Group has therefore made no provision for any claim which may be payable.



# Financial Statements

## Notes to the accounts

### 42 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, RMS, and within dmg information, Genscape, Hobsons and Trepp Executive Share Option Schemes 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 10 years from the date of grant at a price equivalent to the market value of the respective shares at the date of grant. Details of the performance conditions relating to the Company schemes are explained in the Remuneration Report.

The charge/(credit) to the Consolidated Income Statement is as follows:

| Segment                    | Scheme                             | Note | Year ended<br>30 September<br>2017<br>£m | Year ended<br>30 September<br>2016<br>£m |
|----------------------------|------------------------------------|------|--|--|
| DMGT Board and head office | Executive Share Option Scheme      |      | (0.1)                                    | 0.2                                      |
|                            | Executive Bonuses                  |      | (0.2)                                    | -  |
|                            | Long-Term Incentive Plan           |      | (0.7)                                    | 7.0                                      |
| RMS                        | Option Plan                        |      | 1.0                                      | 4.6                                      |
| Euromoney                  | SAYE & Recruitment Award/CAP Award |      | 0.2                                      | 0.7                                      |
|                            | Cash-settled options               |      | -  | 0.5                                      |
| dmg information            | Option Plan                        |      | 1.7                                      | 1.7                                      |
| dmg media                  | Long-Term Incentive Plan           |      | 2.0                                      | 1.9                                      |
| Social security costs      |                                    |      | 0.1                                      | 3.2                                      |
|                            |                                    | 6    | 4.0                                      | 19.8                                     |

The fair value of share options for each of these schemes was determined using a Black-Scholes model. Full details of inputs to the models, particular to each scheme, are set out below. With respect to all schemes, expected volatility has been estimated, based upon relevant historic data in respect of the DMGT A Ordinary Non-Voting Share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability.

The Group did not reprice any of its outstanding options during the year.

Further details of the Group's significant schemes are set out below:

#### DMGT 2006 Executive Share Option Scheme

Under the DMGT 2006 Executive Share Option Scheme, each award of options has a maximum life of 10 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. No options were outstanding to Directors during the year.

|                                  | Year ended<br>30 September<br>2017<br>Number of<br>share options | Year ended<br>30 September<br>2017<br>Weighted average<br>exercise price<br>£ | Year ended<br>30 September<br>2016<br>Number of<br>share options | Year ended<br>30 September<br>2016<br>Weighted average<br>exercise price<br>£ |
|----------------------------------|--|---|--|---|
| Outstanding at 1 October 2016    | 1,527,614  | 6.34  | 921,668  | 5.90  |
| Granted during the year          | 75,000   | 7.88  | 795,000  | 6.93  |
| Forfeited during the year        | (555,232)  | 7.17  | (60,000)   | 8.12  |
| Exercised during the year        | (157,163)  | 5.08  | (69,054)   | 5.23  |
| Expired during the year          | (4,476)  | 6.88  | (60,000)   | 6.98  |
| Outstanding at 30 September 2017 | 885,743  | 6.16  | 1,527,614  | 6.34  |
| Exercisable at 30 September 2017 | 472,409  | 5.28  | 550,579  | 4.65  |
| Exercisable at 1 October 2016    | 550,579  | 4.65  | 421,383  | 5.02  |

The aggregate of the estimated fair values of the options granted during the year is £0.6 million (2016 £0.2 million).

The options outstanding at 30 September 2017 had a weighted average remaining contractual life of 4.8 years (2016 5.8 years).

The inputs into the Black-Scholes model are as follows:

| Date of grant                                    | 17 December 2007 | 24 November 2008 | 26 January 2009 | 14 December 2009 | 6 December 2010 |
|--|------------------|------------------|-----------------|------------------|-----------------|
| Market value of shares at date of grant (£)      | 5.05             | 2.50             | 2.53            | 4.04             | 5.39            |
| Option price (£)                                 | 5.05             | 2.50             | 2.53            | 4.04             | 5.39            |
| Number of share options outstanding              | 18,000           | 17,000           | 7,887           | 71,605           | 71,198          |
| Term of option (years)                           | 10               | 10               | 10              | 10               | 10              |
| Assumed period of exercise after vesting (years) | 7                | 7                | 7               | 7                | 7               |
| Exercise price (£)                               | 5.05             | 2.50             | 2.53            | 4.04             | 5.39            |
| Risk-free rate (%)                               | 4.30             | 3.00             | 3.00            | 3.00             | 2.00            |
| Expected dividend yield (%)                      | 2.84             | 5.89             | 5.81            | 3.64             | 2.97            |
| Volatility (%)                                   | 20.00            | 40.00            | 40.00           | 40.00            | 30.00           |
| Fair value per option (£)                        | 1.18             | 0.56             | 0.56            | 1.13             | 1.22            |

| Date of grant                                    | 5 December 2011 | 27 June 2012 | 17 December 2012 | 9 December 2013 | 10 December 2014 |
|--|-----------------|--------------|------------------|-----------------|------------------|
| Market value of shares at date of grant (£)      | 3.98            | 3.91         | 5.27             | 9.16            | 8.10             |
| Option price (£)                                 | 3.98            | 3.91         | 5.27             | 9.16            | 8.29             |
| Number of share options outstanding              | 24,000          | 100,000      | 79,250           | 83,469          | 30,000           |
| Term of option (years)                           | 10              | 10           | 10               | 10              | 10               |
| Assumed period of exercise after vesting (years) | 7               | 7            | 7                | 5               | 5                |
| Exercise price (£)                               | 3.98            | 3.91         | 5.27             | 9.16            | 8.29             |
| Risk-free rate (%)                               | 1.50            | 1.00         | 1.00             | 1.50            | 1.08             |
| Expected dividend yield (%)                      | 4.27            | 4.43         | 3.42             | 2.00            | 2.77             |
| Volatility (%)                                   | 30.00           | 30.00        | 30.00            | 25.00           | 25.70            |
| Fair value per option (£)                        | 0.71            | 0.70         | 0.98             | 1.69            | 1.31             |

| Date of grant                                    | 14 December 2015 | 22 December 2015 | 6 December 2016 |
|--|------------------|------------------|-----------------|
| Market value of shares at date of grant (£)      | 7.06             | 7.06             | 7.88            |
| Option price (£)                                 | 7.06             | 7.06             | 7.88            |
| Number of share options outstanding              | 75,000           | 233,334          | 75,000          |
| Term of option (years)                           | 3                | 1                | 3               |
| Assumed period of exercise after vesting (years) | 7                | 6                | 2               |
| Exercise price (£)                               | 7.06             | 7.06             | 7.88            |
| Risk-free rate (%)                               | 1.19             | 0.77             | 1.25            |
| Expected dividend yield (%)                      | 3.26             | 3.26             | 3.02            |
| Volatility (%)                                   | 25.10            | 24.10            | 26.00           |
| Fair value per option (£)                        | 0.93             | 0.81             | 0.83            |

# Financial Statements

## Notes to the accounts

### 42 Share-based payments continued

#### Nil-cost options under the DMGT Executive Bonus Scheme

Since December 2009 a portion of the bonus earned by Executive Directors under the Executive Bonus Scheme has been deferred into shares in the form of nil-cost options. These options are to the value of the equity portion of the bonus and are fully expensed in the year in which they are earned. Further details are shown in the Remuneration Report.

|                                  | Year ended<br>30 September<br>2017<br>Number of<br>share options | Year ended<br>30 September<br>2017<br>Weighted average<br>exercise price<br>£ | Year ended<br>30 September<br>2016<br>Number of<br>share options | Year ended<br>30 September<br>2016<br>Weighted average<br>exercise price<br>£ |
|----------------------------------|--|---|--|---|
| Outstanding at 1 October 2016    | 792,274  | -   | 752,911  | -   |
| Granted during the year          | -  | -   | 39,363   | -   |
| Forfeited during the year        | (15,666)   | -   | -  | -   |
| Exercised during the year        | (512,812)  | -   | -  | -   |
| Outstanding at 30 September 2017 | 263,796  | -   | 792,274  | -   |
| Exercisable at 30 September 2017 | 250,992  | -   | 735,803  | -   |
| Exercisable at 1 October 2016    | 735,803  | -   | 512,604  | -   |

The aggregate of the estimated fair values of the awards granted during the year is £nil (2016 £nil).

The awards outstanding at 30 September 2017 had a weighted average remaining contractual life of 2.0 years (2016 2.3 years).

#### DMGT Long-Term Incentive Plan

Details of the terms and conditions relating to this scheme are set out in the Remuneration Report.

|                                  | Year ended<br>30 September<br>2017<br>Number of<br>share options | Year ended<br>30 September<br>2017<br>Weighted average<br>exercise price<br>£ | Year ended<br>30 September<br>2016<br>Number of<br>share options | Year ended<br>30 September<br>2016<br>Weighted average<br>exercise price<br>£ |
|----------------------------------|--|---|--|---|
| Outstanding at 1 October 2016    | 3,521,726  | 6.50  | 2,801,711  | 6.08  |
| Granted during the year          | 626,615  | 7.18  | 1,212,733  | 6.71  |
| Forfeited during the year        | (441,662)  | 7.09  | (21,858)   | 7.32  |
| Exercised during the year        | (803,637)  | 4.65  | (470,860)  | 4.51  |
| Expired during the year          | -  | -   | -  | -   |
| Outstanding at 30 September 2017 | 2,903,042  | 7.12  | 3,521,726  | 6.50  |
| Exercisable at 30 September 2017 | -  | -   | -  | -   |
| Exercisable at 1 October 2016    | -  | -   | 111,110  | 4.04  |

The aggregate of the estimated fair values of the awards granted during the year is £4.5 million (2016 £8.1 million).

The awards outstanding at 30 September 2017 had a weighted average remaining contractual life of 1.4 years (2016 1.8 years).

### Options under the DMGT Long-Term Incentive Scheme

The inputs into the Black-Scholes model are as follows:

| Date of grant                                    | 10 December 2012 | 9 December 2013 | 22 December 2014 | 22 December 2014 |
|--|------------------|-----------------|------------------|------------------|
| Market value of shares at date of grant (£)      | 5.27             | 9.16            | 8.11             | 8.11             |
| Option price (£)                                 | Nil              | Nil             | Nil              | Nil              |
| Number of share options outstanding              | 441,852          | 258,976         | 291,331          | 205,133          |
| Term of option (years)                           | 5                | 5               | 5                | 3                |
| Assumed period of exercise after vesting (years) | Nil              | Nil             | Nil              | Nil              |
| Exercise price (£)                               | Nil              | Nil             | Nil              | Nil              |
| Risk-free rate (%)                               | Nil              | Nil             | Nil              | Nil              |
| Expected dividend yield (%)                      | Nil              | Nil             | Nil              | Nil              |
| Volatility (%)                                   | Nil              | Nil             | Nil              | Nil              |
| Fair value per option (£)                        | 5.27             | 9.07            | 8.11             | 8.11             |

| Date of grant                                    | 14 December 2015 | 14 December 2015 | 14 December 2015 | 28 February 2017 |
|--|------------------|------------------|------------------|------------------|
| Market value of shares at date of grant (£)      | 6.71             | 6.71             | 6.71             | 6.71             |
| Option price (£)                                 | Nil              | Nil              | Nil              | Nil              |
| Number of share options outstanding              | 213,531          | 519,387          | 346,217          | 301,650          |
| Term of option (years)                           | 2                | 3                | 4                | 3                |
| Assumed period of exercise after vesting (years) | Nil              | Nil              | Nil              | Nil              |
| Exercise price (£)                               | Nil              | Nil              | Nil              | Nil              |
| Risk-free rate (%)                               | Nil              | Nil              | Nil              | Nil              |
| Expected dividend yield (%)                      | Nil              | Nil              | Nil              | Nil              |
| Volatility (%)                                   | Nil              | Nil              | Nil              | Nil              |
| Fair value per option (£)                        | 6.71             | 6.71             | 6.71             | 7.19             |

| Date of grant                                    | 30 May 2017 | 30 May 2017 |
|--|-------------|-------------|
| Market value of shares at date of grant (£)      | 7.17        | 7.17        |
| Option price (£)                                 | Nil         | Nil         |
| Number of share options outstanding              | 136,681     | 188,284     |
| Term of option (years)                           | 2           | 1           |
| Assumed period of exercise after vesting (years) | Nil         | Nil         |
| Exercise price (£)                               | Nil         | Nil         |
| Risk-free rate (%)                               | Nil         | Nil         |
| Expected dividend yield (%)                      | Nil         | Nil         |
| Volatility (%)                                   | Nil         | Nil         |
| Fair value per option (£)                        | 7.17        | 7.17        |

### DMGT Long-Term Executive Incentive Plan Award 2017

During the year the Company introduced a new LTIP for senior executives. This plan entitles certain executives to a percentage share of eligible profit growth over a three-year performance period.

The award is settled in A Ordinary Non-Voting Shares based on the later of the average share price for the first three days following release of the 2016 financial results or the date of employment.

The charge for the year in the Consolidated Income Statement for this award amounts to £0.5 million (2016 £nil) and is included in the Long-Term Incentive Plan charge.

# Financial Statements

## Notes to the accounts

### 42 Share-based payments continued

#### RMS option plan

RMS options are granted at market value. The options become exercisable after a four-year vesting period and lapse ten years and five years from grant date under the 2001 and 2005 option plans respectively. The stock issued under the plan is subject to put or call options where DMGT has the right to settle in DMGT A Ordinary Non-Voting Shares or cash. The option plan classification changed from a cash-settled plan in June 2005 to an equity-settled plan following this change of settlement feature of stock issued under the plan. After 30 September 2011, options under the 2001 and 2005 plan were no longer awarded.

During the year ended 30 September 2011, RMS introduced the Executive Incentive Plan (EIP) and the Long-Term Incentive Plan (LTIP). Under the EIP, options and Restricted Stock Units (RSU) were awarded to senior management. Under the LTIP, RSUs were awarded to key employees. The options and RSUs were granted at market value under both plans. The options vest based on the conditions of time and company performance at three and five years from date of grant. The options lapse after seven years from grant date. The RSUs under both plans vest annually over three years.

A 2014 Equity Award Plan (the Plan) was introduced during the year ended 30 September 2014. Under the Plan options and RSUs, both time- and performance-based, are granted to employees who are deemed to be in a position to contribute to the long-term success of RMS.

The RSU expense is determined by the fair market value of RMS stock at the date of grant. The expense is amortised using an accelerated method. Under this method the RSUs are equally allocated to each of the three annual vesting components and the related expense is amortised over 12, 24, and 36 months respectively.

In November 2014, RMS approved an option exchange programme allowing RMS option holders to exchange their existing out-of-the-money options for new options with a strike price of US\$40.0 or RSUs where eligible.

In 2015 RMS introduced the 2015 stock option plan which was adopted in January 2016. Options granted under this plan vest on satisfaction of two conditions: a four-year service period and the occurrence of an initial public offering of RMS or an event in which the Group ceases to hold at least 50% of the voting rights of RMS.

|                                  | Year ended<br>30 September<br>2017 | Year ended<br>30 September<br>2017         | Year ended<br>30 September<br>2016 | Year ended<br>30 September<br>2016         |
|----------------------------------|------------------------------------|--|------------------------------------|--|
|                                  | Number of<br>share options         | Weighted average<br>exercise price<br>US\$ | Number of<br>share options         | Weighted average<br>exercise price<br>US\$ |
| Outstanding at 1 October 2016    | 12,954,350                         | 9.18                                       | 2,040,920                          | 10.05                                      |
| Granted during the year          | 5,244,596                          | 9.52                                       | 11,539,810                         | 9.04                                       |
| Forfeited during the year        | (2,943,930)                        | 9.08                                       | (626,380)                          | 9.33                                       |
| Exercised during the year        | (223,496)                          | 9.68                                       | -                                  | -  |
| Outstanding at 30 September 2017 | 15,031,520                         | 9.31                                       | 12,954,350                         | 9.18                                       |
| Exercisable at 30 September 2017 | 1,648,124                          | 10.04                                      | 1,537,824                          | 10.03                                      |
| Exercisable at 1 October 2016    | 1,537,824                          | 10.03                                      | 1,297,024                          | 10.04                                      |

The weighted average share price at the date of exercise for share options exercised during the year was US\$10.11 (2016 US\$nil).

The options outstanding at 30 September 2017 had a weighted average remaining contractual life of 8.0 years (2016 8.5 years).

The inputs into the Black-Scholes model are as follows:

| Date of grant                                    | During 2014 | During 2015 | During 2016 | During 2017 |
|--|-------------|-------------|-------------|-------------|
| Market value of shares at date of grant (US\$)   | 14.59       | 10.00       | 9.04        | 10.11       |
| Option price (US\$)                              | 14.59       | 10.00       | 9.04        | 9.52        |
| Number of share options outstanding              | 16,000      | 1,632,124   | 8,578,310   | 4,805,086   |
| Term of option (years)                           | 7           | 7           | 10          | 10          |
| Assumed period of exercise after vesting (years) | 3-6         | 4-5         | 6           | 4           |
| Exercise price (US\$)                            | 14.59       | 10.00       | 9.04        | 9.52        |
| Risk-free rate (%)                               | 1.25        | 1.25        | 1.10        | 1.00        |
| Expected dividend yield (%)                      | 2.91        | 3.63        | Nil         | Nil         |
| Volatility (%)                                   | 28.81       | 25.63       | 25.60       | 35.00       |
| Fair value per option (US\$)                     | 2.70        | 1.44        | 2.58        | 4.00        |

Expected volatility was determined by calculating the historical volatility of comparable companies.

**RMS RSU awards:**

|                                  | Year ended<br>30 September<br>2017<br>Number of RSUs | Year ended<br>30 September<br>2017<br>Weighted average<br>exercise price<br>US\$ | Year ended<br>30 September<br>2016<br>Restated<br>Number of RSUs | Year ended<br>30 September<br>2016<br>Restated<br>Weighted average<br>exercise price<br>US\$ |
|----------------------------------|--|--|--|--|
| Outstanding at 1 October 2016    | 1,406,356  | -  | 2,736,768  | -  |
| Granted during the year          | -  | -  | 78,192   | -  |
| Forfeited during the year        | -  | -  | (355,556)  | -  |
| Vested during the year           | (889,499)  | -  | (1,053,048)  | -  |
| Expired during the year          | (247,076)  | -  | -  | -  |
| Outstanding at 30 September 2017 | 269,781  | -  | 1,406,356  | -  |

**43 Ultimate holding company**

The Company's immediate parent Company is Rothermere Continuation Limited (RCL), a company incorporated in Bermuda.

Daily Mail and General Trust plc is the only company in the Group to prepare consolidated financial statements.

**44 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.

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 at the year end, who are the key management personnel of the Group, is set out in aggregate in the audited part of the Directors' Remuneration Report.

**Ultimate controlling party**

RCL is a holding company incorporated in Bermuda. The main asset of RCL is its 100.0% holding of DMGT Ordinary Shares. RCL has controlled the Company for many years and as such is its immediate parent Company. RCL is owned by a trust (the Trust) which is held for the benefit of Viscount Rothermere and his immediate family. The Trust represents the ultimate controlling party of the Company. Both RCL and the Trust are administered in Jersey, in the Channel Islands. RCL and its directors, the Trust and its beneficiaries are related parties of the Company.

**Transactions with Directors**

During the year Forsters LLP in which Mr A. Lane, a Non-Executive Director of the Company, is a partner, provided legal services to the Company amounting to £13,970.

**Transactions with joint ventures and associates**

Details of the Group's principal joint ventures and associates are set out in Note 24.

DMG Media Investments Ltd holds a 23.9% stake in Excalibur Holdco Ltd (Excalibur), an associate. During the year, services provided to Excalibur amounted to £0.7 million (2016 £1.5 million). At 30 September 2017, amounts due from Excalibur amounted to £3.8 million (2016 £1.1 million), together with loan notes of £13.6 million (2016 £20.5 million). The loan notes carry a coupon of 10.0% and £2.3 million (2016 £1.8 million) was outstanding in relation to this coupon at 30 September 2017.

Associated Newspapers Ltd (ANL) holds a 50.0% (2016 50.0%) shareholding in Artirix Ltd, a joint venture. During the year, the Group received services totalling £0.2 million (2016 £0.1 million) from Artirix.

AN Mauritius Ltd had a 26.0% (2016 26.0%) interest in Mail Today Newspapers Pte Ltd, a joint venture, which was disposed during the year. During the year, additional share capital of £nil (2016 £0.1 million) was invested in Mail Today Newspapers Pte Ltd.

ANL has a 50.0% (2016 50.0%) shareholding in Northprint Manchester Ltd, a joint venture. The net amount due to ANL of £5.8 million (2016 £5.8 million) has been fully provided.

DMG US Holdings, Inc. has a 45.0% (2016 45.0%) shareholding in Truffle Pig LLC, an associate. Funding provided by DMG US Holdings, Inc. in the previous period amounting to £0.2 million remained outstanding at 30 September 2017.

Mail Media, Inc. has a 50.0% (2016 50.0%) shareholding in Daily Mail On Air, a joint venture. Funding provided by Mail Media, Inc. amounting to £0.2 million remained outstanding at 30 September 2017 (2016 £0.2 million).

DMG Media Investments Ltd has a 22.1% shareholding in Zipjet Ltd, an associate. Services provided to Zipjet amounted to £0.1 million (2016 £nil).

# Financial Statements

## Notes to the accounts

### 44 Related party transactions continued

The Group reduced its shareholding in its subsidiary Euromoney on 31 December 2016 to 49.9% and Euromoney is now an associate. From 1 January 2017, services were recharged to Euromoney amounting to £0.4 million (2016 £nil) and consortium relief losses were surrendered under an agreement between Euromoney and the Group amounting to £0.4 million (2016 £nil). At 30 September 2017, £0.5 million (2016 £nil) was owed by Euromoney. On 6 January 2017, Euromoney completed an off-market purchase of 19,247,173 Euromoney ordinary shares from the Group for cancellation at a price of £9.75 per share.

During the year, DMG World Media (2006) Ltd, a DMG Events subsidiary, recharged costs amounting to £0.2 million (2016 £nil) to BCA Research, Inc. (BCA), a Euromoney subsidiary.

During the year, ANL recharged costs amounting to £0.2 million (2016 £0.4 million) to Euromoney. At 30 September 2017, £0.1 million (2016 £0.5 million) was owed by Euromoney.

During the year, Euromoney provided services to RMS Ltd, a DMGT subsidiary amounting to £0.1 million (2016 £nil).

The Group has a 29.8% (2016 31.3%) shareholding in ZPG, an associate. During the year, the Group received dividends of £7.3 million (2016 £5.2 million) from ZPG.

During the year, Landmark Information Group Ltd (Landmark) charged management fees of £0.3 million (2016 £0.3 million) and recharged costs of £0.2 million (2016 £0.1 million) to Point X Ltd, a joint venture. Point X Ltd received royalty income from Landmark of £0.1 million (2016 £0.1 million).

Decision Insight Information Group (UK) Ltd (DIIG UK) has a 50.0% (2016 50.0%) interest in Decision First Ltd (DF), a joint venture. During the year, DIIG UK recharged costs to DF amounting to £0.2 million (2016 £0.2 million).

On-Geo GmbH (On-Geo) has a 50.0% (2016 50.0%) interest in HypoPort On-Geo GmbH (HypoPort), a joint venture. During the year, HypoPort made purchases from On-Geo amounting to £8.2 million (2016 £8.4 million). At 30 September 2017, £1.2 million (2016 £1.8 million) was owed by HypoPort to On-Geo.

In the prior year Hobsons, Inc. (Hobsons) acquired a 50.0% stake in Knowlura, a joint venture, following the sale of Enrolment Management Solutions. Hobsons was obligated to fund Knowlura's working capital up to £0.8 million and interest was charged at 6.0% p.a. on the outstanding amount, however this balance was fully impaired. Since the joint venture was dissolved before the year end, Knowlura owed Hobsons £nil (2016 £nil) at 30 September 2017.

During the prior year, Hobsons contributed subscriptions on behalf of other dmg information businesses to Knowlura amounting to £0.4 million. During the year, revenue of £0.4 million (2016 £nil) was recognised by Knowlura in relation to these subscriptions. At 30 September 2017, £0.3 million (2016 £0.4 million) of deferred revenue was recognised by Knowlura in relation to these subscriptions.

### Other related party disclosures

Under an agreement to guarantee the income generated from certain property assets held by the Harmsworth Pension Scheme which were purchased from the Group during a prior period, the Group was charged for rent and service charges in relation to the current year amounting to £0.5 million (2016 £1.1 million). At 30 September 2017 £0.1 million (2016 £0.4 million) was owed to the Harmsworth Pension Scheme by the Group.

At 30 September 2017, the Group owed £0.8 million (2016 £0.8 million) to the pension schemes which it operates. This amount comprised employees' and employer's contributions in respect of September 2017 payrolls.

The Group recharges its principal pension schemes with costs of investment management fees. The total amount recharged during the year was £0.3 million (2016 £0.1 million).

Contributions made during the year to the Group's retirement benefit plans are set out in Note 35, along with details of the Group's future funding commitments.

In July 2012, the Group entered into a contingent asset partnership whereby a £150.0 million loan note, guaranteed by the Group, was used to commit £10.8 million funding p.a. to the Harmsworth Pension Scheme. Interest payable to DMG Pension Partnership LP in the year totalled £11.0 million (2016 £11.1 million).



## 45 Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ending 30 September 2017:

| Subsidiary name                    | Company registration number | Subsidiary name             | Company registration number |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| A&N International Media Ltd        | 04147978                    | DMG Business Media Ltd      | 02823743                    |
| Associated London Distribution Ltd | 03961514                    | DMG Charles Ltd             | 04211684                    |
| EX ERH Ltd                         | 05910261                    | DMG Investment Holdings Ltd | 03263138                    |
| Northcliffe Media Ltd              | 03403993                    | DMG Minor Investments Ltd   | 04228751                    |
| DMG Information Ltd                | 03708142                    | DMG Plymouth Ltd            | 09198500                    |
| DMG Angex Ltd                      | 02302189                    | DMGRH Finance Ltd           | 03191181                    |
| DMG Events International Ltd       | 04118004                    | DMGZ Ltd                    | 00272225                    |
| DMG Events Ltd                     | 01150306                    | Harmsworth Royalties Ltd    | 04219212                    |
| Daily Mail International Ltd       | 01966438                    | Kensington Finance Ltd      | 03960683                    |
| Derry Street Investments Ltd       | 04485760                    | Kensington US Holdings Ltd  | 06320636                    |
| DMG Asset Finance Ltd              | 05528329                    | Ralph US Holdings           | 06341444                    |
| DMG Atlantic Ltd                   | 04521108                    | Young Street Holdings Ltd   | 04485808                    |

The Directors of Daily Mail and General Trust plc have confirmed that the Company will provide a guarantee under Section 479C in relation to the subsidiaries listed above.

No dormant subsidiaries have taken the exemption from preparing individual accounts by virtue of Section 394A of Companies Act 2006.

No dormant subsidiaries have taken the exemption from filing with the registrar individual accounts by virtue of Section 448A of Companies Act 2006.

The following UK subsidiaries will take advantage of the audit exemption set out within Section 480 of the Companies Act 2006, exemption from audit for dormant companies, for the year ending 30 September 2017:

| Subsidiary name                  | Company registration number | Subsidiary name                        | Company registration number |
|----------------------------------|-----------------------------|--|-----------------------------|
| Associated Newspapers (USA) Ltd  | 03016861                    | Richards Gray Holdings Ltd             | 05778231                    |
| Daily Mail Ltd                   | 01160542                    | Richards Gray Ltd                      | 03209331                    |
| Derby Telegraph Media Group Ltd  | 00218661                    | Trepp Ltd                              | 03209327                    |
| EX TTH Ltd                       | 04282263                    | Central Independent News and Media Ltd | 03015855                    |
| Harmsworth Printing (Didcot) Ltd | 05539456                    | Conveyancing Searches Ltd              | 05063368                    |
| Harmsworth Printing (Stoke) Ltd  | 04148861                    | Courier Media Group Ltd                | 00101944                    |
| Harmsworth Printing Ltd          | 02208579                    | Gloucestershire Media Ltd              | 00163659                    |
| Harmsworth Quays Printing Ltd    | 02208582                    | Lincolnshire Media Ltd                 | 00037928                    |
| Mail Life Financial Services Ltd | 01063950                    | Northcliffe Trustees Ltd               | 03394992                    |
| Rental Systems.com Ltd           | 04404934                    | South West Wales Media Ltd             | 00120013                    |
| The Mail on Sunday Ltd           | 01160545                    | The Conveyancing Report Agency Ltd     | 04666668                    |
| DKA Ltd                          | SC292312                    | The Western Gazette Co Ltd             | 00022796                    |

# Financial Statements

## Notes to the accounts

### 46 Full list of Group undertakings

| Subsidiary name                                     | Registered office   | Country of incorporation or registration | Classes of shares held                          | % shareholding (% held directly by parent) |
|---|---|--|---|--|
| A&N International Media Ltd                         | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| A&N Media Finance Services Ltd                      | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| AgRisk Ltd  | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| AN Mauritius Ltd                                    | 10th Floor, Standard Chartered Tower, 19 Cybercity, Ebène, Republic Of Mauritius, Mauritius | Mauritius                                | Ordinary  | 100%                                       |
| Argyll Environmental Ltd                            | 5-7, Abbey Court Eagle Way, Sowton, Exeter, Devon EX2 7HY                                   | UK                                       | Ordinary  | 100%                                       |
| Asia Risk Centre Pte Ltd                            | 3F, 19 Cecil Street, Singapore 049704   | Singapore                                | Ordinary  | 100%                                       |
| Associated London Distribution Ltd                  | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Associated Metro Holdings Ltd (i)                   | 15 Esplanade, St Helier, Jersey, JE1 1RB, Channel Islands                                   | Jersey                                   | Ordinary  | 100%                                       |
| Associated Newspapers (Ireland) Holdings Ltd        | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Associated Newspapers (Ireland) Ltd                 | Third Floor, Embassy House, Herbert Park Lane, Ballsbridge, Dublin 4 662817                 | Ireland                                  | Ordinary  | 100%                                       |
| Associated Newspapers (USA) Ltd                     | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Associated Newspapers Ltd                           | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Associated Newspapers North America, Inc            | 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808                                | USA                                      | Common, Series A                                | 100%                                       |
| AVMGE GmbH  | Parsevalstr. 2, 99092 Erfurt, Germany   | Germany                                  | Ordinary  | 90%  |
| Brixspan, LLC                                       | 48 West 21st Street 4th Floor, New York NY 10010,   | USA                                      | Ordinary  | 56%  |
| BuildFax Inc  | 42 N. French Broad Ave, Asheville NC 28801, US  | USA                                      | Common, Series A, B, C, D, E, G Preferred Stock | 90%  |
| Catchpole Communications FZ-LLC                     | Ground 0, Building 08, Dubai Media City, Dubai, 502068                                      | UAE                                      | Ordinary  | 100%                                       |
| Central Independent News and Media Ltd              | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Commodity Vectors (Ireland) Ltd                     | Business And Research Centre, National College Of Ireland, Mayor Street, Dublin, 1, Ireland | Ireland                                  | Ordinary  | 100%                                       |
| Commodity Vectors Ltd                               | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Conveyancing Searches Ltd                           | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Courier Media Group Ltd                             | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Daily Mail and General Holdings Ltd                 | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Daily Mail and General Investments Ltd              | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Daily Mail and General Trust plc                    | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary and A ordinary non voting              | N/A  |
| Daily Mail International Ltd                        | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Daily Mail Ltd                                      | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Dailymail.com Australia Pty Ltd                     | Level 7, Tower Building, Australia Square, 264 George Street, Sydney NSW 2000               | Australia                                | Ordinary  | 100%                                       |
| Decision Insight Hub Ltd                            | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY United Kingdom            | UK                                       | Ordinary  | 100%                                       |
| Decision Insight Information Group (Europe) Ltd     | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY United Kingdom            | UK                                       | Ordinary  | 100%                                       |
| Decision Insight Information Group (Ireland) Ltd    | 39/40 Upper Mount Street, Dublin 2, Ireland   | Ireland                                  | Ordinary  | 100%                                       |
| Decision Insight Information Group (UK) Ltd         | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY United Kingdom            | UK                                       | Ordinary  | 100%                                       |
| Decision Insight Packco Ltd                         | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY United Kingdom            | UK                                       | Ordinary  | 100%                                       |
| Derby Telegraph Media Group Ltd                     | PO Box 6795, St George Street, Leicester LE1 1ZP  | UK                                       | Ordinary  | 100%                                       |
| Derry Street Investments Ltd                        | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| Digital H20 Inc                                     | Corporation Service Company, 27110 Centerville Road, Suite 400, Wilmington DE 19808, US     | USA                                      | Common  | 100%                                       |
| DKA Ltd   | Bonnington Bond, 2 Anderson Place, Leith, Edinburgh Scotland EH6 5NP United Kingdom         | UK                                       | Ordinary  | 100%                                       |
| DMG Angex Ltd                                       | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| DMG Asset Finance Ltd                               | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| DMG Atlantic Ltd                                    | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| DMG Business Media Ltd                              | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| DMG Charles Ltd                                     | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary  | 100%                                       |
| DMG Comet Sarl                                      | 595, Rue De Neudorf, L-2220, Luxembourg   | Luxembourg                               | Ordinary  | 100%                                       |
| DMG Comet Sarl US branch                            | 2201 West Royal Lane, Irving, Texas 75603 USA   | USA                                      | Ordinary  | 100%                                       |
| DMG Conference & Exhibition Services (Shanghai) Ltd | Room 428, Level 4, No 55 Xiya Road (Plot 5 Of Zone F), Shanghai, China                      | China                                    | Ordinary  | 100%                                       |

| Subsidiary name                              | Registered office  | Country of incorporation or registration | Classes of shares held | % shareholding (% held directly by parent) |
|--|--|--|------------------------|--|
| DMG Consolidated Holdings Pty Ltd            | Level 2, 452 Flinders Street, Melbourne VIC 3000, Australia  | Australia                                | Ordinary               | 100%                                       |
| DMG Development Co                           | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Ordinary               | 100%                                       |
| DMG Events (Canada), Inc                     | 180 Duncan Mill Road, 4th Floor, Toronto ON M3B 1Z6,   | Canada                                   | Ordinary               | 100%                                       |
| DMG Events (Doha), LLC                       | Level 14/15 Commercial Bank Plaza, West Bay, Doha, Qatar   | Qatar                                    | Ordinary               | 100%                                       |
| DMG Events (MEA) Ltd                         | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Events (UK) Ltd                          | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Events (USA) Inc                         | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| DMG Events Asia Pacific Pte Ltd              | 8 Marina Boulevard #05-02, Marina Bay Financial Centre, Singapore 018981                           | Singapore                                | Ordinary               | 100%                                       |
| DMG Events Energy Japan KK                   | Roppongi Hills Keyakizaka Terrace, 6151, Roppongi, Minatoku, Tokyo, Japan                          | Japan                                    | Ordinary               | 100%                                       |
| DMG Events India Private Ltd                 | Unit 1, Level 2, B Wing, Times Square, Andheri Kurla Road, Andheri, Mumbai, 400059, India          | India                                    | Ordinary               | 100%                                       |
| DMG Events International Ltd                 | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Events Ltd                               | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | A Ordinary             | 100%                                       |
| DMG Exhibition Management Services (PTY) Ltd | 76 Eleventh Street, Parkmore, Johannesburg, 2196, South Africa                                     | South Africa                             | Ordinary               | 100%                                       |
| DMG Guernsey Ltd (ii)                        | Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE                                 | Guernsey                                 | Ordinary               | 100%                                       |
| DMG India Private Ltd                        | 402-409, 4th Floor Of Square One, Saket District Centre, Delhi, South Delhi, Delhi – 110017        | India                                    | Ordinary               | 100%                                       |
| DMG Information Asia Pacific Pte Ltd         | 8 Marina Blvd, #0502, Marina Bay Financial Centre, Singapore, 018981                               | Singapore                                | Ordinary               | 100%                                       |
| DMG Information Hong Kong Company Ltd        | 27/F 248 Queen's Road East, Wanchai, Hong Kong   | Hong Kong                                | Ordinary               | 100%                                       |
| DMG Information Ltd                          | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Investment Holdings Ltd                  | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Ireland Holdings Ltd                     | First Floor, Fitzwilton House, Wilton Place, Dublin 2  | Ireland                                  | Ordinary               | 100%                                       |
| DMG Loanco Ltd                               | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Media Investments Ltd                    | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Media Ltd                                | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Minor Investments Ltd                    | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG Nederland BV                             | Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands   | Netherlands                              | Ordinary               | 100%                                       |
| DMG Oceans Ltd                               | Scottish Daily Mail, 20 Waterloo Street, Glasgow, G2 6DB   | UK                                       | Ordinary               | 100%                                       |
| DMG Plymouth Ltd                             | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMG US Group, Inc                            | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| DMG US Holdings Inc                          | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| DMG US Investments Inc                       | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| DMG World Media Abu Dhabi Ltd (i)            | Rathbone House, 15 Esplanade, St Helier, Jersey, England   | Jersey                                   | Ordinary               | 100%                                       |
| DMG World Media Dubai (2006) Ltd (i)         | Rathbone House, 15 Esplanade, St Helier, Jersey, England   | Jersey                                   | Ordinary               | 100%                                       |
| DMGB Ltd                                     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| dmgi Land & Property Europe Ltd              | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY   | UK                                       | Ordinary               | 100%                                       |
| DMGRH Finance Ltd                            | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| DMGT US Employee Services, Inc               | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| DMGT US, Inc                                 | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common, Series A       | 100%                                       |
| DMGZ Ltd                                     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary               | 100%                                       |
| EDR Landmark Management Services Ltd         | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY   | UK                                       | Ordinary               | 100%                                       |
| EI Cap II LLC                                | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Membership interests   | 100%                                       |
| Energy Fundamentals GmbH                     | Technoparkstrasse 1, 8005, Zurich, Switzerland   | Switzerland                              | Ordinary               | 100%                                       |
| Energytics Inc                               | Corporation Services Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States | USA                                      | Common                 | 100%                                       |
| Ensura Ltd                                   | 5-7, Abbey Court Eagle Way, Sowton, Exeter, Devon EX2 7HY  | UK                                       | Ordinary               | 100%                                       |
| Enva Power Inc                               | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |
| Environmental Data Resources, Inc            | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States           | USA                                      | Common                 | 100%                                       |

# Financial Statements

## Notes to the accounts

### 46 Full list of Group undertakings continued

| Subsidiary name                     | Registered office  | Country of incorporation or registration | Classes of shares held                                     | % shareholding (% held directly by parent) |
|-------------------------------------|--|--|--|--|
| Epropredydata.com LLC               | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Membership Interests                                       | 87%  |
| ES London Ltd                       | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Estate Technical Solutions Ltd      | c/o Landmark Information Group Ltd, 5-7 Abbey Court Eagle Way, Sowton Industrial Estate, Exeter, EX2 7HY | UK                                       | Ordinary A, Ordinary B, Ordinary C, Ordinary D, Ordinary E | 100%                                       |
| Eve 3 Ltd * (ii)                    | 15 Esplanade, St Helier, JE1 1RB Jersey  | Jersey                                   | Ordinary   | 74%  |
| Eve 4 Ltd *                         | 15 Esplanade, St Helier, JE1 1RB Jersey  | Jersey                                   | Ordinary   | 100%                                       |
| EX ERH Ltd                          | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| EX TTH Ltd                          | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Excido Pty Ltd (D)                  | Level 2, 452 Flinders Street, Melbourne VIC 3000, Australia  | Australia                                | Ordinary   | 100%                                       |
| First Search Mid West LLC           | 320 N Meridian Street, Indianapolis IN 46204   | USA                                      | Ordinary A   | 100%                                       |
| First Search Technology Corporation | 303 Congress Street, Boston MA 02210   | USA                                      | Ordinary, Ordinary A                                       | 100%                                       |
| Fortress Digital Holdings, Inc      | 27110 Centerville Road, Suite 400, Wilmington DE 19808   | USA                                      | Ordinary   | 100%                                       |
| Fortress Digital, LLC               | 48 West 21st Street 4th Floor, New York NY 10010   | USA                                      | Ordinary   | 56%  |
| Genscape Asia, Inc                  | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Common   | 100%                                       |
| Genscape Belgium SA                 | Pegasuslaan 5, 1831 Brussels Deigem, Belgium   | Belgium                                  | Ordinary   | 100%                                       |
| Genscape Czech Republic sro         | Empiria Na Strzi, 65/1702, 140 00 Prague 4, Prague   | Czech                                    | Ordinary   | 100%                                       |
| Genscape France                     | 6 Place De La Madeleine, 75008, Paris, France  | France                                   | Ordinary   | 100%                                       |
| Genscape Germany GmbH               | Prinzenallee 7, 40549, Dusseldorf, Germany   | Germany                                  | Ordinary   | 100%                                       |
| Genscape Iberia SL                  | C/Conde De Aranda, 1 2 DO Izquierda, 28001, Madrid, Spain  | Spain                                    | Ordinary   | 100%                                       |
| Genscape Inc                        | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Common   | 100%                                       |
| Genscape Intangible Holding Inc     | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Common   | 100%                                       |
| Genscape International Inc          | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Common   | 100%                                       |
| Genscape Italy                      | Via Torino 2, 20123, Milan, Italy  | Italy                                    | Ordinary   | 100%                                       |
| Genscape Japan, K.K.                | Ark Hills Sengokuyama Mori Tower 28F, 1-9-10 Roppongi, Minato, Tokyo, Japan                              | Japan                                    | Ordinary   | 100%                                       |
| Genscape Mex, S. de R.L. de C.V.    | 1140 Garvin Place, Louisville, KY 40203  | Mexico                                   | Common   | 100%                                       |
| Genscape Natural Gas Inc            | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                 | USA                                      | Common   | 100%                                       |
| Genscape Netherlands                | Damrak 20A, 1012 LH, Amsterdam, Netherlands  | Netherlands                              | Ordinary   | 100%                                       |
| Genscape Poland SA                  | Ul. Rzymowskiego, 02-697, Warsaw Poland  | Poland                                   | Ordinary   | 100%                                       |
| Genscape Slovakia sro               | Kapitulska 18/A, Bratislava-Stare Mesto, 81101, Slovakia   | Slovakia                                 | Ordinary   | 100%                                       |
| Genscape UK Ltd                     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Gloucestershire Media Ltd           | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| GP Energy Management, LLC           | 131 Varick St. Suite 1008-1009, New York 10013 United States   | USA                                      | Membership units   | 100%                                       |
| Gridfit, LLC                        | 3500 South Dupont Highway, c/o Interstate Agent Services, LLC, Dover 19901, United States                | USA                                      | Membership units   | 100%                                       |
| GSquared, LLC                       | Northcliffe House, 2 Derry Street, London W8 5TT   | USA                                      | Membership Interests                                       | 10%  |
| Harmsworth Printing (Didcot) Ltd    | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Harmsworth Printing (Stoke) Ltd     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Harmsworth Printing Ltd             | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Harmsworth Quays Printing Ltd       | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Harmsworth Royalties Ltd            | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary   | 100%                                       |
| Hobsons Asia SDN BHD                | Block B East, PJ8, No.23, Jalan Barat, Seksyen 8 46050 Petaling Jaya, Selangor, Malaysia                 | Malaysia                                 | Ordinary   | 100%                                       |
| Hobsons Australia Pty Ltd           | Level 2, 452 Flinders Street, Melbourne VIC 3000, Australia  | Australia                                | Ordinary   | 100%                                       |
| Hobsons, Inc                        | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808 United States                  | USA                                      | Common   | 100%                                       |
| Hobsons Ltd                         | 44 Featherstone Street, London, England And Wales, EC1Y  | UK                                       | Ordinary   | 100%                                       |
| Inframation GmbH                    | ParsevalstraBe 2, 99092, Erfurt, Germany   | Germany                                  | Ordinary, Preference                                       | 100%                                       |

| Subsidiary name   | Registered office   | Country of incorporation or registration | Classes of shares held                      | % shareholding (% held directly by parent) |
|---|---|--|---|--|
| Justice for Sgt Blackman Ltd                              | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Limited by Guarantee                        | 100%                                       |
| Karnes Research Company LLC                               | Corporation Service Company, 27110 Centerville Road, Suite 400, Wilmington DE 19808, United States                | USA                                      | Membership Interests                        | 87%  |
| Kensington Finance Ltd                                    | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| Kensington US Holdings Ltd                                | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| KWG Inc   | Corporation Service Company, 27110 Centerville Road, Suite 400, Wilmington DE 19808, United States                | USA                                      | Common                                      | 56%  |
| Landmark Analytics Ltd                                    | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY  | UK                                       | Ordinary                                    | 100%                                       |
| Landmark FAS Ltd  | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY  | UK                                       | Ordinary                                    | 100%                                       |
| Landmark Information Group Ltd                            | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY  | UK                                       | Ordinary, Ordinary A, Redeemable Preference | 100%                                       |
| Landmark International Holdings Ltd                       | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY  | UK                                       | Ordinary                                    | 100%                                       |
| Lawlink (UK) Ltd  | 5-7 Abbey Court, Eagle Way, Exeter, Devon, EX2 7HY  | UK                                       | Ordinary                                    | 100%                                       |
| Lincolnshire Media Ltd                                    | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| Locus Energy Inc  | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                          | USA                                      | Common                                      | 100%                                       |
| Mail Life Financial Services Ltd                          | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| Mail Media Inc  | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                          | USA                                      | Ordinary                                    | 100%                                       |
| Microdot, LLC   | 351 W Camden Street, Baltimore MD 21201, United States  | USA                                      | Ordinary A                                  | 100%                                       |
| Millar & Bryce Ltd  | 10th Floor 133 Finnieston Street, Glasgow, Scotland G3 8HB  | UK                                       | Ordinary                                    | 100%                                       |
| National RE/Sources LLC                                   | CT Corporation, 1633 Broadway, New York, NY 10019 USA   | USA                                      | Membership Interests                        | 2%   |
| Navance Education Information consulting (Nanjing) Co Ltd | Room D-13, Floor 5, Yindu Building, Shuiximen Street No. 2, Qinhuai District, Nanjing China                       | China                                    | Registered Capital                          | 100%                                       |
| Navance, Inc  | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                          | USA                                      | Common                                      | 100%                                       |
| Northcliffe Media Ltd                                     | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| Northcliffe Trustees Ltd                                  | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary A, Ordinary B                      | 100%                                       |
| Ochresoft Technologies Ltd                                | 5-7 Abbey Court, Eagle Way, Exeter, Devon EX2 7HY   | UK                                       | Deferred, Ordinary, Ordinary A, Preference  | 100%                                       |
| On-Geo GmbH   | Parsevalstrasse 2, 99092, Erfurt, Germany   | Germany                                  | Ordinary                                    | 90%  |
| Petrotranz Holdings Inc                                   | 855 – 2 Street SW, Suite 3500, Calgary AB T2P 4J8 Canada  | Canada                                   | Ordinary                                    | 100%                                       |
| Petrotranz Inc  | 855 – 2 Street SW, Suite 3500, Calgary AB T2P 4J8 Canada  | Canada                                   | Ordinary                                    | 100%                                       |
| Pipeline & Energy Expo, LLC                               | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                          | USA                                      | Common                                      | 100%                                       |
| Power Supply, LLC   | 131 Varick Street, Suite 1006, New York, NY, 10013, USA   | USA                                      | Class A membership units                    | 100%                                       |
| Quest End Computer Services Ltd                           | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY   | UK                                       | Ordinary                                    | 100%                                       |
| Ralph US Holdings   | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| Real Data Insights, LLC                                   | 48 West 21st Street 4th Floor, New York NY 10010 United States  | USA                                      | Ordinary                                    | 56%  |
| Rental Systems.com Ltd                                    | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary, Preference                        | 100%                                       |
| Richards Gray Holdings Ltd                                | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY   | UK                                       | Ordinary A                                  | 100%                                       |
| Richards Gray Ltd   | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon, England EX2 7HY   | UK                                       | Ordinary                                    | 100%                                       |
| Risk Management Solutions (Bermuda) Ltd                   | Milner House, 18 Parliament Street, Hamilton, HM 12 Bermuda   | Bermuda                                  | Ordinary                                    | 98%  |
| Risk Management Solutions Inc                             | 7015 Gateway Blvd., Newark, CA, 94560, USA  | USA                                      | Common                                      | 98%  |
| Risk Management Solutions Ltd                             | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 98%  |
| Risk Management Solutions Ltd (China)                     | 12th Floor, Office 1205F, Beijing Excel Centre, No.6 Wudinghou Street, Xicheng District Beijing, 100033, PR China | China                                    | Common                                      | 98%  |
| Risk Management Solutions (Swiss)                         | Zweigniederlassung Zürich, Stampfenbachstrasse 85, CH-8006 Zurich, Switzerland                                    | Switzerland                              | Ordinary                                    | 98%  |
| RMS Japan KK  | Akasaka Kikyo Building 4th Floor, 11-15 Akasaka 3-Chome, Minato-Ku, Tokyo, 107-0052 Japan                         | Japan                                    | Ordinary                                    | 98%  |
| RMS Risk Management Solutions India Pte Ltd               | 406-407, Pooja Complex 22, Veer Savarkar Block, Shakarpur, Delhi 110092 India                                     | India                                    | Ordinary Voting                             | 100%                                       |
| RMS Technologies Ltd                                      | Northcliffe House, 2 Derry Street, London W8 5TT  | UK                                       | Ordinary                                    | 100%                                       |
| RMS Worldwide, Inc  | 7015 Gateway Blvd. Newark, CA, 94560 USA  | USA                                      | Common                                      | 98%  |
| Rochford Brady Legal Services Ltd                         | 39/40 Upper Mount Street, Dublin 2 Ireland  | Ireland                                  | Ordinary                                    | 100%                                       |

# Financial Statements

## Notes to the accounts

### 46 Full list of Group undertakings continued

| Subsidiary name                                | Registered office  | Country of incorporation or registration | Classes of shares held     | % shareholding (% held directly by parent) |
|--|--|--|----------------------------|--|
| SearchFlow Ltd                                 | 5-7 Abbey Court Eagle Way, Sowton, Exeter, Devon England EX2 7HY                         | UK                                       | Ordinary                   | 100%                                       |
| SiteCompli, LLC                                | C/O Corporation Service Company, 80 State Street, Albany, New York 12207-2543            | USA                                      | Ordinary                   | 56%  |
| South West Wales Media Ltd                     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| Springthorpe Drake, Inc                        | 2711 Centerville, Suite 400, Wilmington NY DE 19808                                      | USA                                      | Ordinary                   | 100%                                       |
| Starfish Retention Solutions Inc               | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Common                     | 100%                                       |
| Stennet Website Plc                            | 3rd Floor, Embassy House, Herbert Park Lane, Ballsbridge, Dublin 4, Ireland              | Ireland                                  | Ordinary                   | 71%  |
| The Conveyancing Report Agency Ltd             | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| The Mail on Sunday Ltd                         | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| The Petrochemical Standard (Singapore) Pte Ltd | 12 Marina View #21-01, Singapore, 018961, Singapore                                      | Singapore                                | Ordinary                   | 100%                                       |
| The Petrochemical Standard, Inc                | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Ordinary                   | 100%                                       |
| The Sanborn Library, LLC                       | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Membership Interests       | 100%                                       |
| The Western Gazette Co Ltd                     | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| Trepp Holdings Inc                             | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Common                     | 100%                                       |
| Trepp LLC                                      | 477 Madison Avenue, New York, NY 10022   | USA                                      | Membership Interests       | 100%                                       |
| Trepp Ltd                                      | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| Trepp Port LLC                                 | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Ordinary                   | 51%  |
| Trepp UK Ltd                                   | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |
| Vesseltracker.com GmbH                         | Mundsburger Damm 14, D-22087, Hamburg, Germany   | Germany                                  | Ordinary                   | 100%                                       |
| Watervale Ltd                                  | 5-7 Abbey Court, Eagle Way, Sowton Industrial Estate, Exeter, Devon EX2 7HY              | UK                                       | Ordinary                   | 100%                                       |
| Web2 d.o.o.                                    | Park Rajhl Ferenc 8, 24000 Subotica, Severno-Bački – Serbia                              | Serbia                                   | Ordinary                   | 51%  |
| Xceligent Inc                                  | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | USA                                      | Common, Series A preferred | 87%  |
| Young Street Holdings Ltd                      | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary                   | 100%                                       |

All subsidiaries are included in the consolidated financial statements of the Group.

\* Direct investment held by the parent Company Daily Mail and General Trust plc (DMGT). All other subsidiaries are held indirectly through subsidiaries of DMGT.

- (i) Principal place of business in the UAE.
- (ii) Principal place of business in the UK.

| Joint venture name              | Address of principal place of business   | Classes of shares held | Financial year end | % capital included in consolidation |
|---------------------------------|--|------------------------|--------------------|-------------------------------------|
| Artirix Ltd                     | Unit 10 1 Luke Street, London, EC2A 4PX  | Ordinary               | 30 September       | 50.0%                               |
| Daily Mail On-Air LLC           | 137 N. Larchmont Blvd., #705, Los Angeles, California, 90004                             | Membership interests   | 30 September       | 50.0%                               |
| Decision First Ltd              | Cardinal House, 9 Manor Road, Leeds, West Yorkshire, England LS11 9AH United Kingdom     | Ordinary               | 31 December        | 50.0%                               |
| Hypoport On-Geo GmbH            | Klosterstr. 71, 10179 Berlin, Germany  | Ordinary               | 31 December        | 50.0%                               |
| Instant Service GmbH            | Peterstr. 1, 99084 Erfurt, Germany   | Ordinary               | 31 December        | 49.9%                               |
| Knowlura, Inc                   | 2711 Centerville Road, Suite 400, Wilmington, DE 19808                                   | Common                 | 30 September       | 50.0%                               |
| Northprint Manchester Ltd       | PO Box 68164, Kings Place, 90 York Way, London N1P 2AP                                   | Ordinary               | 31 March           | 50.0%                               |
| Point X Ltd                     | 5-7 Abbey Court, Eagle Way, Exeter, Devon EX2 7HY  | Ordinary               | 31 March           | 50.0%                               |
| Sanborn Colorado Government LLC | 1935 Jamboree Drive, Suite 100, Colorado Springs, Colorado, 80920 USA                    | Membership Interests   | 31 December        | 49.0%                               |
| The Sanborn Map Company Inc     | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States | Ordinary               | 31 December        | 49.0%                               |
| This is Essex Ltd               | Loud Water Mill, Station Road, High Wycombe, Buckinghamshire, HP10 9TY                   | Ordinary               | 30 September       | 50.0%                               |

The Group has joint control over all of the joint ventures listed above, because key operating decisions require the unanimous consent of the Group and the other investor(s).



| Associate name   | Address of principal place of business  | Country of incorporation or registration | Classes of shares held  | % shareholding |
|--|---|--|---|----------------|
| Carspring Ltd  | 2 Eastbourne Terrace, London W2 6LG   | UK                                       | Series A1   | 25.0%          |
| Eatfirst UK Ltd  | 203 Railway Arches, Barnardo Street, London E1 0LL  | UK                                       | Series A1   | 16.9%          |
| Euromoney Institutional Investor Plc                     | 8 Bouverie Street, London EC4Y 8AX  | UK                                       | Ordinary  | 49.9%          |
| Excalibur Holdco Ltd                                     | Wowcher Towers, 12-27 Swan Yard, Islington, London  | UK                                       | B Ordinary  | 23.9%          |
| Funcent DMG Information Technology Hong Kong Company Ltd | 27F/F 248 Queen's Road East, Wanchai, Hong Kong   | Hong Kong                                | Ordinary  | 23.6%          |
| Global Event Partners Ltd                                | Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB  | UK                                       | Ordinary  | 15.0%          |
| iProf Learning Solutions India Pte Ltd                   | G-15 / G-3, Gf Dilshad Colony, New Delhi, 110095, India   | India                                    | Ordinary  | 10.8%          |
| Independent Television News Ltd                          | 20 Grays Inn Road, London WC1X 8XZ  | UK                                       | Ordinary  | 20.0%          |
| Liases Foras Real Estate Rating and Research Private Ltd | Corporation Service Company, 27110 Centerville Road, Suite 400, Wilmington DE 19808                           | India                                    | Equity Share, Series A Compulsary, Cumulative Convertible Preference Shares | 30.5%          |
| Mercatus Inc   | 1735 Technology Dr, Suite 250, San Jose, California 95110   | USA                                      | Ordinary  | 10.8%          |
| North Cornwall Post & Diary Ltd                          | The Old Court House, Union Road, Farnham, Surrey GU9 7PT  | UK                                       | Ordinary  | 25.0%          |
| OYO RMS  | Akasaka Kikyo Building 4th Floor, 11-15 Akasaka 3-Chome, Minato-Ku, Tokyo, 107-0052 Japan                     | Japan                                    | Ordinary  | 19.6%          |
| Praedicat, Inc   | Corporation Services Company, 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States            | USA                                      | Preference  | 29.0%          |
| Propstack Services Private Ltd                           | Nyay Sagar, Kalanagar, Bandra (East), Mumbai – 400 051  | India                                    | Ordinary  | 21.8%          |
| Real Capital Analytics, Inc                              | 32 Union Square East, Suite 1100, New York NY 10003   | USA                                      | Common Preference shares  | 39.7%          |
| RGJ Destiny, LLC   | 14901 Quorum Drive, Suite 600, Dallas, Texas 75254  | USA                                      | Class B units   | 18.7%          |
| RLTO Ltd   | Office 7 35-37 Ludgate Hill, London EC4M 7JN  | UK                                       | Ordinary  | 20.0%          |
| Skymet Weather Services Private Ltd                      | 109, Kushal Bazar, Nehru Place, New Delhi – 110019  | India                                    | Ordinary  | 20.1%          |
| Spaceways Storage Services UK Ltd                        | 4 The Floor, Oxford House, 76 Oxford Street, London, W18 1BS  | UK                                       | Series A1   | 25.0%          |
| Truffle Pig LLC  | 3411 Silverside Road, Rodney Building, Suite 104, City Of Wilmington, County Of New Castle, State Of Delaware | USA                                      | Common Units  | 45.0%          |
| WellAware Holdings Inc                                   | 2330 N Loop 1604 W, Ste 110, San Antonio Tx 78248, United States  | USA                                      | Preference  | 8.2%           |
| Wellington Weekly News Ltd                               | The Old Court House, Union Road, Farnham, Surrey  | UK                                       | Ordinary  | 20.0%          |
| Whereoware LLC   | 2711 Centerville Rd Suite 400, Wilmington, New Castle, 19808  | USA                                      | Membership Interests  | 19.5%          |
| Zipjet Ltd   | Unit 2 York House, 2 Avonmore Road, London W14 8RL  | UK                                       | Series A1   | 22.1%          |
| ZPG plc  | The Cooperage, 5 Copper Row, London, SE1 2LH  | UK                                       | Ordinary  | 29.8%          |

| Investment name                         | Address of principal place of business   | Country of incorporation or registration | Classes of shares held        | % shareholding |
|---|--|--|-------------------------------|----------------|
| BDG Media, Inc                          | 559 Driggs Avenue, Suite 2, Brooklyn, NY 11211 United States   | USA                                      | Ordinary                      | 2.8%           |
| Brit Media Inc                          | 556 Sutter Street, San Francisco, CA 94102, United States  | USA                                      | Ordinary                      | 10.1%          |
| Compstak Inc                            | Corporation Services Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808                       | USA                                      | Common                        | 2.0%           |
| Cue Ball Capital LP                     | The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801                                    | USA                                      | Partnership Units             | 2.5%           |
| Evening Standard Ltd                    | Northcliffe House, 2 Derry Street, London W8 5TT   | UK                                       | Ordinary, Ordinary Non Voting | 24.9%          |
| Financial Network Analytics Ltd         | 4 Crown Place, London EC2A 4BT   | UK                                       | Ordinary                      | 10.0%          |
| London Real Estate Exchange Ltd         | Cannon Place, 78 Cannon Street, London EC4N 6AF  | UK                                       | Ordinary                      | 2.8%           |
| Nazca IT Solutions BV                   | Standerdmolen 20, 3995 AA Houten, Netherlands  | Netherlands                              | Ordinary                      | 15.0%          |
| Pascal Metrics Inc                      | Corporation Services Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808                       | USA                                      | Ordinary                      | 4.3%           |
| Pembroke Holdings, L.L.C                | 46 Southfield Ave Ste 400, Stamford CT 06902   | USA                                      | Membership Interests          | 10.0%          |
| Pharmacy 2u Ltd                         | 1 Hawthorn Park, Coal Road, Leeds, LS14 1PQ  | UK                                       | Ordinary                      | 1.0%           |
| Shanghai Maili Marine Technology Co Ltd | Room A208 A Building 12, No. 99 Huan Hu Xi Yi Road, Lingang New Town, Pudong New District, Shanghai, 20306 China | China                                    | Registered Capital            | 20.0%          |
| Taboola.com Ltd                         | 7 Totseret Haaretz St., Tel-Aviv Israel  | Israel                                   | Ordinary                      | 0.4%           |
| The Press Association Ltd               | PA News Centre, 292 Vauxhall Bridge Road, London SW1V 1AV  | UK                                       | Ordinary                      | 15.6%          |
| TigerBeat Media LLC                     | 233 Wilshire Boulevard, Suite 525, Santa Monica, California 90401, C/O Mesa Global                               | USA                                      | Membership interests          | 12.8%          |
| Upstream Group Inc                      | Corporation Services Company, 251 Little Falls Drive, Wilmington DE 19808, United States                         | USA                                      | Ordinary                      | 3.6%           |
| Workana LLC                             | 13th Avenue Suite 202 Brooklyn, New York, 11228  | Argentina                                | Membership interests          | 5.2%           |
| XAP Corporation                         | 100 Corporate Pointe, Suite 100, Culver City CA 90230  | USA                                      | Common                        | 19.4%          |
| Yopa Property Ltd                       | Acre House, 11/15 William Road, London NW1 3ER   | UK                                       | Ordinary                      | 17.4%          |



# Financial Statements

## Five-Year Financial Summary

### Consolidated Income Statement

|  | 2013<br>Audited<br>52 weeks<br>ended<br>30 September<br>2013<br>£m | 2014<br>Audited<br>52 weeks<br>ended<br>30 September<br>2014<br>£m | 2015<br>Audited year<br>ended<br>30 September<br>2015<br>£m | 2016<br>Audited year<br>ended<br>30 September<br>2016<br>£m | 2017<br>Audited year<br>ended<br>30 September<br>2017<br>£m |
|--|--|--|---|---|---|
| <b>Revenue</b>   | 1,674.2  | 1,811.2  | 1,842.7   | 1,514.2   | <b>1,564.3</b>  |
| Adjusted operating profit  | 280.3  | 296.2  | 287.0   | 177.0   | <b>179.0</b>  |
| Exceptional operating costs, impairment of internally generated and acquired computer software, property, plant and equipment and investment property, amortisation and impairment of acquired intangible assets arising on business combinations and impairment of goodwill | (66.8)   | (112.2)  | (80.2)  | (91.4)  | <b>(324.4)</b>  |
| <b>Operating (loss)/profit before share of results from joint ventures and associates</b>  | 213.5  | 184.0  | 206.8   | 85.6  | <b>(145.4)</b>  |
| Share of results of joint ventures and associates  | 5.3  | 14.3   | 11.3  | 4.9   | <b>16.9</b>   |
| <b>Total operating (loss)/profit</b>   | 218.8  | 198.3  | 218.1   | 90.5  | <b>(128.5)</b>  |
| Other gains and losses   | 27.6   | 138.9  | 82.4  | 130.8   | <b>14.0</b>   |
| <b>(Loss)/profit before investment revenue, net finance costs and tax</b>  | 246.4  | 337.2  | 300.5   | 221.3   | <b>(114.5)</b>  |
| Investment revenue   | 3.1  | 10.1   | 4.0   | 2.2   | <b>2.5</b>  |
| Net finance costs  | (71.0)   | (80.3)   | (88.4)  | (21.8)  | <b>(0.3)</b>  |
| <b>(Loss)/profit before tax</b>  | 178.5  | 267.0  | 216.1   | 201.7   | <b>(112.3)</b>  |
| Tax  | (34.2)   | (18.3)   | (20.8)  | (19.9)  | <b>(64.7)</b>   |
| <b>(Loss)/profit for the year after tax</b>  | 144.3  | 248.7  | 195.3   | 181.8   | <b>(177.0)</b>  |
| <b>Discontinued operations</b>   | 43.7   | 34.3   | 50.0  | 32.4  | <b>519.3</b>  |
| Equity interests of minority shareholders  | (23.4)   | (20.1)   | (28.7)  | (10.0)  | <b>3.0</b>  |
| <b>Profit for the year</b>   | 164.6  | 262.9  | 216.6   | 204.2   | <b>345.3</b>  |
| <b>Adjusted profit before tax and non-controlling interests</b>  | 266.6  | 291.1  | 280.5   | 259.6   | <b>226.1</b>  |
| <b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>  | 374.4  | 391.1  | 376.8   | 363.7   | <b>350.4</b>  |
| <b>Adjusted profit after taxation and non-controlling interests</b>  | 188.2  | 207.4  | 215.5   | 197.8   | <b>196.3</b>  |
| <b>(Loss)/earnings per share</b>   |  |  |   |   |   |
| Number of shares for basic   | 377.5  | 372.4  | 360.8   | 353.4   | <b>353.1</b>  |
| Number of shares for diluted   | 386.8  | 378.2  | 366.5   | 360.6   | <b>358.6</b>  |
| Profit effect of dilutive shares   | (0.3)  | (0.7)  | (0.3)   | (0.9)   | <b>(0.1)</b>  |
| <b>From continuing operations</b>  |  |  |   |   |   |
| Basic  | 32.1p  | 61.4p  | 46.2p   | 48.6p   | <b>(49.3)p</b>  |
| Diluted  | 31.2p  | 60.2p  | 45.4p   | 47.4p   | <b>(48.5)p</b>  |
| <b>From discontinued operations</b>  |  |  |   |   |   |
| Basic  | 11.5p  | 9.2p   | 13.9p   | 9.2p  | <b>147.1p</b>   |
| Diluted  | 11.3p  | 9.1p   | 13.6p   | 9.0p  | <b>144.8p</b>   |
| <b>From continuing and discontinued operations</b>   |  |  |   |   |   |
| Basic  | 43.6p  | 70.6p  | 60.1p   | 57.8p   | <b>97.8p</b>  |
| Diluted  | 42.5p  | 69.3p  | 59.0p   | 56.4p   | <b>96.3p</b>  |
| <b>Adjusted earnings per share</b>   |  |  |   |   |   |
| Basic  | 49.9p  | 55.7p  | 59.7p   | 56.0p   | <b>55.6p</b>  |
| Diluted  | 48.5p  | 54.6p  | 58.7p   | 54.7p   | <b>54.7p</b>  |

## Consolidated Cash Flow Statement

|  | 2013<br>£m | 2014<br>£m | 2015<br>£m | 2016<br>£m | 2017<br>£m     |
|--|------------|------------|------------|------------|----------------|
| <b>Net cash inflow from operating activities</b>             | 347.2      | 218.4      | 259.7      | 232.1      | <b>219.5</b>   |
| Investing activities   | (87.7)     | 26.0       | (44.2)     | (35.8)     | <b>138.6</b>   |
| Financing activities   | (277.5)    | (302.7)    | (212.2)    | (214.6)    | <b>(368.4)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | (18.0)     | (58.3)     | 3.3        | (18.3)     | <b>(10.3)</b>  |
| Cash and cash equivalents at beginning of year               | 107.3      | 88.5       | 29.0       | 31.5       | <b>17.5</b>    |
| Exchange gain/(loss) on cash and cash equivalents            | (0.8)      | (1.2)      | (0.8)      | 4.3        | <b>0.2</b>     |
| <b>Cash and cash equivalents at end of year</b>              | 88.5       | 29.0       | 31.5       | 17.5       | <b>7.4</b>     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | (18.0)     | (58.3)     | 3.3        | (18.3)     | <b>(10.3)</b>  |
| Cash inflow/(outflow) from change in debt and finance leases | 17.8       | 31.3       | (86.9)     | 101.5      | <b>217.0</b>   |
| <b>Change in net debt from cash flows</b>                    | (0.2)      | (27.0)     | (83.6)     | 83.2       | <b>206.7</b>   |
| Loan notes issued and loans arising from acquisitions        | -          | (3.0)      | -          | (0.2)      | <b>-</b>       |
| Other non-cash items   | 40.2       | 0.2        | (15.1)     | (60.2)     | <b>7.7</b>     |
| <b>Decrease/(increase) in net debt in the year</b>           | 40.0       | (29.8)     | (98.7)     | 22.8       | <b>214.4</b>   |
| <b>Net debt at start of year</b>                             | (613.0)    | (573.0)    | (602.8)    | (701.5)    | <b>(678.7)</b> |
| <b>Net debt at end of year</b>                               | (573.0)    | (602.8)    | (701.5)    | (678.7)    | <b>(464.3)</b> |

## Consolidated Statement of Financial Position

|                                | 2013<br>£m | 2014<br>£m | 2015<br>£m | 2016<br>£m | 2017<br>£m     |
|--------------------------------|------------|------------|------------|------------|----------------|
| Goodwill and intangible assets | 1,056.8    | 1,125.3    | 1,332.6    | 1,480.8    | <b>576.1</b>   |
| Tangible assets                | 214.0      | 202.0      | 181.1      | 176.1      | <b>103.3</b>   |
| Fixed asset investments        | 188.3      | 145.9      | 157.0      | 165.9      | <b>766.0</b>   |
| Other non-current assets       | 203.3      | 213.6      | 230.7      | 285.5      | <b>189.9</b>   |
| <b>Fixed assets</b>            | 1,662.4    | 1,686.8    | 1,901.4    | 2,108.3    | <b>1,635.3</b> |
| <b>Net current liabilities</b> | (338.9)    | (511.1)    | (363.2)    | (443.3)    | <b>(174.5)</b> |
| <b>Long-term liabilities</b>   | (986.8)    | (785.1)    | (1,078.4)  | (1,135.7)  | <b>(541.6)</b> |
| <b>Net assets</b>              | 336.7      | 390.6      | 459.8      | 529.3      | <b>919.2</b>   |
| <b>Shareholders' equity</b>    |            |            |            |            |                |
| Called-up share capital        | 49.2       | 49.2       | 45.4       | 45.3       | <b>45.3</b>    |
| Share premium account          | 16.3       | 17.8       | 17.8       | 17.8       | <b>17.8</b>    |
| Other reserves                 | (152.5)    | (240.7)    | (97.3)     | (71.8)     | <b>15.6</b>    |
| Minority interests             | 113.6      | 117.8      | 154.9      | 178.2      | <b>11.0</b>    |
| Retained earnings              | 310.1      | 446.5      | 339.0      | 359.8      | <b>829.5</b>   |
| <b>Total equity</b>            | 336.7      | 390.6      | 459.8      | 529.3      | <b>919.2</b>   |

## Shareholder information

|  | 2013   | 2014   | 2015   | 2016   | 2017          |
|--|--------|--------|--------|--------|---------------|
| Dividend per share*                    | 19.20p | 20.40p | 21.40p | 22.00p | <b>22.70p</b> |
| Price of A Ordinary Non-Voting Shares: |        |        |        |        |               |
| Lowest                                 | £4.51  | £6.99  | £6.99  | £5.71  | <b>£6.06</b>  |
| Highest                                | £8.35  | £10.74 | £10.74 | £7.90  | <b>£8.36</b>  |

\* Represents the dividends declared by the Directors in respect of the above years.

## Financial Statements

## Company Statement of Financial Position

## At 30 September 2017

|  | Note | At<br>30 September<br>2017<br>£m | At<br>30 September<br>2016<br>£m |
|--|------|----------------------------------|----------------------------------|
| <b>ASSETS</b>  |      |                                  |                                  |
| <b>Fixed assets</b>  |      |                                  |                                  |
| Shares in Group undertakings                                   | 7    | 3,349.0                          | 3,109.5                          |
| Other investments  | 8    | 5.7                              | 1.8                              |
| Trade and other receivables                                    | 9    | 169.1                            | 643.3                            |
|  |      | <b>3,523.8</b>                   | 3,754.6                          |
| <b>Current assets</b>  |      |                                  |                                  |
| Trade and other receivables                                    | 9    | 81.2                             | 165.8                            |
| Cash at bank and in hand                                       | 10   | 0.1                              | 0.1                              |
| Deferred tax   | 14   | 2.5                              | 5.1                              |
|  |      | <b>83.8</b>                      | 171.0                            |
| <b>Total assets</b>  |      | <b>3,607.6</b>                   | 3,925.6                          |
| <b>LIABILITIES</b>   |      |                                  |                                  |
| <b>Creditors: amounts falling due within one year</b>          |      |                                  |                                  |
| Trade and other payables                                       | 11   | (140.2)                          | (251.5)                          |
| Borrowings   | 11   | (2.5)                            | (3.3)                            |
|  |      | <b>(142.7)</b>                   | (254.8)                          |
| <b>Creditors: amounts falling due after more than one year</b> |      |                                  |                                  |
| Trade and other payables                                       | 12   | -                                | (8.9)                            |
| Borrowings   | 12   | (469.8)                          | (693.0)                          |
| Derivative financial liabilities                               | 12   | (18.8)                           | (46.5)                           |
|  |      | <b>(488.6)</b>                   | (748.4)                          |
| <b>Total liabilities</b>                                       |      | <b>(631.3)</b>                   | (1,003.2)                        |
| <b>Net assets</b>  |      | <b>2,976.3</b>                   | 2,922.4                          |
| <b>CAPITAL AND RESERVES</b>                                    |      |                                  |                                  |
| Called-up share capital  |      | 45.3                             | 45.3                             |
| Share premium account  | 15   | 17.8                             | 17.8                             |
| Share capital  |      | 63.1                             | 63.1                             |
| Reserve for own shares   | 15   | (64.3)                           | (74.6)                           |
| Capital redemption reserve                                     | 16   | 5.2                              | 5.2                              |
| Profit and loss account  | 17   | 2,972.3                          | 2,928.7                          |
| <b>Equity shareholders' funds</b>                              |      | <b>2,976.3</b>                   | 2,922.4                          |

The financial statements on pages 190 to 198 were approved by the Directors and authorised for issue on 30 November 2017. They were signed on their behalf by:

**The Viscount Rothermere**

**P A Zwillenberg**

Directors

# Company Statement of Changes in Equity

## For the year ended 30 September 2017

|   | Called-up<br>share<br>capital<br>£m | Share<br>premium<br>account<br>£m | Capital<br>redemption<br>reserve<br>£m | Reserve for<br>own shares<br>£m | Profit and<br>loss account<br>£m | Total<br>£m    |
|---|-------------------------------------|-----------------------------------|--|---------------------------------|----------------------------------|----------------|
| <b>At 30 September 2015</b>                                 | 45.4                                | 17.8                              | 5.1                                    | (61.6)                          | 2,188.0                          | 2,194.7        |
| Profit for the year   | -                                   | -                                 | -                                      | -                               | 820.1                            | 820.1          |
| Total comprehensive income for the year                     | -                                   | -                                 | -                                      | -                               | 820.1                            | 820.1          |
| Cancellation of A Ordinary shares                           | (0.1)                               | -                                 | 0.1                                    | 6.5                             | (6.5)                            | -              |
| Dividends paid  | -                                   | -                                 | -                                      | -                               | (76.4)                           | (76.4)         |
| Credit to equity for share-based payments                   | -                                   | -                                 | -                                      | -                               | 5.4                              | 5.4            |
| Deferred tax on share-based payments                        | -                                   | -                                 | -                                      | -                               | (0.6)                            | (0.6)          |
| Own shares acquired in the year                             | -                                   | -                                 | -                                      | (29.8)                          | -                                | (29.8)         |
| Movement in financial liability for closed period purchases | -                                   | -                                 | -                                      | 10.3                            | (1.3)                            | 9.0            |
| <b>At 30 September 2016</b>                                 | <b>45.3</b>                         | <b>17.8</b>                       | <b>5.2</b>                             | <b>(74.6)</b>                   | <b>2,928.7</b>                   | <b>2,922.4</b> |
| Profit for the year   | -                                   | -                                 | -                                      | -                               | 127.9                            | 127.9          |
| Total comprehensive income for the year                     | -                                   | -                                 | -                                      | -                               | 127.9                            | 127.9          |
| Dividends paid  | -                                   | -                                 | -                                      | -                               | (78.3)                           | (78.3)         |
| Credit to equity for share-based payments                   | -                                   | -                                 | -                                      | -                               | (3.8)                            | (3.8)          |
| Deferred tax on share-based payments                        | -                                   | -                                 | -                                      | -                               | (1.5)                            | (1.5)          |
| Own shares acquired in the year                             | -                                   | -                                 | -                                      | (28.6)                          | -                                | (28.6)         |
| Own shares released on vesting of share options             | -                                   | -                                 | -                                      | 38.9                            | (0.7)                            | 38.2           |
| <b>At 30 September 2017</b>                                 | <b>45.3</b>                         | <b>17.8</b>                       | <b>5.2</b>                             | <b>(64.3)</b>                   | <b>2,972.3</b>                   | <b>2,976.3</b> |

## Financial Statements

# Notes to the Company Statement of Financial Performance

### 1 Basis of preparation

The financial statements of Daily Mail and General Trust plc have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. See Note 2 of the Group's Annual Report for further detail.

### Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the Company has not been included in these accounts. The Company's profit after tax for the year was £127.9 million (2016 £820.1 million). This includes dividends receivable from subsidiary undertakings amounting to £152.2 million (2016 £1,045.0 million).

### Impact of amendments to accounting standards

The company has applied the exemption available under FRS 101 in relation to paragraphs 30 and 31 of IAS 8, Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued and is not yet effective).

### 2 Significant accounting policies

#### Foreign exchange

Transactions in currencies other than the Company's reporting 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 profit and loss account for the year.

#### Available-for-sale investments

Available-for-sale investments are stated at cost, less any provision for impairment, where appropriate.

#### 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. Deferred tax is not discounted.

### Financial instruments disclosures

#### Financial assets

##### Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The majority of other receivables relate to amounts owed by subsidiary undertakings. Further information concerning interest charged on these receivables is set out in Note 9.

##### 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 Company are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Trade payables**

Trade payables are non-interest bearing and are stated at their nominal value.

**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. A portion of the Company's bonds are subject to fair value hedge accounting and this portion of the carrying value is adjusted for the movement in the hedged risk to the extent hedge effectiveness is achieved. 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.

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

**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 Company uses various derivative financial instruments to manage its exposure to these risks.

The use of financial derivatives is set out in Note 34 of the Group's Annual Report. The Company does not use derivative financial instruments for speculative purposes.

The Company does not apply hedge accounting except for fair value hedges. Gains and losses arising on derivatives that form part of net investment hedge or cash flow hedge relationships in the consolidated financial statements are recorded in the profit and loss account in the Company.

**Financial instruments – disclosures**

The Company has taken advantage of the exemption provided in IFRS 7, Financial Instruments: Disclosures and included disclosures relating to financial instruments in Note 34 of the Group's Annual Report.

**Cash flow statement**

The Company has utilised the exemptions provided under IAS 7, Statement of Cash Flows and has not presented a cash flow statement. A consolidated cash flow statement has been presented in the Group's Annual Report on page 98.

**Related party transactions**

The Company has taken advantage of the exemptions of IAS 24, Related Party Disclosures and included disclosures relating to related parties in Note 44 of the Group's Annual Report.

**Share-based payments**

The Company operates the Group's LTIP and other Group share-based payment schemes, details of which can be found in Note 42 of the Group's Annual Report.

**Retirement benefits**

The defined benefit pension schemes' surpluses/deficits have been allocated to Group companies on a buy-out basis – that is on an estimate of the liabilities and assets of the defined benefit schemes as at 30 September 2017. Accordingly the Company has not recorded an asset or liability in relation to the Group's defined benefit scheme.

Further information can be found in Note 35 of the Group's Annual Report.

**3 Auditor's remuneration**

Statutory audit fees relating to the Company amounted to £0.3 million (2016 £0.2 million).

## Financial Statements

# Notes to the Company Statement of Financial Performance

## 4 Employees

|  | 2017<br>Number | 2016<br>Number |
|--|----------------|----------------|
| Average number of persons employed by the Company including Directors: | 14             | 27             |

|                              | 2017<br>£m | 2016<br>£m |
|------------------------------|------------|------------|
| Total staff costs comprised: |            |            |
| Wages and salaries           | 5.6        | 7.7        |
| Share-based payments         | (1.1)      | 3.8        |
| Social security costs        | 0.4        | 1.2        |
| Pension costs                | 0.1        | 0.1        |
|                              | 5.0        | 12.8       |

The remuneration of the Directors of the Company during the year are disclosed in the Remuneration Report of the Group's Annual Report.

## 5 Tax

There was a current tax credit for the year of £7.8 million (2016 £9.3 million).

## 6 Dividends

During the year, the Company paid a final dividend for the year ended 30 September 2016 of 15.3 pence per share and an interim dividend for the year ended 30 September 2017 of 6.9 pence to Ordinary and A Ordinary shareholders amounting to £78.3 million (2016 £76.4 million).

The Board has declared a final dividend for the year ended 30 September 2017 of 15.8 pence per Ordinary/A Ordinary Non-Voting Share (2016 15.3 pence) which will absorb an estimated £55.8 million (2016 £55.4 million) of shareholders' equity for which no liability has been recognised in these financial statements. It will be paid on 9 February 2018 to shareholders on the register at the close of business on 8 December 2017.

## 7 Shares in Group undertakings (listed on pages 182 to 187)

|                             | Cost<br>£m     | Provision<br>£m | Net book value<br>£m |
|-----------------------------|----------------|-----------------|----------------------|
| <b>At 30 September 2016</b> | 3,293.5        | (184.0)         | 3,109.5              |
| Additions                   | 239.5          | –               | 239.5                |
| <b>At 30 September 2017</b> | <b>3,533.0</b> | <b>(184.0)</b>  | <b>3,349.0</b>       |

### Analysis of movements in the year:

|                                     | Additions |
|-------------------------------------|-----------|
| DMGB Ltd                            | 237.2     |
| Daily Mail and General Holdings Ltd | 2.3       |
|                                     | 239.5     |

## 8 Other investments

|                             | Cost and<br>net book value<br>£m |
|-----------------------------|----------------------------------|
| At 30 September 2016        | 1.8                              |
| Additions                   | 3.9                              |
| <b>At 30 September 2017</b> | <b>5.7</b>                       |



## 9 Trade and other receivables

|   | 2017<br>£m   | 2016<br>£m   |
|---|--------------|--------------|
| <b>Amounts falling due after more than one year</b> |              |              |
| Amounts owed by Group undertakings                  | 150.0        | 605.4        |
| Other financial assets                              | 14.5         | 17.1         |
| Derivative financial assets                         | 4.6          | 20.8         |
|   | <b>169.1</b> | <b>643.3</b> |

Included within amounts owed by Group undertakings is an amount owed by a subsidiary company, DMGB Ltd, totalling £nil (2016 £455.4 million). The principal loan amount of £455.4 million bore interest of 4.0% p.a..

Also included within this balance is an amount owed by a subsidiary company, DMGZ Ltd, of £150.0 million (2016 £150.0 million). The loan bears interest of 6.3% p.a. and is repayable on 30 September 2018.

|  | 2017<br>£m  | 2016<br>£m   |
|--|-------------|--------------|
| <b>Amounts falling due within one year</b> |             |              |
| Amounts owed by Group undertakings         | 70.7        | 144.6        |
| Prepayments and accrued income             | 2.6         | 7.7          |
| Other receivables                          | 0.2         | 3.4          |
| Corporation tax                            | 7.7         | 10.1         |
|  | <b>81.2</b> | <b>165.8</b> |

## 10 Cash at bank and in hand

|                          | 2017<br>£m | 2016<br>£m |
|--------------------------|------------|------------|
| Cash at bank and in hand | 0.1        | 0.1        |

## 11 Trade and other payables falling due within one year

|                                     | Note | 2017<br>£m   | 2016<br>£m   |
|-------------------------------------|------|--------------|--------------|
| Bank overdrafts                     |      | 2.5          | 3.3          |
| Interest payable                    |      | 14.2         | 14.2         |
| Amounts owing to Group undertakings | (i)  | 121.5        | 225.3        |
| Accruals and deferred income        |      | 4.5          | 11.9         |
| Other payables                      |      | -            | 0.1          |
|                                     |      | <b>142.7</b> | <b>254.8</b> |

(i) Amounts owing to Group undertakings are repayable on demand and bear interest of UK bank base rate plus 0.5%.

## Financial Statements

# Notes to the Company Statement of Financial Performance

## 12 Trade and other payables falling due after more than one year

|                                     | Note | 2017<br>£m   | 2016<br>£m   |
|-------------------------------------|------|--------------|--------------|
| 5.75% Bonds 2018                    |      | 216.2        | 214.1        |
| 10.00% Bonds 2021                   |      | 10.0         | 9.5          |
| 6.375% Bonds 2027                   |      | 197.3        | 201.7        |
| Bank loans                          |      | 46.3         | 267.7        |
| Amounts owing to Group undertakings |      | -            | 8.9          |
| Derivative financial liabilities    | (i)  | 18.8         | 46.5         |
|                                     |      | <b>488.6</b> | <b>748.4</b> |

The nominal values of the bonds are as follows:

|                   | 2017<br>£m   | 2016<br>£m   |
|-------------------|--------------|--------------|
| 5.75% Bonds 2018  | 218.5        | 218.5        |
| 10.00% Bonds 2021 | 7.2          | 7.2          |
| 6.375% Bonds 2027 | 200.0        | 200.0        |
|                   | <b>425.7</b> | <b>425.7</b> |

(i) Details of the Company's derivative financial liabilities are set out in Note 34 of the Group's Annual Report.

The Company's bonds have been adjusted from their nominal values to take account of the premia, direct issue costs, discounts and movements in hedged risks. The issue costs, premia and discounts are being amortised over the expected lives of the bonds using the effective interest method. The unamortised issue costs amount to £0.9 million (2016 £1.2 million) and the unamortised premia amounts to £4.1 million (2016 £6.8 million).

Details of the fair value of the Company's bonds are set out in Note 33 of the Group's Annual Report.

The bonds are subject to fair value hedging using derivatives as set out in Note 34 of the Group's Annual Report. Consequently, their carrying value is also adjusted to take into account the effects of this hedging activity.

The book value of the Company's other borrowings equates to fair value.

The interest rate charged on the Company's bank loans during the year ranged as follows:

|           | 2017<br>High | 2017<br>Low | 2016<br>High | 2016<br>Low |
|-----------|--------------|-------------|--------------|-------------|
| Sterling  | 1.95%        | 0.98%       | 2.19%        | 1.02%       |
| US dollar | 2.75%        | 1.46%       | 2.16%        | 0.90%       |

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

|                            | Overdrafts<br>£m | Bank loans<br>£m | Derivatives<br>£m | Bonds<br>£m | Owed to group<br>undertakings<br>£m | Total<br>£m |
|----------------------------|------------------|------------------|-------------------|-------------|-------------------------------------|-------------|
| <b>2017</b>                |                  |                  |                   |             |                                     |             |
| Within one year            | 2.5              | -                | -                 | -           | -                                   | 2.5         |
| Between one and two years  | -                | -                | -                 | 216.2       | -                                   | 216.2       |
| Between two and five years | -                | 46.3             | -                 | 10.0        | -                                   | 56.3        |
| Over five years            | -                | -                | -                 | 197.3       | -                                   | 197.3       |
|                            | -                | 46.3             | -                 | 423.5       | -                                   | 469.8       |
|                            | 2.5              | 46.3             | -                 | 423.5       | -                                   | 472.3       |
| <b>2016</b>                |                  |                  |                   |             |                                     |             |
| Within one year            | -                | -                | -                 | -           | -                                   | -           |
| Between one and two years  | -                | -                | -                 | -           | -                                   | -           |
| Between two and five years | -                | 267.7            | 6.9               | 223.6       | 8.9                                 | 507.1       |
| Over five years            | -                | -                | 39.6              | 201.7       | -                                   | 241.3       |
|                            | -                | 267.7            | 46.5              | 425.3       | 8.9                                 | 748.4       |
|                            | -                | 267.7            | 46.5              | 425.3       | 8.9                                 | 748.4       |

### 13 Provisions

|  | Note | 2017<br>£m | 2016<br>£m |
|--|------|------------|------------|
| Other provisions                               |      | -          | -          |
|  |      | -          | -          |
| Movements on other provisions were as follows: |      |            |            |
| At 30 September 2016                           |      | -          | 0.5        |
| Utilised during year                           |      | -          | (0.5)      |
| <b>At 30 September 2017</b>                    |      | <b>-</b>   | <b>-</b>   |

### 14 Deferred tax

|                          | 2017<br>£m | 2016<br>£m |
|--------------------------|------------|------------|
| Other timing differences | 2.5        | 5.1        |

Movements on the deferred tax asset were as follows:

|                         | 2017<br>£m | 2016<br>£m |
|-------------------------|------------|------------|
| <b>At start of year</b> | <b>5.1</b> | <b>6.8</b> |
| Share-based payments    | (1.5)      | (0.6)      |
| Tax credit for the year | (1.1)      | (1.1)      |
| <b>At end of year</b>   | <b>2.5</b> | <b>5.1</b> |

In the opinion of the Directors, it is more likely than not that the Company will be able to recover the deferred tax asset against suitable future taxable profits generated by its subsidiary undertakings.

### 15 Capital and Reserves

#### Share premium account:

|                                 | 2017<br>£m  | 2016<br>£m  |
|---------------------------------|-------------|-------------|
| <b>At start and end of year</b> | <b>17.8</b> | <b>17.8</b> |

#### Own shares:

|   | 2017<br>£m    | 2016<br>£m    |
|---|---------------|---------------|
| <b>At start of year</b>                         | <b>(74.6)</b> | <b>(61.6)</b> |
| Additions                                       | (28.6)        | (29.8)        |
| Own shares released on vesting of share options | 38.9          | 10.3          |
| Own shares cancelled                            | -             | 6.5           |
| <b>At end of year</b>                           | <b>(64.3)</b> | <b>(74.6)</b> |

The Company's investment in its own shares are shares held in treasury or shares held by an employee benefit trust to satisfy incentive schemes. At 30 September 2017, this investment comprised the cost of 4,812,419 A Ordinary Non-Voting Shares (2016 5,000,000) held in treasury and 3,710,764 A Ordinary Non-Voting Shares (2016 4,887,935) held in the employee benefit trust. The market value of the Treasury Shares at 30 September 2017 was £31.2 million (2016 £37.2 million) and the market value of the shares held in the employee benefit trust at 30 September 2017 was £24.1 million (2016 £36.4 million).

The employee benefit trust is independently managed and has purchased shares in order to satisfy outstanding share options and potential awards under the long-term incentive plan.

The Treasury Shares are considered to be a realised loss for the purposes of calculating distributable reserves.

## Financial Statements

# Notes to the Company Statement of Financial Performance

## 16 Capital redemption reserve

|                                 | £m         |
|---------------------------------|------------|
| <b>At start and end of year</b> | <b>5.2</b> |

## 17 Profit and loss account

|   | 2017<br>£m     | 2016<br>£m |
|---|----------------|------------|
| <b>At start of year</b>                         | <b>2,928.7</b> | 2,188.0    |
| Net profit for the year                         | 127.9          | 820.1      |
| Dividends paid                                  | (78.3)         | (76.4)     |
| On cancellation of A Ordinary Non-Voting Shares | -              | (6.5)      |
| Other movements on share option schemes         | (6.0)          | 3.5        |
| <b>At end of year</b>                           | <b>2,972.3</b> | 2,928.7    |
| <b>Total reserves</b>                           | <b>2,931.0</b> | 2,877.1    |

The Directors estimate that £1,422.0 million of the Company's profit and loss account reserve is not distributable (2016 £1,422.0 million).

## 18 Contingent liabilities

At 30 September 2017 the Company had guaranteed subsidiaries' outstanding derivatives which had a mark-to-market liability valuation of £2.6 million (2016 £11.9 million) and letters of credit with a principal value of £3.5 million (2016 £3.8 million). The Company is the guarantor of a loan note amounting to £150.0 million (2016 £150.0 million) in respect of the contingent asset partnership referred to in Note 44 of the Group's Annual Report.

## 19 Ultimate holding company

The Company's immediate parent company is Rothermere Continuation Limited (RCL), a company incorporated in Bermuda.

### Ultimate controlling party

RCL is a holding company incorporated in Bermuda. The main asset of RCL is its 100% holding of DMGT Ordinary Shares. RCL has controlled the Company for many years and as such is its immediate parent Company. RCL is owned by a trust (the Trust) which is held for the benefit of Viscount Rothermere and his immediate family. The Trust represents the ultimate controlling party of the Company. Both RCL and the Trust are administered in Jersey, in the Channel Islands.

# Shareholder Information

## Company Secretary and Registered Office

Fran Sallas  
Northcliffe House  
2 Derry Street  
London  
W8 5TT  
Telephone: +44 (0)20 7938 6000  
E-mail: enquiries@dmgt.com  
England Registered Number: 184594

## Website

The Group has a website ([www.dmgt.com](http://www.dmgt.com)) which gives information on the Company and its operating companies and provides details of significant Group announcements.

## Financial calendar 2018

|              |  |
|--------------|--|
| 25 January   | Trading update                             |
| 7 February   | Annual General Meeting                     |
| 9 February   | Payment of final dividend                  |
| 31 March     | Half year end                              |
| 9 April      | Payment of interest on bonds               |
| 24 May       | Half yearly financial report released      |
| 7 June       | Interim ex-dividend date                   |
| 8 June       | Interim record date                        |
| 21 June      | Payment of interest on bonds               |
| 29 June      | Payment of interim dividend                |
| 26 July      | Trading update                             |
| 30 September | Year end                                   |
| 29 November  | Preliminary announcement of annual results |
| 6 December   | Ex-dividend date                           |
| 7 December   | Record date                                |
| 7 December   | Payment of interest on bonds               |

## Capital gains tax

The market value of both the Ordinary and A Ordinary Non-Voting Shares (A Shares) in the Company on 31 March 1982 (adjusted for the 1994 bonus issue of A 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 Limited or changes of address should be directed to Equiniti, the Company's Registrars, at the address set out on the following page.

## Electronic communications

Equiniti operates Shareview, a free online service which enables shareholders to check their shareholdings and other related information and to register to receive notification by email of the release of the Annual Report. It also offers practical help on matters such as transferring shares or updating contact details. Shareholders may register for the service at [www.shareview.co.uk](http://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

Equiniti provides a simple low-cost dealing service for the Company's A Shares, details of which are available at [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or by calling +44 (0) 3456 037 037. Details of this and other low-cost dealing services can be found on the Company's website at [www.dmgt.com](http://www.dmgt.com).

## Share price information

The current price of the Company's A Shares can be found on the home page of the Company's website at [www.dmgt.com](http://www.dmgt.com).

# Shareholder Information

## Eurobond paying agent

The principal paying agent for the Company's 10% Bonds due 2021 and the 6.375% Bonds due 2027 is Deutsche Trustee Company Limited, Winchester House, 1 Great Winchester St, London EC2N 2DB. The principal paying agent for the Company's 5.75% Bonds due 2018 is HSBC Trustee (CI) Limited, HSBC House, Esplanade, Jersey, Channel Islands JE1 1GT. Enquiries should be directed to John Donegan, Group Financial Controller, who can be contacted on +44 (0)20 7938 6000, and whose email address is john.donegan@dmgt.com.

## 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 Adam Webster. The investor relations email address is investor.relations@dmgt.com.

## 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, ShareGift can be contacted by visiting their website at [www.sharegift.org](http://www.sharegift.org) or by writing to ShareGift, 17 Carlton House Terrace, London SW1Y 5AH.

## Shareholdings at 30 September 2017

### Ordinary Shares

| Balance ranges   | Total number of holdings | Percentage of holders | Total number of shares | Percentage issued capital |
|------------------|--------------------------|-----------------------|------------------------|---------------------------|
| 1-1,000          | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 1,001-5,000      | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 5,001-10,000     | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 10,001-20,000    | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 20,001-50,000    | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 50,001-100,000   | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 100,001-500,000  | 0                        | 0.00%                 | 0                      | 0.00%                     |
| 500,001 and over | 3                        | 100.00%               | 19,890,364             | 100.00%                   |
| <b>Totals</b>    | <b>3</b>                 | <b>100.00%</b>        | <b>19,890,364</b>      | <b>100.00%</b>            |

### A Shares

| Balance ranges   | Total number of holdings | Percentage of holders | Total number of shares | Percentage issued capital |
|------------------|--------------------------|-----------------------|------------------------|---------------------------|
| 1-1,000          | 804                      | 43.72%                | 277,831                | 0.08%                     |
| 1,001-5,000      | 461                      | 25.07%                | 1,142,388              | 0.33%                     |
| 5,001-10,000     | 195                      | 10.60%                | 1,430,612              | 0.42%                     |
| 10,001-20,000    | 114                      | 6.20%                 | 1,645,110              | 0.48%                     |
| 20,001-50,000    | 76                       | 4.13%                 | 2,444,655              | 0.71%                     |
| 50,001-100,000   | 55                       | 2.99%                 | 3,771,821              | 1.10%                     |
| 100,001-500,000  | 74                       | 4.02%                 | 16,951,857             | 4.95%                     |
| 500,001 and over | 60                       | 3.26%                 | 314,540,196            | 91.92%                    |
| <b>Totals</b>    | <b>1,839</b>             | <b>100.00%</b>        | <b>342,204,470</b>     | <b>100.00%</b>            |

### Advisers

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Visit [www.dmgmt.com](http://www.dmgmt.com) to see what is happening across our business and the marketplaces in which we operate.

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