

# **Euromoney Institutional Investor PLC**

Preliminary Statement

September 30 2013

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## Chairman's Statement

Highlights	2013	2012	change
Revenue	<b>£404.7 m</b>	£394.1 m	+3%
<b>Adjusted results</b>			
• Adjusted operating profit	<b>£121.1 m</b>	£118.2 m	+2%
• Adjusted profit before tax	<b>£116.5 m</b>	£106.8 m	+9%
• Adjusted diluted earnings a share	<b>71.0 p</b>	65.9 p	+8%
<b>Statutory results</b>			
• Operating profit	<b>£105.6 m</b>	£95.9 m	+10%
• Profit before tax	<b>£95.3 m</b>	£92.4 m	+3%
• Diluted earnings a share	<b>56.7 p</b>	55.2 p	+3%
Net debt	<b>£9.9 m</b>	£30.8 m	(£20.9m)
Final dividend	<b>15.75 p</b>	14.75 p	+7%

A detailed reconciliation of the group's adjusted results is set out in the appendix to the Chairman's Statement and note 7.

- Revenues increased by 3% to £404.7m
- Subscriptions maintained at 51% of total revenues
- Adjusted profit before tax up 9% to £116.5m
- Adjusted operating margin maintained at 30% with continued investment in new products and technology
- Project Delphi content platform set to launch in 2014
- Four acquisitions completed in the year, and another post year-end
- Net debt of only £9.9m at year-end reflects strong cash flows
- New \$160m debt facility in place
- Shareholder approval to be sought for new long-term incentive plan (CAP)
- Final dividend increased by 7% to 15.75p
- First quarter trading has started in line with board's expectations

Commenting on the results, chairman Richard Ensor said:

*"We have continued, and will continue, to invest across the business to drive organic growth and through selective acquisitions. The five businesses acquired since the beginning of last year build on our existing strengths but also take us into exciting new sectors."*

*First quarter trading in the new financial year is in line with the board's expectations and sentiment in financial markets remains broadly positive. This encourages us to believe that we can continue to grow our revenues and gives us confidence that our investment programme for the digital transformation of our businesses, in particular via the Delphi content management system, is the right strategy to pursue."*

### Highlights

Euromoney Institutional Investor PLC, the international online information and events group, achieved a record adjusted profit before tax of £116.5m for the year to September 30 2013, against £106.8m in 2012. Adjusted diluted earnings a share were 71.0p (2012: 65.9p). The directors recommend a 7% increase in the final dividend to 15.75p, giving a total for the year of 22.75p (2012: 21.75p), to be paid to shareholders on February 13 2014.

Total revenues for the year increased by 3% to £404.7m. Underlying revenues, excluding acquisitions, increased by 1%. Headline subscription revenues increased by 3% to £206.3m, after a flat first half, and again accounted for just over half of group revenues.

The adjusted operating margin was unchanged at 30%. While the operating margins of some divisions have come under pressure, this has been offset by savings on central costs. Costs and margins remained tightly controlled throughout the year and, as highlighted in previous announcements, the group has continued to invest in technology and new products as part of its online growth strategy.

Net debt at September 30 was £9.9m compared with £38.1m at March 31 and £30.8m last year-end. The group's net debt is at its lowest level since the acquisition of Institutional Investor in 1997. The group spent £28.1m on four acquisitions during the year, and since the year-end has put in place a new \$160m multi-credit facility providing headroom for a larger acquisition if and when the opportunity arises.

The board believes the Capital Appreciation Plan (CAP), the group's long-term incentive scheme designed to retain and reward those who drive profit growth, has been an important driver of the fivefold increase in the group's profits since it was first introduced in 2004. Accordingly, subject to shareholder approval at the AGM in January 2014, the board proposes to introduce a new CAP, CAP 2014, which will be structured along similar lines to CAP 2010.

As highlighted in previous trading updates, the profitability of banks and asset managers has improved during 2013, particularly in the US. However, continuing litigation against banks, often leading to significant financial settlements, combined with increasing regulation and demands for stronger capital bases, continues to put pressure on the profits of the banking industry. As a result, the broadly positive outlook for markets and economic growth is taking time to translate into a recovery in the spending of financial institutions on marketing, training and information buying.

#### Strategy

The group's strategy remains the building of a robust and tightly focused global online information business with an emphasis on emerging markets. This strategy is being executed through increasing the proportion of revenues derived from electronic subscription products; investing in technology to drive the online migration of the group's products as well as developing new electronic information services; building large, must-attend annual events; maintaining products of the highest quality; eliminating products with a low margin or too high a dependence on print advertising; maintaining tight cost control at all times; retaining and fostering an entrepreneurial culture; and using a healthy balance sheet and strong cash flows to fund selective acquisitions.

Acquisitions remain a key part of the group's strategy. Four were completed in the year and another post year-end. In December, the group acquired TTI/Vanguard, a private membership organisation for executives who lead technology innovation, providing an opportunity for Institutional Investor to apply its expertise in building global subscription membership organisations to a new sector. In April the group acquired CIE, Australia's leading provider of investment forums for senior executives of superannuation funds and asset management firms. Combining CIE with the expertise and relationships of Institutional Investor's forums and membership business has extended the group's coverage of the asset management events sector to a key geographic market.

The acquisition of Insider Publishing in March enhanced the group's position in the insurance and reinsurance sector and provides a strong complementary fit with its other reinsurance title, *Reactions*. At the end of September the group completed the acquisition of HSBC's Quantitative Techniques operation, the benchmark and calculation agent business of HSBC Bank plc. The business has been rebranded *Euromoney Indices* and the group believes the acquisition creates an exciting opportunity to establish a significant footprint in the attractive index compilation market. Finally, at the end of October, the group completed the acquisition of *Infrastructure Journal*, a leading information source for the international infrastructure markets. By combining the deals database and news coverage of *Infrastructure Journal* with the deals analysis, awards and events of Euromoney's *Project Finance*, the group aims to create the market's most comprehensive online infrastructure information provider.

All of these transactions were consistent with the group's strategy of investing in online subscription and events businesses which will benefit from its global reach, marketing expertise and content platforms, and the group will continue to use its robust balance sheet and strong cash flows to pursue further acquisitions in 2014.

Driving revenue growth from new products is another key part of the group's strategy. The group has continued to invest heavily in technology and content delivery platforms, particularly for the mobile user, and in new digital products as part of its transition to an online information business. New products launched in the year included: *SteelFirst*, a specialised online news, pricing and analysis service for the steel markets; Institutional Investor's *Sovereign Wealth Center*, a premium digital research tool designed to provide a detailed understanding of sovereign wealth fund investment strategies; and Petroleum Economist's interactive digital maps covering global energy infrastructure.

In addition, the group has continued the development of its new platform for authoring, storing and delivering its content (Project Delphi), with a view to both improving the quality of its existing subscription products and increasing the speed to market of new digital information services. Initially the Delphi platform will be used to transform BCA's content into a fully integrated online research service, including personalised content and alerts, dynamic and interactive charts, semantic search and a research dashboard to track research themes, investment recommendations and trades. Delphi is also being used to upgrade the group's Global Capital Markets products, including *EuroWeek*, through improved search, more data feeds and new transaction and data products, starting with the launch of a new service covering the Renminbi debt market. The Delphi platform is expected to be ready for launch in the second quarter of financial year 2014. The total expected capital investment in Project Delphi is £9.4m, of which £6.1m was spent in 2013, with a further £2.7m expected to be incurred to completion. The cost of this project will be amortised over a four-year period.

### Trading Review

Total revenues for the year increased by 3% to £404.7m. After a 1% decline in the first half, the headline rate of revenue growth improved to 6% in the second, due to a combination of gradually improving markets and the contribution from three acquisitions completed in the middle of the year. Underlying revenues, excluding acquisitions, increased by 1%.

The group derives nearly two thirds of its total revenue in US dollars and movements in the sterling-US dollar rate can have a significant impact on reported revenues. However, currency movements in 2013 were not significant and headline revenue growth rates are similar to those at constant currency (see table below).

	2013	2012	Headline change			Change at constant exchange rates
			H1	H2	Year	Year
<b>Revenues</b>	<b>£m</b>	<b>£m</b>				
Subscriptions	206.3	199.7	-	7%	3%	2%
Advertising	57.6	58.4	(10%)	5%	(1%)	(2%)
Sponsorship	51.4	47.6	2%	12%	8%	7%
Delegates	77.8	80.1	(10%)	5%	(3%)	(3%)
Other/closed	12.3	9.7	29%	26%	27%	27%
Foreign exchange losses on forward contracts	(0.7)	(1.4)	-	-	-	-
<b>Total revenue</b>	<b>404.7</b>	<b>394.1</b>	<b>(1%)</b>	<b>6%</b>	<b>3%</b>	<b>2%</b>
Less: revenue from acquisitions	(6.2)	-	-	-	-	-
<b>Underlying revenue</b>	<b>398.5</b>	<b>394.1</b>	<b>(2%)</b>	<b>4%</b>	<b>1%</b>	<b>1%</b>

Headline subscription revenues increased by 3% to £206.3m, after a flat first half, and again accounted for just over half of group revenues. Underlying subscription revenues, excluding acquisitions, increased by 2% with the strongest performances coming from CEIC Data, the emerging markets data business, and Institutional Investor's membership business. Revenues from independent research were unchanged.

After two years of decline, advertising revenues returned to growth in the final quarter. This was largely driven by factors specific to the quarter: new products and a tendency for advertising in the main financial titles, *Euromoney*, *Institutional Investor*, *Latin Finance* and *Asiamoney*, to be concentrated in their IMF issues published in September. This quarterly improvement is more indicative of product timing than a sustained improvement in advertising markets. Over the year, advertising fell across most of the group's titles with *Latin Finance*, which celebrated its 25<sup>th</sup> anniversary, and the energy titles the only significant exceptions.

Event sponsorship revenues have continued to grow from a combination of new events and strong demand for emerging market events, helped in the second half by the acquisitions of Insider Publishing and CIE. Paying delegate attendance improved across most of the event businesses, mostly due to new events. The first half decline in revenues was due to timing differences on biennial events not held this year.

Other revenues largely comprise content redistribution royalties and one-off content sales. Although only accounting for 3% of total revenues, these revenues increased sharply as the group continues to explore the possibilities for alternative distribution channels for its content.

The group's adjusted operating margin was 30%, the same as 2012. Over the past four years the group has consistently delivered steady operating margins around the 30% level. Increased spend on technology and digital products has reduced margins in the publishing businesses, but has been largely offset by changes in the divisional mix towards higher margin research and data products, as well as rigorous cost control and a constant refreshing of the portfolio with new products replacing those with lower margins. The permanent headcount at September 30 was 2,142 people, including 38 from businesses acquired in the year, against 2,133 a year ago.

### Business Review

**Research and Data:** this division accounts for a third of group revenues and, with its higher margins, nearly 40% of group operating profits before central costs. Revenues are derived predominantly from subscriptions and increased by 1% to £131.3m while adjusted operating profits fell by 1% to £54.8m. The trends seen in the first half continued, with financial institutions exercising tight control over their information buying and new business difficult to generate. In addition, US sequestration had a negative impact in the second half as customers including government agencies and libraries were forced to cut costs. That apart, renewal rates for most products remained robust, and more recently have shown signs of improving.

**Financial Publishing:** revenues increased by 2% to £75.6m while adjusted operating profits fell by 1% to £23.8m. An advertising-led rebound in the final quarter, and a contribution from Insider Publishing, helped offset first half weakness. The 1% point decline in the adjusted operating margin reflects the continued investment in the transition to a digital first publishing model.

**Business Publishing:** the group's activities in the non-financial sectors of the market, particularly energy and telecoms, have proved more robust, partly because they are less dependent on advertising. The growth achieved in the first half continued into the second, with

revenues up 7% to £68.9m and adjusted operating profits 5% ahead at £25.8m. For the first time, profits from business publishing exceeded those from financial publishing.

**Conferences and Seminars:** revenues comprise both sponsorship and paying delegates and increased by 5% to £99.4m, despite the timing differences on biennial events in the first half, and helped in the second by a contribution from CIE. Growth was achieved across most sectors and reflects both new events and more robust US financial markets. However, adjusted operating profits fell by 4% to £28.9m and the decline in adjusted operating margin is largely due to the event timing differences.

**Training:** the group's training division predominantly serves the global financial sector and banks have continued to control tightly headcount and training budgets. Revenues fell by 3% to £30.1m, although performance in the second half showed an improvement on the first. The decline in operating margin from 22% to 18% reflects the high operational gearing in this business and adjusted operating profits fell by 23% to £5.4m.

#### Financial Review

The adjusted profit before tax of £116.5m compares to a statutory profit before tax of £95.3m. A detailed reconciliation of the group's adjusted and statutory results is set out in the appendix to this statement. The statutory profit is generally lower than the adjusted profit before tax because of the impact of acquired intangible amortisation and non-cash movements in acquisition liabilities.

A net exceptional credit of £2.2m (2012: £1.6m charge) was recognised. This includes a credit of £4.4m for negative goodwill arising from the valuation of intangibles as part of the acquisition of Quantitative Techniques, offset by acquisition, restructuring and other exceptional costs of £2.2m.

The reduction in long-term incentive expense to £2.1m (2012: £6.3m) reflects the final cost of CAP 2010, which has now been fully amortised after the performance test was satisfied in 2011 and again in 2012.

Adjusted net finance costs for the group's committed borrowing facility fell by £2.8m to £2.7m, reflecting lower debt levels during the year. The average cost of funds for the year was 4.7% (2012: 4.8%). Statutory net finance costs of £10.4m (2012: £3.6m) include a charge of £4.7m for the increase in deferred consideration payable on two of the acquisitions completed in the year which have performed better than expected since acquisition, and a charge of £2.7m largely due to the extension of the put option agreement to acquire the outstanding minority interest in Ned Davis Research.

The adjusted effective tax rate for the year was 22%, the same as 2012. The tax rate depends on the geographic mix of profits and applicable tax rates. The group has benefited this year from the reduction in the UK corporate tax rate from 24% to 23%, although this was offset by the expiry of the US tax deduction for goodwill amortisation from the acquisition of Institutional Investor 15 years ago. The UK tax rate will fall further to 21% in April 2014 and 20% in April 2015.

The group continues to generate two thirds of its revenues, including approximately 30% of the revenues from its UK businesses, and more than half its operating profits in US dollars. The group hedges its exposure to the US dollar revenues in its UK businesses by using forward contracts to sell surplus US dollars. This delays the impact of movements in exchange rates for at least a year. The group does not hedge the foreign exchange risk on the translation of overseas profits, although it does endeavour to match foreign currency borrowings with investments and the related foreign currency finance costs provide a partial hedge against the translation of overseas profits. The translation impact on overseas profits of a one cent movement in the average US dollar exchange rate is approximately £0.6m on an annualised basis. The average sterling-US dollar rate for the year was \$1.56 (2012: \$1.58).

#### Net Debt, Cash Flow and Dividend

Net debt at September 30 was £9.9m compared with £38.1m at March 31 and £30.8m last year-end. The group's debt is provided through a dedicated multi-currency committed facility from its parent company, Daily Mail and General Trust plc (DMGT). The group has exercised its option to replace its existing \$300m (£190m) facility with DMGT, which expires in December 2013, with a new \$160m (£100m) facility which expires at the end of April 2016. This new facility will continue to provide funding for the group's acquisition strategy.

Significant non-operating cash outflows in the year included four acquisitions with a net cash cost of £28.1m, dividends of £27.2m against £7.5m in 2012 when a scrip dividend was offered, and capital investment in Project Delphi of £6.1m. Cash generated from operations fell by £16.0m to £106.2m and the operating cash conversion rate\* was 88% (2012: 103%). The reduction in operating cash flow and operating cash conversion was due to cash payments in 2013 in respect of long-term incentive costs and profit shares which were expensed in 2012 or earlier. The underlying operating cash conversion rate, after adjusting for these timing differences, was unchanged at 103%.

The company's policy is to distribute a third of its after-tax earnings by way of dividends each year. Pursuant to this policy, the board recommends a final dividend of 15.75p a share (2012: 14.75p) giving a total dividend for the year of 22.75p a share (2012: 21.75p). As explained in previous announcements, following the earlier than expected achievement of the CAP 2010 profit target an additional accelerated CAP expense of £6.6m was not charged against earnings for dividend purposes in 2011, but is being spread over the period to which it originally related. Accordingly, earnings for dividend purposes were reduced by £1.1m in 2012 and by £3.9m in 2013, and will be similarly reduced by £1.6m in 2014.

It is expected that the final dividend will be paid on February 13, 2014 to shareholders on the register at November 22, 2013.

#### Capital Appreciation Plan

The CAP is the group's long-term incentive scheme designed to retain and reward those who drive profit growth and is an integral part of the group's successful growth and investment strategy.

After satisfying the profit target under CAP 2010, the first 50% of CAP 2010 awards vested in February 2013, satisfied by the issue of approximately 1.75 million new ordinary shares and a cash payment of £7.5m. The second 50% of CAP 2010 awards, to the extent the additional performance test has been satisfied, will vest in February 2014 and lead to the issue of a similar number of new shares and cash distribution.

The board, supported by its Remuneration Committee, believes the CAP has been an important driver of the fivefold increase in the group's profits since it was first introduced in 2004. Accordingly, subject to shareholder approval at the AGM in January 2014, the board proposes to introduce a new CAP, CAP 2014, which will have a similar structure and cost to CAP 2010. The primary performance test under CAP 2014 will require the group to achieve an adjusted profit before tax (and before CAP expense) of £173.6m by financial year 2017, equivalent to an average profit growth rate of at least 10% a year from a base of £118.6m\*\* in 2013. This profit target would be adjusted in the event of any significant acquisitions or disposals during the CAP performance period. CAP 2014 awards would vest in three roughly equal tranches in financial years 2018, 2019 and 2020, subject to additional performance tests.

In accounting terms, CAP 2014 is expected to cost the group up to £41m which will be amortised over its six-year life, against a cost of £30m for CAP 2010 over its four-year life. A maximum of 3.5m ordinary shares will be used to satisfy CAP 2014 rewards, with the balance settled in cash. The company intends to acquire these shares in the market over the course of the CAP performance period, rather than through the issue of new shares.

Further details of the proposed terms of CAP 2014 will be included in the circular to shareholders to be issued in December in connection with the AGM to be held on January 30, 2014.

#### Outlook

First quarter trading has started in line with the board's expectations. As part of its strategy, the group has increased significantly the proportion of revenues derived from less volatile subscriptions, and from events. Subscription revenues, supported by deferred revenues at the balance sheet date, should continue to grow, while the outlook for events and training is reasonably robust. However, for reasons highlighted above, the sharp improvement in fourth quarter financial advertising has not continued into the first quarter of the new financial year. As usual at this time, forward revenue visibility beyond the first quarter is limited for revenues other than subscriptions.

While sentiment in financial markets remains reasonably positive, there is usually a lag between their improved profitability and the appetite for financial institutions to increase their spending on marketing, training and information buying. Most customer budgets are calendar year driven so it is too early to determine whether this lag will translate into increased spend in 2014.

In 2014, the board plans to continue its programme of investing in the digital transformation of its publishing businesses, in particular using the Delphi platform to improve the quality of its content and launch new products. The board is confident its strategy for investing in new products and technology and using its strong balance sheet to fund further acquisitions will continue to drive further growth.

Richard Ensor  
Chairman  
November 13 2013

\*The operating cash conversion rate is the percentage by which cash generated from operations covers adjusted operating profit.

\*\* The base profit for 2013 is £118.6m, being the adjusted profit before tax of £116.5m before CAP expense of £2.1m.

END

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NOTE TO EDITORS

Euromoney Institutional Investor PLC ([www.euromoneyplc.com](http://www.euromoneyplc.com)) is listed on the London Stock Exchange and is a member of the FTSE-250 share index. It is a leading international business-to-business media group focused primarily on the international finance, metals and commodities sectors. It owns more than 70 brands including *Euromoney*, *Institutional Investor* and *Metal Bulletin*, and is a leading provider of economic and investment research and data under the BCA Research, Ned Davis Research and ISI Emerging Markets brands. It also runs an extensive portfolio of conferences, seminars and training courses for financial markets. The group's main offices are in London, New York, Montreal and Hong Kong and more than a third of its revenues are derived from emerging markets.



## Appendix to Chairman's Statement

### Reconciliation of Consolidated Income Statement to adjusted results for the year ended September 30 2013

The reconciliation below sets out the adjusted results of the group and the related adjustments to the statutory Income Statement that the directors consider necessary in order to provide an indication of the adjusted trading performance.

	Notes	Adjusted £000's	Adjust- ments £000's	2013 Total £000's	Adjusted £000's	Adjust- ments £000's	2012 Total £000's
<b>Total revenue</b>	2	<b>404,704</b>	-	<b>404,704</b>	394,144	-	394,144
<b>Operating profit before acquired intangible amortisation, long-term incentive expense and exceptional items</b>	2	<b>121,088</b>	-	<b>121,088</b>	118,175	-	118,175
Acquired intangible amortisation	9	-	(15,890)	(15,890)	-	(14,782)	(14,782)
Long-term incentive expense		(2,100)	-	(2,100)	(6,301)	-	(6,301)
Exceptional items	3	-	2,232	2,232	-	(1,617)	(1,617)
<b>Operating profit before associates</b>		<b>118,988</b>	<b>(13,658)</b>	<b>105,330</b>	111,874	(16,399)	95,475
Share of results in associates		284	-	284	459	-	459
<b>Operating profit</b>		<b>119,272</b>	<b>(13,658)</b>	<b>105,614</b>	112,333	(16,399)	95,934
Finance income	4	1,830	-	1,830	1,500	2,975	4,475
Finance expense	4	(4,575)	(7,609)	(12,184)	(7,064)	(977)	(8,041)
<b>Net finance costs</b>		<b>(2,745)</b>	<b>(7,609)</b>	<b>(10,354)</b>	(5,564)	1,998	(3,566)
<b>Profit before tax</b>		<b>116,527</b>	<b>(21,267)</b>	<b>95,260</b>	106,769	(14,401)	92,368
Tax expense on profit	5	(25,241)	3,006	(22,235)	(23,359)	831	(22,528)
<b>Profit after tax</b>		<b>91,286</b>	<b>(18,261)</b>	<b>73,025</b>	83,410	(13,570)	69,840
<b>Attributable to:</b>							
Equity holders of the parent		90,884	(18,261)	72,623	83,242	(13,570)	69,672
Equity non-controlling interests		402	-	402	168	-	168
		<b>91,286</b>	<b>(18,261)</b>	<b>73,025</b>	83,410	(13,570)	69,840
<b>Diluted earnings per share</b>	7	<b>70.96p</b>	<b>(14.26)p</b>	<b>56.70p</b>	65.91p	(10.74)p	55.17p

Adjusted figures are presented before the impact of amortisation of acquired intangible assets (comprising trademarks and brands, databases and customer relationships), exceptional items, movements in acquisition deferred consideration, and net movements in acquisition commitment values. In respect of earnings, adjusted amounts reflect a tax rate that includes the current tax effect of the goodwill and intangible assets.

Further analysis of the adjusting items is presented in notes 3, 4, 5, 7 and 9 to the Preliminary Statement.

## Consolidated Income Statement

for the year ended September 30 2013

	Notes	2013 £000's	2012 £000's
<b>Total revenue</b>	2	<b>404,704</b>	394,144
<b>Operating profit before acquired intangible amortisation, long-term incentive expense and exceptional items</b>	2	<b>121,088</b>	118,175
Acquired intangible amortisation	9	(15,890)	(14,782)
Long-term incentive expense		(2,100)	(6,301)
Exceptional items	3	2,232	(1,617)
<b>Operating profit before associates</b>		<b>105,330</b>	95,475
Share of results in associates		284	459
<b>Operating profit</b>		<b>105,614</b>	95,934
Finance income	4	1,830	4,475
Finance expense	4	(12,184)	(8,041)
<b>Net finance costs</b>	4	<b>(10,354)</b>	(3,566)
<b>Profit before tax</b>		<b>95,260</b>	92,368
Tax expense on profit	5	(22,235)	(22,528)
<b>Profit after tax</b>		<b>73,025</b>	69,840
<b>Attributable to:</b>			
Equity holders of the parent		72,623	69,672
Equity non-controlling interests		402	168
		<b>73,025</b>	69,840
Basic earnings per share	7	<b>57.88p</b>	56.74p
Diluted earnings per share	7	<b>56.70p</b>	55.17p
Adjusted basic earnings per share	7	<b>72.43p</b>	67.79p
Adjusted diluted earnings per share	7	<b>70.96p</b>	65.91p
Dividend per share (including proposed dividends)	6	<b>22.75p</b>	21.75p

A detailed reconciliation of the group's statutory results to the adjusted results is set out in appendix to the Chairman's Statement on page 8.

## Consolidated Statement of Comprehensive Income

for the year ended September 30 2013

	2013 £000's	2012 £000's
<b>Profit after tax</b>	<b>73,025</b>	69,840
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Change in fair value of cash flow hedges	(3,298)	3,913
Transfer of gains on cash flow hedges from fair value reserves to Income Statement:		
Foreign exchange gains in total revenue	2,320	3,382
Foreign exchange (losses)/gains in operating profit	(176)	184
Interest rate swap gains in interest payable on committed borrowings	226	1,251
Net exchange differences on translation of net investments in overseas subsidiary undertakings	(7,167)	(13,650)
Net exchange differences on foreign currency loans	4,317	5,886
Tax on items that may be reclassified	90	(1,509)
<b>Items that will not be reclassified to profit or loss:</b>		
Actuarial gains/(losses) on defined benefit pension schemes	1,433	(3,398)
Tax (charge)/credit on actuarial gains/losses on defined benefit pension schemes	(287)	782
<b>Other comprehensive income/(expense) for the year</b>	<b>(2,542)</b>	(3,159)
<b>Total comprehensive income for the year</b>	<b>70,483</b>	66,681
<b>Attributable to:</b>		
Equity holders of the parent	69,774	65,675
Equity non-controlling interests	709	1,006
	<b>70,483</b>	66,681

## Consolidated Statement of Financial Position

as at September 30 2013

	Notes	2013 £000's	2012 £000's
<b>Non-current assets</b>			
Intangible assets			
Goodwill	9	356,574	333,065
Other intangible assets	9	149,039	136,243
Property, plant and equipment		16,792	17,982
Investments		702	735
Deferred tax assets		5,015	7,344
Derivative financial instruments		746	296
		<b>528,868</b>	<b>495,665</b>
<b>Current assets</b>			
Trade and other receivables		79,245	65,952
Current income tax assets		5,436	2,678
Cash at bank and in hand		11,268	13,544
Derivative financial instruments		1,736	2,715
		<b>97,685</b>	<b>84,889</b>
<b>Current liabilities</b>			
Acquisition commitments	12	(539)	(4,273)
Deferred consideration	12	(7,040)	(77)
Trade and other payables		(26,841)	(27,623)
Liability for cash-settled options		(7,435)	(7,768)
Current income tax liabilities		(12,653)	(9,076)
Group relief payable		(473)	-
Accruals		(48,381)	(54,170)
Deferred income	10	(117,296)	(105,106)
Committed loan facility		(20,177)	-
Loan notes		(1,028)	(1,228)
Derivative financial instruments		(909)	(656)
Provisions		(3,974)	(2,037)
		<b>(246,746)</b>	<b>(212,014)</b>
<b>Net current liabilities</b>		<b>(149,061)</b>	<b>(127,125)</b>
<b>Total assets less current liabilities</b>		<b>379,807</b>	<b>368,540</b>
<b>Non-current liabilities</b>			
Acquisition commitments	12	(14,498)	(3,595)
Deferred consideration	12	(9,085)	-
Liability for cash-settled options and other non-current liabilities		(498)	(6,966)
Preference shares		(10)	(10)
Committed loan facility		-	(43,154)
Deferred tax liabilities		(16,838)	(16,975)
Net pension deficit		(2,883)	(4,757)
Derivative financial instruments		-	(241)
Provisions		(2,236)	(4,918)
		<b>(46,048)</b>	<b>(80,616)</b>
<b>Net assets</b>		<b>333,759</b>	<b>287,924</b>
<b>Shareholders' equity</b>			
Called up share capital	11	316	311
Share premium account		101,709	99,485
Other reserve		64,981	64,981
Capital redemption reserve		8	8
Own shares		(74)	(74)
Reserve for share-based payments		37,122	36,055
Fair value reserve		(20,216)	(18,152)
Translation reserve		38,707	40,728
Retained earnings		102,959	58,033
<b>Equity shareholders' surplus</b>		<b>325,512</b>	<b>281,375</b>
Equity non-controlling interests		8,247	6,549
<b>Total equity</b>		<b>333,759</b>	<b>287,924</b>

## Consolidated Statement of Changes in Equity

for the year ended September 30 2013

	Share capital £000's	Share premium account £000's	Other reserve £000's	Capital redemption reserve £000's	Own shares £000's	Reserve for share- based pay- ments £000's	Fair value reserve £000's	Trans- lation reserve £000's	Retained earnings £000's	Total £000's	Equity non- control- ling interests £000's	Total £000's
At September 30 2012	311	99,485	64,981	8	(74)	36,055	(18,152)	40,728	58,033	281,375	6,549	287,924
Retained profit for the year	-	-	-	-	-	-	-	-	72,623	72,623	402	73,025
Change in fair value of cash flow hedges	-	-	-	-	-	-	(3,298)	-	-	(3,298)	-	(3,298)
Transfer of gains on cash flow hedges from fair value reserves to Income Statement:												
Foreign exchange gains in total revenue	-	-	-	-	-	-	2,320	-	-	2,320	-	2,320
Foreign exchange losses in operating profit	-	-	-	-	-	-	(176)	-	-	(176)	-	(176)
Interest rate swap gains in interest payable on committed borrowings	-	-	-	-	-	-	226	-	-	226	-	226
Net exchange differences on translation of net investments in overseas subsidiary undertakings	-	-	-	-	-	-	-	(7,474)	-	(7,474)	307	(7,167)
Net exchange differences on foreign currency loans	-	-	-	-	-	-	(1,136)	5,453	-	4,317	-	4,317
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	-	-	1,433	1,433	-	1,433
Tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	(197)	(197)	-	(197)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	(2,064)	(2,021)	73,859	69,774	709	70,483
Exercise of acquisition commitments	-	-	-	-	-	-	-	-	18	18	(18)	-
Recognition of acquisition commitments	-	-	-	-	-	-	-	-	(4,404)	(4,404)	-	(4,404)
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	-	-	-	1,402	1,402
Credit for share-based payments	-	-	-	-	-	1,067	-	-	-	1,067	-	1,067
Cash dividend paid	-	-	-	-	-	-	-	-	(27,156)	(27,156)	(413)	(27,569)
Exercise of share options	5	2,224	-	-	-	-	-	-	-	2,229	18	2,247
Tax relating to items taken directly to equity	-	-	-	-	-	-	-	-	2,609	2,609	-	2,609
<b>At September 30 2013</b>	<b>316</b>	<b>101,709</b>	<b>64,981</b>	<b>8</b>	<b>(74)</b>	<b>37,122</b>	<b>(20,216)</b>	<b>38,707</b>	<b>102,959</b>	<b>325,512</b>	<b>8,247</b>	<b>333,759</b>

The investment in own shares is held by the Euromoney Employees' Share Ownership Trust (ESOT). At September 30 2013 the ESOT held 58,976 shares (2012: 58,976 shares) carried at a historic cost of £1.25 per share with a market value of £684,000 (2012: £454,000). The trust waived the rights to receive dividends. Interest and administrative costs are charged to the profit and loss account of the ESOT as incurred.

The other reserve represents the share premium arising on the shares issued for the purchase of Metal Bulletin plc in October 2006.

## Consolidated Statement of Changes in Equity

for the year ended September 30 2012

	Share capital £000's	Share premium account £000's	Other reserve £000's	Capital redemption reserve £000's	Own shares £000's	Reserve for share- based pay- ments £000's	Fair value reserve £000's	Trans- lation reserve £000's	Retained earnings £000's	Total £000's	Equity non- control- ling interests £000's	Total £000's
At September 30 2011	303	82,124	64,981	8	(74)	33,725	(32,768)	55,216	16,218	219,733	5,842	225,575
Retained profit for the year	-	-	-	-	-	-	-	-	69,672	69,672	168	69,840
Change in fair value of cash flow hedges	-	-	-	-	-	-	3,913	-	-	3,913	-	3,913
Transfer of gains on cash flow hedges from fair value reserves to Income Statement:												
Foreign exchange gains in total revenue	-	-	-	-	-	-	3,382	-	-	3,382	-	3,382
Foreign exchange gains in operating profit	-	-	-	-	-	-	184	-	-	184	-	184
Interest rate swap gains in interest payable on committed borrowings	-	-	-	-	-	-	1,251	-	-	1,251	-	1,251
Net exchange differences on translation of net investments in overseas subsidiary undertakings	-	-	-	-	-	-	-	(14,488)	-	(14,488)	838	(13,650)
Net exchange differences on foreign currency loans	-	-	-	-	-	-	5,886	-	-	5,886	-	5,886
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	-	-	(3,398)	(3,398)	-	(3,398)
Tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	(727)	(727)	-	(727)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	<b>14,616</b>	<b>(14,488)</b>	<b>65,547</b>	<b>65,675</b>	<b>1,006</b>	<b>66,681</b>
Exercise of acquisition option commitments	-	-	-	-	-	-	-	-	62	62	(62)	-
Credit for share-based payments	-	-	-	-	-	2,330	-	-	-	2,330	-	2,330
Scrip/cash dividends paid	6	16,304	-	-	-	-	-	-	(23,794)	(7,484)	(299)	(7,783)
Exercise of share options	2	1,057	-	-	-	-	-	-	-	1,059	62	1,121
<b>At September 30 2012</b>	<b>311</b>	<b>99,485</b>	<b>64,981</b>	<b>8</b>	<b>(74)</b>	<b>36,055</b>	<b>(18,152)</b>	<b>40,728</b>	<b>58,033</b>	<b>281,375</b>	<b>6,549</b>	<b>287,924</b>

## Consolidated Statement of Cash Flows

for the year ended September 30 2013

	2013 £000's	2012 £000's
<b>Cash flow from operating activities</b>		
Operating profit	105,614	95,934
Share of results in associates	(284)	(459)
Acquired intangible amortisation	15,890	14,782
Licences and software amortisation	301	339
Depreciation of property, plant and equipment	3,926	3,408
Loss on disposal of property, plant and equipment	-	53
Long-term incentive expense	2,100	6,301
Negative goodwill	(4,449)	-
(Decrease)/increase in provisions	(786)	844
<b>Operating cash flows before movements in working capital</b>	<b>122,312</b>	<b>121,202</b>
(Increase)/decrease in receivables	(4,343)	4,905
Decrease in payables	(11,813)	(3,932)
<b>Cash generated from operations</b>	<b>106,156</b>	<b>122,175</b>
Income taxes paid	(17,230)	(11,065)
Group relief tax paid	(1,970)	(4,204)
<b>Net cash from operating activities</b>	<b>86,956</b>	<b>106,906</b>
<b>Investing activities</b>		
Dividends paid to non-controlling interests	(413)	(299)
Dividends received from associate	268	291
Interest received	239	306
Purchase of intangible assets	(6,314)	(819)
Purchase of property, plant and equipment	(2,701)	(1,665)
Proceeds from disposal of property, plant and equipment	2	2
Payment following working capital adjustment from purchase of subsidiary	(1,711)	(1,151)
Purchase of subsidiary undertaking, net of cash acquired	(20,971)	(5,099)
Purchase of associates	-	(567)
Receipt following working capital adjustment from purchase of associate	49	-
<b>Net cash used in investing activities</b>	<b>(31,552)</b>	<b>(9,001)</b>
<b>Financing activities</b>		
Dividends paid	(27,156)	(7,484)
Interest paid	(3,142)	(5,218)
Interest paid on loan notes	(3)	(12)
Issue of new share capital	2,229	1,059
Payment of acquisition deferred consideration	(5,329)	(612)
Purchase of additional interest in subsidiary undertakings	(153)	(924)
Proceeds received from non-controlling interest	-	1,828
Settlement of derivative assets/liabilities	-	(332)
Redemption of loan notes	(199)	(386)
Loan repaid to DMGT group company	(196,264)	(139,067)
Loan received from DMGT group company	172,488	54,700
<b>Net cash used in financing activities</b>	<b>(57,529)</b>	<b>(96,448)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,125)</b>	<b>1,457</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>13,544</b>	<b>12,497</b>
Effect of foreign exchange rate movements	(151)	(410)
<b>Cash and cash equivalents at end of year</b>	<b>11,268</b>	<b>13,544</b>

## Note to the Consolidated Statement of Cash Flows

Net Debt	2013 £000's	2012 £000's
Net debt at beginning of year	(30,838)	(119,179)
Net (decrease)/increase in cash and cash equivalents	(2,125)	1,457
Net decrease in amounts owed to DMGT group company	23,776	84,367
Redemption of loan notes	199	386
Interest paid on loan notes	3	12
Accrued interest on loan notes	(2)	(9)
Effect of foreign exchange rate movements	(950)	2,128
<b>Net debt at end of year</b>	<b>(9,937)</b>	<b>(30,838)</b>
<b>Net debt comprises:</b>		
Cash and cash equivalents	11,268	13,544
Committed loan facility	(20,177)	(43,154)
Loan notes	(1,028)	(1,228)
<b>Net debt</b>	<b>(9,937)</b>	<b>(30,838)</b>

The group's debt is provided through a dedicated US\$300 million multi-currency borrowing facility from Daily Mail and General Trust plc group (DMGT). The total maximum borrowing capacity is US\$250 million (£154 million) and £33 million and was due to mature in December 2013. The facility's covenant requires the group's net debt to be no more than four times adjusted EBITDA on a rolling 12 month basis. At September 30 2013, the group's net debt to adjusted EBITDA covenant was 0.09 times and the committed undrawn facility available to the group was £165.9 million.

Subsequent to the year end, the group has signed a US\$160 million multi-currency replacement funding facility with DMGT that provides access to funds during the period to April 2016. The new facility's covenant requires the group's net debt to be no more than three times adjusted EBITDA on a rolling 12 month basis.

The group's strategy is to use excess operating cash to pay down its debt. The group generally has an annual cash conversion rate (the percentage by which cash generated by operations covers operating profit before acquired intangible amortisation, long-term incentive expense and exceptional items) of over 100%, due to much of its subscription, conference and training revenue being paid in advance. However, this year the group's cash conversion rate was 88% compared to 103% last year, due to cash payments in 2013 in respect of the vesting of the first tranche of options under the CAP (£9.5 million) and profit shares for the company's former chairman who died in October 2012, both of which were expensed in financial year 2012 or earlier.



## Notes to the Preliminary Statement

### 1 Basis of preparation

The financial information set out in this statement is based on the group's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. This financial information does not constitute the group's statutory accounts for the year ended September 30 2013 or 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 will be delivered following the company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498 (2) or (3) Companies Act 2006.

### Accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the group's 2012 annual audited financial statements, except as described below.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1), effective for accounting periods beginning on or after July 31 2012. This amends IAS 1, 'Presentation of Financial Statements' to revise the way other comprehensive income is presented.

### Going concern, debt covenants and liquidity

The results of the group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement on pages 2 to 7.

The financial position of the group, its cash flows and liquidity position are set out in detail in this report. The group meets its day-to-day working capital requirements through its US\$300 million dedicated multi-currency borrowing facility with Daily Mail and General Trust plc group (DMGT). The total maximum borrowing capacity is US\$250 million (£154 million) and £33 million and was due to mature in December 2013. The facility's covenant requires the group's net debt to be no more than four times adjusted EBITDA on a rolling 12 month basis. At September 30 2013, the group's net debt to adjusted EBITDA covenant was 0.09 times and the committed undrawn facility available to the group was £165.9 million.

Subsequent to the year end, the group has signed a US\$160 million multi-currency replacement funding facility with DMGT that provides access to funds during the period to April 2016. The new facility's covenant requires the group's net debt to be no more than three times adjusted EBITDA on a rolling 12 month basis.

The group's forecasts and projections, looking out to September 2016 and taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level and covenants of its current borrowing facility.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing this annual report.

### 2 Segmental analysis

	United Kingdom		North America		Rest of World		Eliminations		Total	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's
<b>Revenue</b>										
<b>by division and source:</b>										
Financial publishing	46,609	45,345	32,170	31,953	2,444	2,487	(5,576)	(5,400)	75,647	74,385
Business publishing	48,621	46,027	21,137	18,924	1,766	1,879	(2,653)	(2,185)	68,871	64,645
Conferences and seminars	44,717	41,150	45,720	42,778	9,633	11,181	(686)	(76)	99,384	95,033
Training	19,565	20,492	7,355	7,584	3,397	3,317	(175)	(181)	30,142	31,212
Research and data	17,571	17,084	87,993	87,554	25,846	25,772	(90)	(125)	131,320	130,285
Closed businesses	-	-	-	(28)	-	-	-	-	-	(28)
Foreign exchange losses on forward contracts	(660)	(1,388)	-	-	-	-	-	-	(660)	(1,388)
<b>Total revenue</b>	<b>176,423</b>	<b>168,710</b>	<b>194,375</b>	<b>188,765</b>	<b>43,086</b>	<b>44,636</b>	<b>(9,180)</b>	<b>(7,967)</b>	<b>404,704</b>	<b>394,144</b>
Investment income (note 4)	3	3	2	4	228	146	-	-	233	153
<b>Total revenue and investment income</b>	<b>176,426</b>	<b>168,713</b>	<b>194,377</b>	<b>188,769</b>	<b>43,314</b>	<b>44,782</b>	<b>(9,180)</b>	<b>(7,967)</b>	<b>404,937</b>	<b>394,297</b>

## 2 Segmental analysis *continued*

	United Kingdom		North America		Rest of World		Total	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's
<b>Revenue</b>								
<b>by type and destination:</b>								
Subscriptions	33,519	33,685	99,306	99,455	73,421	66,588	206,246	199,728
Advertising	6,686	8,303	24,467	22,991	26,476	27,091	57,629	58,385
Sponsorship	7,537	6,605	21,741	19,833	22,085	21,160	51,363	47,598
Delegates	7,138	7,085	21,313	20,833	49,344	52,227	77,795	80,145
Other	2,859	2,025	6,385	4,736	3,087	2,943	12,331	9,704
Closed businesses	-	-	-	(28)	-	-	-	(28)
Foreign exchange losses on forward contracts	(660)	(1,388)	-	-	-	-	(660)	(1,388)
<b>Total revenue</b>	<b>57,079</b>	<b>56,315</b>	<b>173,212</b>	<b>167,820</b>	<b>174,413</b>	<b>170,009</b>	<b>404,704</b>	<b>394,144</b>

	United Kingdom		North America		Rest of World		Total	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's
<b>Operating profit<sup>1</sup></b>								
<b>by division and source:</b>								
Financial publishing	17,460	16,893	5,822	6,485	514	600	23,796	23,978
Business publishing	16,834	16,768	9,033	7,714	(27)	16	25,840	24,498
Conferences and seminars	13,290	13,559	14,145	13,328	1,443	3,067	28,878	29,954
Training	3,810	5,285	1,101	1,288	468	449	5,379	7,022
Research and data	8,619	9,177	40,263	40,403	5,919	5,805	54,801	55,385
Closed businesses	-	-	-	(34)	(14)	(40)	(14)	(74)
Unallocated corporate costs	(15,754)	(20,789)	(1,292)	(1,157)	(546)	(642)	(17,592)	(22,588)
<b>Operating profit before acquired intangible amortisation, long-term incentive expense and exceptional items</b>	<b>44,259</b>	<b>40,893</b>	<b>69,072</b>	<b>68,027</b>	<b>7,757</b>	<b>9,255</b>	<b>121,088</b>	<b>118,175</b>
Acquired intangible amortisation <sup>2</sup> (note 9)	(4,608)	(2,986)	(10,886)	(11,681)	(396)	(115)	(15,890)	(14,782)
Long-term incentive expense	(1,017)	(1,796)	(880)	(3,705)	(203)	(800)	(2,100)	(6,301)
Exceptional items (note 3)	2,812	(49)	(394)	(905)	(186)	(663)	2,232	(1,617)
<b>Operating profit before associates</b>	<b>41,446</b>	<b>36,062</b>	<b>56,912</b>	<b>51,736</b>	<b>6,972</b>	<b>7,677</b>	<b>105,330</b>	<b>95,475</b>
Share of results in associates							284	459
Finance income (note 4)							1,830	4,475
Finance expense (note 4)							(12,184)	(8,041)
<b>Profit before tax</b>							<b>95,260</b>	<b>92,368</b>
Tax expense (note 5)							(22,235)	(22,528)
<b>Profit after tax</b>							<b>73,025</b>	<b>69,840</b>

1. Operating profit before acquired intangible amortisation, long-term incentive expense and exceptional items (refer to the appendix to the Chairman's Statement).
2. Acquired intangible amortisation represents amortisation of acquisition related non-goodwill assets such as trademarks and brands, customer relationships and databases (note 9).

## 2 Segmental analysis *continued*

	Acquired intangible amortisation		Long-term incentive expense		Exceptional items		Depreciation and amortisation	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's
<b>Other segmental information by division:</b>								
Financial publishing	(1,672)	-	(238)	(797)	3,321	18	(13)	(10)
Business publishing	(2,507)	(2,663)	(298)	(940)	(16)	-	(21)	(15)
Conferences and seminars	(1,224)	(461)	(84)	(1,492)	(533)	(94)	(57)	(52)
Training	-	-	(493)	(295)	(115)	-	(14)	(16)
Research and data	(10,373)	(11,537)	(655)	(1,742)	(213)	(1,541)	(1,256)	(1,491)
Unallocated corporate costs	(114)	(121)	(332)	(1,035)	(212)	-	(2,866)	(2,163)
	<b>(15,890)</b>	<b>(14,782)</b>	<b>(2,100)</b>	<b>(6,301)</b>	<b>2,232</b>	<b>(1,617)</b>	<b>(4,227)</b>	<b>(3,747)</b>

	United Kingdom		North America		Rest of World		Total	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's	2013 £000's	2012 £000's
<b>Non-current assets (excluding financial instruments and deferred tax assets) by location:</b>								
Goodwill	106,837	91,555	239,175	237,005	10,562	4,505	356,574	333,065
Other intangible assets	52,650	32,688	95,256	102,223	1,133	1,332	149,039	136,243
Property, plant and equipment	13,673	13,716	2,486	3,309	633	957	16,792	17,982
Investments	702	735	-	-	-	-	702	735
<b>Non-current assets</b>	<b>173,862</b>	<b>138,694</b>	<b>336,917</b>	<b>342,537</b>	<b>12,328</b>	<b>6,794</b>	<b>523,107</b>	<b>488,025</b>
Capital expenditure by location	(1,618)	(431)	(788)	(810)	(295)	(424)	(2,701)	(1,665)

The group has taken advantage of paragraph 23 of IFRS 8 'Operating segments' and does not provide segmental analysis of net assets as this information is not used by the directors in operational decision making or monitoring of the businesses performance.

## 3 Exceptional items

Exceptional items are items of income or expense considered by the directors, either individually or if of a similar type in aggregate, as being either material or significant and which require additional disclosure in order to provide an indication of the underlying trading performance of the group.

	2013 £000's	2012 £000's
Acquisition (costs)/credit	(822)	205
Restructuring and other exceptional costs	(1,395)	(1,822)
Negative goodwill	4,449	-
	<b>2,232</b>	<b>(1,617)</b>

In 2013 the group recognised a net exceptional credit of £2,232,000. This comprised an exceptional credit for negative goodwill offset by acquisition costs, restructuring and other exceptional costs. The negative goodwill of £4,449,000 arose from the valuation of the intangible assets of Quantitative Techniques, acquired for zero consideration. The acquisition costs of £822,000 are in connection with the acquisitions of TTI/Vanguard, Insider Publishing, Centre for Investor Education and Quantitative Techniques. The exceptional restructuring and other charge of £1,395,000 includes restructuring costs to integrate the business and assets of Quantitative Techniques before the completion date and other restructuring costs across the group. The group's tax charge includes a related tax charge of £372,000.

For the year ended September 30 2012 the group recognised an exceptional expense of £1,617,000. This comprised an exceptional restructuring charge of £1,822,000, and acquisition costs of £94,000 offset by a credit of £299,000 following the release of previously accrued costs in relation to the acquisition of Ned Davis Research. The group's tax charge included a related tax credit of £456,000.

#### 4 Finance income and expense

	2013 £000's	2012 £000's
<b>Finance income</b>		
Interest income:		
Interest receivable from DMGT group undertakings	-	18
Interest receivable from short-term investments	233	153
Expected return on pension scheme assets	1,235	1,329
Net movements in acquisition commitment values (note 12)	-	2,940
Movement in acquisition deferred consideration (note 12)	-	35
Fair value gains on financial instruments:		
Ineffectiveness of interest rate swaps and forward contracts	362	-
	<b>1,830</b>	<b>4,475</b>
<b>Finance expense</b>		
Interest expense:		
Interest payable on committed borrowings	(2,561)	(4,728)
Interest payable on loan notes	(2)	(9)
Interest on pension scheme liabilities	(1,302)	(1,314)
Net movements in acquisition commitment values (note 12)	(1,619)	-
Imputed interest on acquisition commitments (note 12)	(1,269)	(977)
Movements in acquisition deferred consideration (note 12)	(4,721)	-
Interest on tax	(710)	(958)
Fair value losses on financial instruments:		
Ineffectiveness of interest rate swaps and forward contracts	-	(55)
	<b>(12,184)</b>	<b>(8,041)</b>
<b>Net finance costs</b>	<b>(10,354)</b>	<b>(3,566)</b>

	2013 £000's	2012 £000's
<b>Reconciliation of net finance costs in Income Statement to adjusted net finance costs</b>		
Total net finance costs in Income Statement	(10,354)	(3,566)
Add back:		
Net movements in acquisition commitment values	1,619	(2,940)
Imputed interest on acquisition commitments	1,269	977
Movements in acquisition deferred consideration	4,721	(35)
	<b>7,609</b>	<b>(1,998)</b>
<b>Adjusted net finance costs</b>	<b>(2,745)</b>	<b>(5,564)</b>

The reconciliation of net finance costs in the Income Statement has been provided since the directors consider it necessary in order to provide an indication of the adjusted net finance costs.

## 5 Tax on profit on ordinary activities

	2013 £000's	2012 £000's
<b>Current tax expense</b>		
UK corporation tax expense	9,732	8,229
Foreign tax expense	12,522	13,243
Adjustments in respect of prior years	(540)	1,294
	<b>21,714</b>	<b>22,766</b>
<b>Deferred tax expense/(credit)</b>		
Current year	1,859	2,759
Adjustments in respect of prior years	(1,338)	(2,997)
	<b>521</b>	<b>(238)</b>
<b>Total tax expense in Income Statement</b>	<b>22,235</b>	<b>22,528</b>
Effective tax rate	<b>23%</b>	<b>24%</b>

The adjusted effective tax rate for the year is set out below:

	2013 £000's	2012 £000's
<b>Reconciliation of tax expense in Income Statement to adjusted tax expense</b>		
Total tax expense in Income Statement	22,235	22,528
Add back:		
Tax on intangible amortisation	5,592	5,146
Tax on exceptional items	(372)	456
	<b>5,220</b>	<b>5,602</b>
Tax on US goodwill amortisation	(4,092)	(6,474)
Tax adjustments in respect of prior years	1,878	1,703
	<b>3,006</b>	<b>831</b>
<b>Adjusted tax expense</b>	<b>25,241</b>	<b>23,359</b>
Adjusted profit before tax (refer to the appendix to the Chairman's Statement)	<b>116,527</b>	<b>106,769</b>
Adjusted effective tax rate	<b>22%</b>	<b>22%</b>

The group presents the above adjusted effective tax rate to help users of this report better understand its tax charge. In arriving at this rate, the group removes the tax effect of items which are adjusted for in arriving at the adjusted profit disclosed in the appendix to the Chairman's Statement. However, the current tax effect of goodwill and intangible items is not removed. The group considers that the resulting adjusted effective tax rate is more representative of its tax payable position, as the deferred tax effect on the goodwill and intangible items is not expected to crystallise.

The UK income tax expense is based on a blended rate of the UK statutory rates of corporation tax during the year to September 30 2013 of 23.5% (2012: 25%) and reflects the reduction in the UK corporation tax rate from 24% to 23% from April 1 2013 and a further reduction to 20% by April 1 2015. This change has resulted in a deferred tax credit of £510,000 (2012: £18,000) arising on the reduction in the carrying value of deferred tax liabilities reflecting the anticipated rate of tax at which those liabilities are expected to reverse.

## 5 Tax on profit on ordinary activities *continued*

The actual tax expense for the year is different from 23.5% of profit before tax for the reasons set out in the following reconciliation:

	2013 £000's	2012 £000's
<b>Profit before tax</b>	<b>95,260</b>	<b>92,368</b>
Tax at 23.5% (2012: 25%)	<b>22,386</b>	23,092
Factors affecting tax charge:		
Different tax rates of subsidiaries operating in overseas jurisdictions	2,914	3,767
Associate income reported net of tax	(67)	(115)
US state taxes	987	833
Goodwill and intangibles	38	32
Disallowable expenditure	2,629	1,325
Other items deductible for tax purposes	(3,607)	(3,824)
Tax impact of consortium relief	(657)	(861)
Deferred tax credit arising from changes in tax laws	(510)	(18)
Adjustments in respect of prior years	(1,878)	(1,703)
<b>Total tax expense for the year</b>	<b>22,235</b>	<b>22,528</b>

In addition to the amount charged to the Income Statement, the following amounts relating to tax have been directly recognised in other comprehensive income and equity:

	Other comprehensive income		Equity	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's
Current tax	-	(602)	(2,058)	-
Deferred tax	197	1,329	(551)	-
	<b>197</b>	<b>727</b>	<b>(2,609)</b>	<b>-</b>

## 6 Dividends

	2013 £000's	2012 £000's
<b>Amounts recognisable as distributable to equity holders in period</b>		
Final dividend for the year ended September 30 2012 of 14.75p (2011: 12.50p)	<b>18,342</b>	15,162
Interim dividend for year ended September 30 2013 of 7.00p (2012: 7.00p)	<b>8,827</b>	8,643
	<b>27,169</b>	23,805
Employees' Share Ownership Trust dividend	(13)	(11)
	<b>27,156</b>	23,794
Proposed final dividend for the year ended September 30	<b>19,917</b>	18,342
Employees' Share Ownership Trust dividend	(9)	(9)
	<b>19,908</b>	18,333

A final dividend of 15.75p per ordinary share (2012: 14.75p) is proposed for the year ended September 30 2013. Subject to shareholder approval at the Annual General Meeting on January 30 2014, this would be paid on Thursday February 13 2014 to shareholders on the register on Friday November 22 2013. It is expected that the shares will be marked ex-dividend on Wednesday November 20 2013.

The proposed final dividend has not been included as a liability in these financial statements in accordance with IAS 10 'Events after the balance sheet date'.

## 7 Earnings per share

	2013 £000's	2012 £000's
<b>Basic earnings attributable to equity holders of the parent</b>	<b>72,623</b>	69,672
Acquired intangible amortisation	15,890	14,782
Exceptional items	(2,232)	1,617
Imputed interest on acquisition commitments	1,269	977
Net movements in acquisition commitment values	1,619	(2,940)
Movements in acquisition deferred consideration	4,721	(35)
Tax on the above adjustments	(5,220)	(5,602)
Tax on US goodwill amortisation	4,092	6,474
Tax adjustments in respect of prior years	(1,878)	(1,703)
<b>Adjusted earnings</b>	<b>90,884</b>	83,242

	2013 Basic earnings per share	2013 Diluted earnings per share	2012 Basic earnings per share	2012 Diluted earnings per share
	Number 000's	Number 000's	Number 000's	Number 000's
Weighted average number of shares	125,532	125,532	122,859	122,859
Shares held by the Employees' Share Ownership Trust	(59)	(59)	(59)	(59)
<b>Weighted average number of shares</b>	<b>125,473</b>	<b>125,473</b>	122,800	122,800
Effect of dilutive share options		2,605		3,490
<b>Diluted weighted average number of shares</b>		<b>128,078</b>		126,290

	Basic pence per share	Diluted pence per share	Basic pence per share	Diluted pence per share
<b>Basic earnings per share</b>	<b>57.88</b>	<b>57.88</b>	56.74	56.74
Effect of dilutive share options		(1.18)		(1.57)
<b>Diluted earnings per share</b>		<b>56.70</b>		55.17
Effect of acquired intangible amortisation	12.66	12.41	12.04	11.70
Effect of exceptional items	(1.78)	(1.74)	1.32	1.28
Effect of imputed interest on acquisition commitments	1.01	0.99	0.80	0.77
Effect of net movement in acquisition commitment values	1.29	1.26	(2.39)	(2.33)
Effect of movements in acquisition deferred consideration	3.76	3.69	(0.03)	(0.03)
Effect of tax on the above adjustments	(4.15)	(4.07)	(4.57)	(4.43)
Effect of tax on US goodwill amortisation	3.26	3.19	5.27	5.13
Effect of tax adjustments in respect of prior years	(1.50)	(1.47)	(1.39)	(1.35)
<b>Adjusted basic and diluted earnings per share</b>	<b>72.43</b>	<b>70.96</b>	67.79	65.91

The adjusted diluted earnings per share figure has been disclosed since the directors consider it necessary in order to give an indication of the underlying trading performance.

All of the above earnings per share figures relate to continuing operations.



## 8 Acquisitions

### Purchase of new business

#### TTI Technologies, LLC (TTI/Vanguard)

On December 21 2012, the group acquired 87.2% of the equity of TTI/Vanguard, a US-based private membership organisation for executives who lead technology innovation in global organisations, for US\$8,063,000 (£5,031,000) followed by a working capital adjustment of £91,000 in June 2013. The acquisition of TTI/Vanguard is consistent with the group's strategy of acquiring high-quality events businesses and accelerating their growth globally.

The remaining 12.8% equity holding will be acquired in two instalments of 7.4% in March 2014 based on a pre-determined multiple of the profits for the year to December 31 2013, and 5.4% in March 2015 based on a pre-determined multiple of the profits for the year to December 31 2014. The total discounted amount that the group expects to pay at September 30 2013 under the earn-out agreement is US\$678,000 (£418,000) calculated using the group's WACC.

The acquisition accounting is provisional pending final determination of the fair value of the assets and liabilities acquired. During the year changes have been made to the cash payable following changes in the working capital calculation and the accounting policy alignment of property, plant and equipment. Following these true-up adjustments, the related goodwill, fair value of net assets acquired and consideration are set out as follows:

	Book value £000's	Fair value adjustments £000's	Provisional fair value March 31 2013 £000's	Change £000's	Provisional fair value Sept 30 2013 £000's
<b>Net assets:</b>					
Intangible assets	-	2,900	2,900	-	2,900
Property, plant and equipment	5	-	5	(5)	-
Trade and other receivables	497	-	497	-	497
Cash and cash equivalents	1,176	-	1,176	-	1,176
Trade and other payables	(1,715)	-	(1,715)	(303)	(2,018)
	<b>(37)</b>	<b>2,900</b>	<b>2,863</b>	<b>(308)</b>	<b>2,555</b>
<b>Non-controlling interest</b>			<b>(366)</b>	<b>39</b>	<b>(327)</b>
<b>Net assets acquired (87%)</b>			<b>2,497</b>	<b>(269)</b>	<b>2,228</b>
<b>Goodwill</b>			<b>2,534</b>	<b>360</b>	<b>2,894</b>
<b>Total consideration</b>			<b>5,031</b>	<b>91</b>	<b>5,122</b>
<b>Consideration satisfied by:</b>					
Cash			<b>5,031</b>	<b>-</b>	<b>5,031</b>
Working capital adjustment			<b>-</b>	<b>91</b>	<b>91</b>
			<b>5,031</b>	<b>91</b>	<b>5,122</b>
<b>Net cash outflow arising on acquisition:</b>					
Cash consideration					<b>5,031</b>
Less: cash and cash equivalent balances acquired					<b>(1,176)</b>
					<b>3,855</b>

Intangible assets represent brands of US\$3,189,000 (£1,990,000) and customer relationships of US\$1,460,000 (£910,000), for which amortisation of £484,000 has been charged in the year. The brands and customer relationships will be amortised over their useful economic lives of up to 20 years and ten years respectively.

Goodwill arises from the anticipated profitability and future operating synergies from combining the acquired operations within the group. All of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the assets acquired includes trade receivables of US\$763,000 (£476,000) all of which are contracted and expected to be collectable.

The non-controlling interest recognised on acquisition of £327,000 represents the proportionate share of the net assets acquired.

TTI/Vanguard contributed £2,028,000 to the group's revenue, £488,000 to the group's operating profit and £308,000 to the group's profit after tax for the period between the date of acquisition and September 30 2013. In addition, acquisition related costs of £97,000 were incurred and recognised as an exceptional item in the Income Statement for the year ended September 30 2013 (note 3). If the above acquisition had been completed on the first day of the financial year, TTI/Vanguard would have contributed £2,739,000 to the group's revenue for the year and £631,000 to the group's adjusted profit before tax for the year (excluding exceptional costs above).



## 8 Acquisitions continued

### Purchase of new business continued

#### TTI Technologies, LLC (TTI/Vanguard) continued

Following a sensitivity analysis of the remaining interest applying reasonably possible assumptions and a 10% change in expected profits, the potential undiscounted amount of all future payments that the group could be required to make under this earn-out arrangement is between £406,000 and £497,000. The maximum amount payable for 100% of TTI/Vanguard is US\$15,000,000 (£9,263,000).

#### Insider Publishing

On March 19 2013, the group acquired 100% of the equity share capital of Insider Publishing Limited, a leading information source and events provider for the international insurance and reinsurance markets, for an initial cash consideration of £14,148,000, followed by a working capital adjustment of £2,549,000 in June 2013. The acquisition is consistent with the group's strategy of investing in specialist online information businesses and using its global reach to drive further growth.

At acquisition a discounted deferred consideration of £8,342,000 was recognised. In May 2013, deferred consideration of £251,000 was paid and the remaining discounted deferred consideration of £8,091,000 was expected to be paid between March 2014 and March 2015 dependent upon the audited results of the business for the average of the 2013 and 2014 calendar years. The discounted expected payment under this mechanism increased to £11,081,000 at September 30 2013 resulting in a charge to the Income Statement of £2,990,000. At the date of acquisition, £2,400,000 of the expected deferred consideration was paid in advance into escrow.

The acquisition accounting is provisional pending final determination of the fair value of the assets and liabilities acquired. During the year changes have been made to the cash payable following changes in the working capital calculation, net assets acquired following the finalisation of the valuation model and forecasts as of the date of acquisition, and deferred consideration to reflect the updated forecasts. Following these true-up adjustments, the related goodwill, fair value of net assets acquired and consideration are set out as follows:

	Book value £000's	Fair value adjustments £000's	Provisional fair value March 31 2013 £000's	Change £000's	Provisional fair value Sept 30 2013 £000's
<b>Net assets:</b>					
Intangible assets	-	9,377	9,377	1,362	10,739
Property, plant and equipment	-	-	-	14	14
Trade and other receivables	-	-	-	644	644
Cash and cash equivalents	3,485	-	3,485	51	3,536
Trade and other payables	(3,485)	-	(3,485)	566	(2,919)
Deferred tax liabilities	-	(2,157)	(2,157)	(98)	(2,255)
	-	7,220	7,220	2,539	9,759
<b>Net assets acquired (100%)</b>			7,220	2,539	9,759
<b>Goodwill</b>			13,493	1,787	15,280
<b>Total consideration</b>			20,713	4,326	25,039
<b>Consideration satisfied by:</b>					
Cash			14,148	-	14,148
Working capital adjustment			-	2,549	2,549
Deferred consideration			6,565	1,777	8,342
			20,713	4,326	25,039
<b>Net cash outflow arising on acquisition:</b>					
Cash consideration					14,148
Less: cash and cash equivalent balances acquired					(3,536)
					10,612

Intangible assets represent brands of £3,259,000 and customer relationships of £7,480,000, for which amortisation of £1,672,000 has been charged in the year. The brands and customer relationships will be amortised over their useful economic lives of up to 20 years and ten years respectively.

Goodwill arises from the anticipated profitability and future operating synergies from combining the acquired operations within the group. The goodwill recognised is not expected to be deductible for income tax purposes.

The fair value of the assets acquired includes trade receivables of £494,000 all of which are contracted and expected to be collectable.

## 8 Acquisitions continued

### Purchase of new business continued

#### Insider Publishing continued

Insider Publishing contributed £3,052,000 to the group's revenue, £1,528,000 to the group's operating profit and £1,155,000 to the group's profit after tax for the period between the date of acquisition and September 30 2013. In addition, acquisition related costs of £301,000 were incurred and recognised as an exceptional item in the Income Statement for the year ended September 30 2013 (note 3). If the above acquisition had been completed on the first day of the financial year, Insider Publishing would have contributed £5,300,000 to the group's revenue for the year and £2,432,000 to the group's adjusted profit before tax for the year (excluding exceptional costs above).

The discounted deferred consideration is based on a pre-determined multiple of the average results of the business for the period to December 31 2013 and 2014 and is calculated using the group's WACC. Following a sensitivity analysis of the deferred consideration applying reasonably possible assumptions and a 10% change in expected profits, the potential undiscounted amount of all future payments, including the amount paid into escrow, that the group could be required to make under this deferred consideration arrangement is between £9,831,000 and £15,215,000. The maximum amount payable for 100% of Insider Publishing is £31,000,000.

#### Centre for Investor Education (CIE)

On April 18 2013, the group acquired 75% of the trade and assets of CIE, a leading Australian provider of investment forums for senior executives of superannuation funds and global asset management firms, for A\$10,800,000 (£7,415,000) offset by a working capital adjustment receipt of £929,000 in July 2013. By combining CIE with the expertise and relationships of Institutional Investor's forums and memberships, the group expects to consolidate its leading position in the global asset management events sector.

A discounted deferred consideration of A\$5,586,000 (£3,835,000) was expected to be paid between March 2014 and March 2015 dependent upon the audited results of the business for the 2013 and 2014 calendar years. The expected payment under this mechanism increased to A\$8,737,000 (£5,044,000) at September 30 2013 resulting in a charge to the Income Statement of £1,209,000. In April 2013, A\$3,600,000 (£2,472,000) of the deferred consideration was paid in advance into escrow.

The remaining 25% interest in the trade and assets of CIE will be acquired in two equal instalments based on the profits for the calendar years to 2014 and 2015. The total discounted amount that the group expects to pay at September 30 2013 under this earn-out agreement is A\$7,315,000 (£4,224,000).

The acquisition accounting is set out below and is provisional pending final determination of the fair value of the assets and liabilities acquired:

	Book value £000's	Fair value adjustments £000's	Provisional fair value £000's
<b>Net assets:</b>			
Goodwill	1,727	(1,727)	-
Intangible assets	-	5,168	5,168
Property, plant and equipment	10	(10)	-
Trade and other receivables	598	-	598
Cash and cash equivalents	911	-	911
Trade and other payables	(2,566)	-	(2,566)
Deferred tax liabilities	-	188	188
	<b>680</b>	<b>3,619</b>	<b>4,299</b>
<b>Non-controlling interest</b>			<b>(1,075)</b>
<b>Net assets acquired (75%)</b>			<b>3,224</b>
<b>Goodwill</b>			<b>7,097</b>
<b>Total consideration</b>			<b>10,321</b>
<b>Consideration satisfied by:</b>			
Cash			7,415
Working capital adjustment			(929)
Deferred consideration			3,835
			<b>10,321</b>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration			7,415
Less: cash and cash equivalent balances acquired			(911)
			<b>6,504</b>

Intangible assets represent brands of A\$5,548,000 (£3,809,000) and customer relationships of A\$1,980,000 (£1,359,000), for which amortisation of £178,000 has been charged in the year. The brands and customer relationships will be amortised over their useful economic lives of up to 15 years and ten years respectively.

## 8 Acquisitions *continued*

### *Purchase of new business continued*

#### *Centre for Investor Education (CIE) continued*

Goodwill arises from the anticipated profitability and future operating synergies from combining the acquired operations within the group. The goodwill recognised is not expected to be deductible for income tax purposes.

The fair value of the assets acquired includes trade receivables of A\$804,000 (£552,000) all of which are contracted and expected to be collectable.

The non-controlling interest recognised on acquisition of £1,075,000 represents the proportionate share of the net assets acquired.

CIE contributed £1,119,000 to the group's revenue, £575,000 to the group's operating profit and £454,000 to the group's profit after tax for the period between date of acquisition and September 30 2013. In addition, acquisition related costs of £157,000 were incurred and recognised as an exceptional item in the Income Statement for the year ended September 30 2013 (note 3). If the above acquisition had been completed on the first day of the financial year, CIE would have contributed £2,685,000 to the group's revenue for the year and £1,275,000 to the group's adjusted profit before tax for the year (excluding exceptional costs above).

The discounted deferred consideration is based on a pre-determined multiple of the results of the business for the period to December 31 2013 and is calculated using the group's WACC. Following a sensitivity analysis for the fair value of the deferred consideration applying reasonably possible assumptions and a 10% change in expected profits, the potential undiscounted amount of all future payments, including the amount paid into escrow, that the group could be required to make under this deferred consideration arrangement is between £4,156,000 and £6,466,000.

Following a sensitivity analysis of the remaining interest applying reasonably possible assumptions and a 10% change in expected profits, the potential undiscounted amount of all future payments that the group could be required to make under this earn-out arrangement is between £4,486,000 and £5,483,000. The maximum amount payable for 100% of CIE is A\$30,000,000 (£17,322,000).

#### *Quantitative Techniques (QT)*

On April 3 2013, the group signed a binding agreement with HSBC to acquire its QT operation for £1. QT is the benchmark and calculation agent business of HSBC Bank plc and creates and maintains more than 100 equity and bond indices for HSBC's Global Markets division as well as over 60 external clients. Completion of the sale took place on September 30 2013 after a transition phase. HSBC has agreed to purchase index calculation services from QT for a minimum period of three years from the date of completion. The group believes the acquisition creates an opportunity to establish a significant footprint in the index compilation market. The business has been rebranded *Euromoney Indices*.

The acquisition accounting is set out below and is provisional pending final determination of the fair value of the assets and liabilities acquired:

	Book value £000's	Fair value adjustments £000's	Provisional fair value £000's
<b>Net assets:</b>			
Intangible assets	-	4,572	4,572
Trade and other receivables	447	-	447
Trade and other payables	(554)	(16)	(570)
	<b>(107)</b>	<b>4,556</b>	<b>4,449</b>
<b>Net assets acquired (100%)</b>			<b>4,449</b>
<b>Negative goodwill</b>			<b>(4,449)</b>
<b>Total consideration</b>			<b>-</b>

Intangible assets represent trademarks of £1,203,000 and customer relationships of £3,369,000, for which no amortisation has been charged in the year. The trademarks and customer relationships will be amortised over their useful economic lives of up to 20 years and ten years respectively.

Negative goodwill arose from the valuation of intangible assets acquired for zero consideration. The negative goodwill is credited to the Income Statement within exceptional items (note 3) and is expected to be taxable for income tax purposes.

As the acquisition of QT was completed on the last day of the financial year it did not contribute to the group's revenue or profit. Acquisition related costs of £215,000 and restructuring costs of £581,000 were incurred and recognised as an exceptional item in the Income Statement for the year ended September 30 2013 (note 3). Due to the nature of the operation acquired it is not possible to provide the contribution to the group's revenue and adjusted profit before tax.

## 8 Acquisitions continued

### Increase in equity holdings

#### Internet Securities, Inc. (ISI)

The group held a call option to enable it to purchase the remaining non-controlling interest in ISI and this was exercised in January 2013. The option value was based on the valuation of ISI as determined under a methodology provided by an independent financial adviser. Under the terms of the option agreement consideration caps had been put in place that required the maximum consideration payable to option holders to be capped at an amount such that the results of any relevant class tests would, at the relevant time, fall below the requirement for shareholder approval. In March 2013, under this call option mechanism, the group purchased the remaining 0.08% of the equity share capital of ISI for a cash consideration of US\$102,000 (£67,000), increasing the group's equity shareholding in ISI to 100%.

#### Structured Retail Products Limited (SRP)

In April 2013, the group purchased 0.76% of the equity share capital of SRP from some its employees for a cash consideration of £86,000, representing the fair value of 0.76% of assets at date of acquisition, increasing the group's equity shareholding in SRP to 98.94%.

## 9 Goodwill and other intangibles

	Acquired intangible assets					Intangible assets in development	Goodwill	Total
	Trademarks & brands	Customer relation-ships	Databases	Total acquired intangible assets	Licences & software			
	2013	2013	2013	2013	2013	2013	2013	2013
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2013</b>								
<b>Cost/carrying amount</b>								
At October 1 2012	139,259	77,103	9,171	225,533	2,865	625	362,267	591,290
Additions	-	-	-	-	216	6,098	-	6,314
Acquisitions (note 8)	10,261	13,118	-	23,379	-	-	25,271	48,650
Disposals	-	-	-	-	(41)	-	-	(41)
Exchange differences	(884)	(362)	(21)	(1,267)	(17)	(33)	(2,020)	(3,337)
<b>At September 30 2013</b>	<b>148,636</b>	<b>89,859</b>	<b>9,150</b>	<b>247,645</b>	<b>3,023</b>	<b>6,690</b>	<b>385,518</b>	<b>642,876</b>
<b>Amortisation and impairment</b>								
At October 1 2012	47,480	37,572	5,262	90,314	2,466	-	29,202	121,982
Amortisation charge	7,479	7,572	839	15,890	301	-	-	16,191
Disposals	-	-	-	-	(41)	-	-	(41)
Exchange differences	(213)	(323)	(58)	(594)	(17)	-	(258)	(869)
<b>At September 30 2013</b>	<b>54,746</b>	<b>44,821</b>	<b>6,043</b>	<b>105,610</b>	<b>2,709</b>	<b>-</b>	<b>28,944</b>	<b>137,263</b>
<b>Net book value/carrying amount at September 30 2013</b>	<b>93,890</b>	<b>45,038</b>	<b>3,107</b>	<b>142,035</b>	<b>314</b>	<b>6,690</b>	<b>356,574</b>	<b>505,613</b>

	Acquired intangible assets					Intangible assets in development	Goodwill	Total
	Trademarks & brands	Customer relation-ships	Databases	Total acquired intangible assets	Licences & software			
	2012	2012	2012	2012	2012	2012	2012	2012
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>2012</b>								
<b>Cost/carrying amount</b>								
At October 1 2011	142,324	78,683	9,440	230,447	2,761	-	366,395	599,603
Additions	-	-	-	-	194	625	-	819
Acquisitions	719	553	-	1,272	-	-	5,248	6,520
Exchange differences	(3,784)	(2,133)	(269)	(6,186)	(90)	-	(9,376)	(15,652)
<b>At September 30 2012</b>	<b>139,259</b>	<b>77,103</b>	<b>9,171</b>	<b>225,533</b>	<b>2,865</b>	<b>625</b>	<b>362,267</b>	<b>591,290</b>
<b>Amortisation and impairment</b>								
At October 1 2011	41,433	32,429	3,736	77,598	2,200	-	29,763	109,561
Amortisation charge	7,339	5,761	1,682	14,782	339	-	-	15,121
Exchange differences	(1,292)	(618)	(156)	(2,066)	(73)	-	(561)	(2,700)
<b>At September 30 2012</b>	<b>47,480</b>	<b>37,572</b>	<b>5,262</b>	<b>90,314</b>	<b>2,466</b>	<b>-</b>	<b>29,202</b>	<b>121,982</b>
<b>Net book value/carrying amount at September 30 2012</b>	<b>91,779</b>	<b>39,531</b>	<b>3,909</b>	<b>135,219</b>	<b>399</b>	<b>625</b>	<b>333,065</b>	<b>469,308</b>

## 10 Deferred income

	2013 £000's	2012 £000's
Deferred subscription income	90,401	81,020
Other deferred income	26,895	24,086
	<b>117,296</b>	<b>105,106</b>

## 11 Called up share capital

	2013 £000's	2012 £000's
<b>Allotted, called up and fully paid</b>		
126,457,324 ordinary shares of 0.25p each (2012: 124,349,531 ordinary shares of 0.25p each)	<b>316</b>	<b>311</b>

During the year, 2,107,793 ordinary shares of 0.25p each (2012: 3,102,151 ordinary shares) with an aggregate nominal value of £5,270 (2012: £7,755) were issued as follows: 2,107,793 ordinary shares (2012: 720,741 ordinary shares) following the exercise of share options granted under the company's share option schemes for a cash consideration of £2,228,590 (2012: £1,058,834). In addition last year 2,381,410 shares were issued under the company's 2009 scrip dividend alternative for a cash consideration of £nil. There was no scrip dividend alternative offered in 2013.

## 12 Acquisition commitments and deferred consideration

The group is party to contingent consideration arrangements in the form of both acquisition commitments and deferred consideration payments. IAS 39 'Financial Instruments' requires the group to recognise the discounted present value of the contingent consideration. This discount is unwound as a notional interest charge to the Income Statement. The group regularly performs a review of the underlying businesses to assess the impact on the fair value of the contingent consideration. Any resultant change in these fair values is reported as a finance income or expense in the Income Statement.

	Acquisition commitments		Deferred consideration	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's
At October 1	7,868	11,001	77	1,131
Additions from acquisitions during the year	4,404	-	12,177	(407)
Net movements during the year (note 4)	1,619	(2,940)	3,887	(35)
Imputed interest (note 4)	1,269	977	834	-
Exercise of commitments	(82)	(831)	-	-
Paid during the year	-	-	(5,329)	(612)
Exchange differences	(41)	(339)	-	-
<b>At September 30</b>	<b>15,037</b>	<b>7,868</b>	<b>11,646</b>	<b>77</b>

An expense of £2,888,000 (2012: net income of £1,963,000) was recorded in finance income and expense (note 4) for acquisition commitments and £4,721,000 (2012: net income of £35,000) for deferred consideration.

### Maturity profile of contingent consideration:

	Acquisition commitments		Deferred consideration	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's
Prepayments (included in trade and other receivables)	-	-	(4,479)	-
Within one year (included in current liabilities)	539	4,273	7,040	77
In more than one year (included in non-current liabilities)	14,498	3,595	9,085	-
	<b>15,037</b>	<b>7,868</b>	<b>11,646</b>	<b>77</b>

The prepayment represents deferred consideration paid in advance into escrow following the acquisitions of Insider Publishing (£2,400,000) and CIE (A\$3,600,000, (£2,079,000)) (note 8).

There is a deferred tax asset of £168,000 (2012: £nil) related to the acquisition commitments as at September 30 2013.

## 12 Acquisition commitments and deferred consideration *continued*

During the year, the terms of the put option agreement for Ned Davis Research (NDR) were amended to defer the earn-out payment to early 2017 and to combine the payment into one instalment based on a revised pre-determined multiple of the average results of the business for the periods to September 30 2015 and 2016. As a result, the expected liability under this mechanism, discounted using the group's WACC, has increased from £7,812,000 at September 30 2012 to £10,395,000 at September 30 2013 resulting in a charge to the Income Statement of £2,621,000 and a foreign exchange gain of £38,000 in reserves.

A sensitivity analysis of the fair value of the acquisition commitments, using a reasonably possible increase or decrease of 10% in expected profits, results in the liability at September 30 2013 increasing or decreasing by £1,504,000 with the corresponding change to the value at September 30 2013 charged or credited to the Income Statement in future periods.

A sensitivity analysis of the fair value of the deferred consideration payments, using a reasonably possible increase or decrease of 10% in expected profits, results in the liability at September 30 2013 increasing or decreasing by £3,483,000 with the corresponding change to the value at September 30 2013 charged or credited to the Income Statement in future periods.

## 13 Related party transactions

The group has taken advantage of the exemption allowed under IAS 24 'Related party disclosures' not to disclose transactions and balances between group companies that have been eliminated on consolidation. Other related party transactions and balances are detailed below:

- (i) The group had borrowings under a US\$300 million multi-currency facility with DMGRH Finance Limited, a Daily Mail and General Trust plc (DMGT) group company as follows:

	2013 US\$000's	2013 £000's	2012 US\$000's	2012 £000's
Amounts owing under US\$ facility at September 30	34,782	21,478	62,381	38,631
Amounts owing under GBP facility at September 30	-	-	-	4,523
Amounts due under current account facility at September 30	(2,108)	(1,301)	-	-
		<u>20,177</u>		<u>43,154</u>
Commitment fee on unused portion of the available facility for the year	-	856	-	618

- (ii) During the year the group expensed services provided by DMGT, the group's parent, and other fellow group companies, as follows:

	2013 £000's	2012 £000's
Services expensed	424	444

- (iii) At September 30, the group had fixed rate interest rate swaps outstanding with Daily Mail and General Holdings Limited (DMGH), a fellow group company, as follows:

	2013 US\$000's	2013 £000's	2012 US\$000's	2012 £000's
US\$ fixed rate interest rate swaps (2012: Interest rates between 2.5% and 5.4% and termination dates March 28 2013 and September 30 2013)	-	-	40,000	24,771
GBP fixed rate interest rate swaps (2012: Interest rate of 2.6% and termination date of March 28 2013)	-	-	-	5,000

During the year the group paid interest to DMGH and related companies in respect of interest rate swaps as follows:

	2013 US\$000's	2013 £000's	2012 US\$000's	2012 £000's
US\$ interest paid	963	617	2,353	1,488
GBP interest paid	-	50	-	504



### 13 Related party transactions *continued*

(iv) In January 2011, the group granted an Indian Rupee 112 million loan facility to RMSI Private Limited, a DMGT group company, at a 10.5% fixed interest rate. The loan was repaid to the group on November 21 2011.

	2013 INR 000's	2013 £000's	2012 INR 000's	2012 £000's
Interest income during the year	-	-	1,476	18

(v) During the year DMGT group companies surrendered tax losses to Euromoney Consortium Limited under an agreement between the two groups. These tax losses are relievably against UK taxable profits of the group under HMRC's consortium relief rules:

	2013 £000's	2012 £000's
Amounts payable	1,971	2,584
Tax losses with tax value	2,628	3,445

(vi) During the year DMGT group companies surrendered tax losses to Euromoney Consortium 2 Limited under an agreement between the two groups. These tax losses are relievably against UK taxable profits of the group under HMRC's consortium relief rules:

	2013 £000's	2012 £000's
Amounts payable	565	631
Tax losses with tax value	754	841
Amounts owed to DMGT Group at September 30	473	-

(vii) During the year the group received a dividend of £268,000 (2012: £291,000) from Capital NET Limited, an associate of the group.

### 14 Events after the balance sheet date

#### **Purchase of new business**

##### *Infrastructure Journal (IJ)*

On October 15 2013, the group signed a binding agreement with Top Right Group to acquire 100% of the trade and assets of IJ, a leading provider of online data, intelligence and events for the global infrastructure sector, for a consideration of £12,500,000. The transaction completed, after the required TUPE (Transfer of Undertakings (Protection of Employment)) consultation period, on October 31 2013. The acquisition of IJ is consistent with group's strategy of investing in online subscription and events businesses which will benefit from its global reach. With its strong brand and market recognition, IJ's editorial proposition and geographic reach complements the group's Project Finance brand which it has owned for 25 years.

The additional IFRS 3 (2008) 'Business Combinations' disclosures are not provided because the initial accounting for the business combination is incomplete at the time this report is authorised for issue.

#### **Investment**

##### *Family Office Network Limited*

On October 1 2013, the group invested US\$264,000 (£165,000) in 51% of the equity share capital of Family Office Network Limited, a new company whose principal activity is the provision of an online community for single and multi family offices. The group has the option to purchase a further 24% equity holding of Family Office Network Limited in September 2017.

There were no other events after the balance sheet date.

## 15 Principal risks and uncertainties

The principal risks and uncertainties the group faces vary across the different businesses and are identified in the group's risk register. Management of significant risk is regularly on the agenda of the board and other senior management meetings.

The geographical spread and diverse portfolio of businesses within the group help to dilute the impact of some of the group's key risks.

The group's principal risks and uncertainties are summarised below. The arrows provide a pictorial indication in the change in riskiness of each principal risk compared to last year.

### Downturn in economy or market sector

The group generates significant income from certain key geographical regions and market sectors for its publishing, events, research and data businesses.

#### Potential impact

Uncertainty in global financial markets increases the risk of a downturn or potential collapse in one or more areas of the business. If this occurs income is likely to be adversely affected and for events businesses some abandonment costs may also be incurred.

#### Mitigation

The group has a diverse product mix and operates in many geographical locations. This reduces dependency on any one sector or region. Management has the ability to cut costs quickly if required or to switch the group's focus to new or unaffected markets e.g. through development of new vertical markets or transferring events to better performing regions.

### Travel risk

The conference, seminar and training businesses account for approximately a third of the group's revenues and profits. The success of these events and courses relies heavily on the confidence in and ability of delegates and speakers to travel internationally.

#### Potential impact

Significant disruptions to or reductions in international travel for any reason could lead to events and courses being postponed or cancelled and could have a significant impact on the group's performance.

Past incidents such as transport strikes, extreme weather including hurricanes, terrorist attacks, fears over SARS and swine flu, and natural disasters such as the disruption from volcanic ash in Europe, have all had a negative impact on the group's results, although none materially.

#### Mitigation

Where possible, contingency plans are in place to minimise the disruption from travel restrictions. Events can be postponed or moved to another location, or increasingly can be attended remotely using online technologies. Cancellation and abandonment insurance is in place for the group's largest events.

### Compliance with laws and regulations

Group businesses are subject to legislation and regulation in the jurisdictions in which they operate. The key laws and regulations that may have an impact on the group cover areas such as libel, bribery and corruption, competition, data protection, privacy (including e-privacy), health and safety and employment law. Additionally, specific regulations from the Audit Bureau of Circulations apply to published titles (see incorrect circulation claims below).

#### Potential impact

A breach of legislation or regulations could have a significant impact on the group in terms of additional costs, management time and reputational damage.

In recent years responsibilities for managing data protection have increased significantly. The emergence of new online technology is further driving legislation and responsibilities for managing data privacy. Failure to comply with data protection and privacy laws could result in significant financial penalties and reputational damage.

#### Mitigation

Compliance with laws and regulations is taken seriously throughout the group. The group's Code of Conduct (and supporting policies) sets out appropriate standards of business behaviour and highlights the key legal and regulatory issues affecting group businesses. Divisional and local management are responsible for compliance with applicable local laws and regulations, overseen by the executive committee and the board.

The group has strict policies and controls in place for the management of data protection and privacy with staff receiving relevant training. This year the group began rolling out new website technology across its online businesses to reinforce legal and regulatory compliance.

Controls are also in place to comply with the Audit Bureau of Circulation's regulations and other regulatory bodies to which the group adheres.



**Data integrity, availability and cyber security**



The group uses large quantities of data including customer, employee and commercial data in the ordinary course of its business. The group also publishes data (see published content risk below). The integrity, availability and security of this data is key to the success of the group. Risk to the group's data has increased as a result of the growing number of cyber attacks affecting organisations around the world.

**Potential Impact**

Any challenge to the integrity or availability of information that the group relies upon could result in operational and regulatory challenges, costs to the group, reputational damage to the businesses and the permanent loss of revenue. This risk has increased as the threat of cyber attack has become more significant. A successful cyber attack could cause considerable disruption to business operations.

The wider use of social media has also increased information risk as negative comments made about the group's products can now spread more easily.

Although technological innovations in mobile working, the introduction of cloud-based technologies and the growing use of social media present opportunities for the group, they also introduce new information security risks that need to be managed carefully.

**Mitigation**

The group has comprehensive information security standards and policies in place which are reviewed on a regular basis. Access to key systems and data is restricted, monitored, and logged with auditable data trails. Restrictions are in place to prevent unauthorised data downloads. The group is subject to regular internal information security audits, supplemented by expert external resource. The group continues to invest in appropriate cyber defences including implementation of intrusion detection systems to mitigate the risk of unauthorised access. The group's Information Security Group meets regularly to consider and address cyber risks.

Comprehensive back-up plans for IT infrastructure and business data are in place to protect the businesses from unnecessary disruption.

The group has professional indemnity insurance.

**London, New York, Montreal or Hong Kong wide disaster**



The group's main offices are located in London, New York, Montreal and Hong Kong. A significant incident affecting these cities could lead to disruption to group operations.

**Potential Impact**

An incident affecting one or more of the key offices could disrupt the ordinary operations of the businesses at these locations; a region-wide disaster affecting all offices could have much worse implications with serious management and communication challenges for the group and a potential adverse affect on results.

The risk of office space becoming unusable for a prolonged period and a lack of suitable alternative accommodation in the affected area could also cause significant disruption to the business and interfere with delivery of products and services.

Incidents affecting key clients or staff in these regions could also give rise to the risk of not achieving forecast results.

**Mitigation**

Business continuity plans are in place for all businesses. These plans are refreshed annually and a programme is in place for testing. If required, employees can work remotely.

The group has robust IT systems with key locations (including the UK, US, Canada and Asia) benefiting from offsite data back-ups, remote recovery sites and third-party 24-hour support contracts for key applications.

The group's business continuity planning helped its New York office to recover quickly and effectively from the significant disruption caused by Hurricane Sandy in 2012.

**Published content risk**



The group generates a significant amount of its revenue from publishing magazines, journals or information and data online. As a result, there is an inherent risk of error which, in some instances, may give rise to claims for libel. The rapid development of social media has increased this risk.

The transition to online publishing means content is being distributed far quicker and more widely than ever before. This has introduced new challenges for securing and delivering content and effective management of content rights and royalties.

The business also publishes databases and data services with a particular focus on high-value proprietary data. There is the potential for errors in data collection and data processing. The group publishes industry pricing benchmarks for the metals markets and more than 100 equity and bond indices. The group also runs more than 100 reader polls and awards each year.

Potential Impact	Mitigation
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A successful libel claim could damage the group's reputation. The rise in use of social media, and in particular blogging, has further increased this risk. Damage to the reputation of the group arising from libel could lead to a loss of revenue, including income from advertising. In addition there could be costs incurred in defending the claim.

The group runs mandatory annual libel courses for all journalists and editors. Controls are in place, including legal review, to approve content that may carry a libel risk. The group also has editorial controls in place for publishing using social media and this activity is monitored carefully.

The failure to manage content redistribution rights and royalty agreements could lead to overpayment of royalties, loss of intellectual property and additional liabilities for redistribution of content.

The group's policy is to own its content and manage redistribution rights tightly. Royalty and redistribution agreements are in place to mitigate risks arising from online publishing.

The integrity of the group's published data is critical to the success of the group's database, research and data services. The group also publishes extensive pricing information and indices for the global metals industries and financial markets. Errors in published data, price assessments or indices could affect the reputation of the group leading to fewer subscribers and lower revenues.

The group has implemented tight controls for the verification, cleaning and processing of data used in its database, research and data services.

Any challenge to the integrity of polls and awards could damage the reputation of the product and by association the rest of the group, resulting in legal costs and a permanent loss of revenue.

The group's processes and methodologies for assessing metals and other commodity prices and calculating indices are clearly defined and documented. All employees involved with publishing pricing information or indices receive relevant training. Robust contractual disclaimers are in place for all businesses that publish pricing data, benchmarks and indices.

Polls and awards are regularly audited and a firewall is in place between the commercial arm of the business and the editors involved in the polls and awards.

Key staff are aware of the significant risks associated with publishing content and strong internal controls are in place for reporting to senior management if a potential issue arises. The group also has libel insurance and professional indemnity cover.

**Incorrect circulation or audience claims**



The group publishes over 70 titles and sells advertising based partly on circulation and online audience figures. An incorrect claim for circulation or audience could adversely affect the group's reputation.

Potential impact	Mitigation
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A claim resulting from an incorrect circulation or audience claim could lead to the permanent loss of advertisers and other revenue and damage to the reputation of the group.

The group audits the circulation figures of every publication regularly and monitors related internal controls. A strict approval system is in place for all media packs. Detailed guidance is provided to all relevant employees, and their understanding of the rules is regularly monitored.

There are a large number of mutually exclusive titles and it is unlikely that an incorrect circulation claim, should it arise, would affect the circulation of other titles within the wider group.

Similar controls are applied to claims for electronic publishing activities including online traffic reporting.

**Loss of key staff**



The group is reliant on key management and staff across all of its businesses. Many products are dependent on specialist, technical expertise.

**Potential impact**

The inability to recruit and retain talented people could affect the group's ability to maintain its performance and deliver growth.

When key staff leave or retire, there is a risk that knowledge or competitive advantage is lost.

**Mitigation**

Long-term incentive plans are in place for key staff to encourage retention. The directors remain committed to recruitment and retention of high-quality management and talent, and provide a programme of career opportunity and progression for employees including extensive training and international transfer opportunities.

Succession planning is in place for senior management. In 2012, following an independent and rigorous selection process PR Ensor, managing director, succeeded PM Fallon as executive chairman. CHC Fordham, an executive director since 2003, succeeded Mr Ensor.

**Failure of central back-office technology**



The business has invested significantly in central back-office technology to support the transition of the business from print to online publishing. The back-office provides customer and product management, digital rights management, e-commerce and performance and activity reporting. The platform supports a large share of the group's online requirements including key activities for publishing, events and data businesses. The back-office technology is critical to the successful functioning of the online business and hence carries a significant amount of risk.

**Potential impact**

A failure of the back-office technology may affect the performance, data integrity or availability of the group's products and services. Any extensive failure is likely to affect a large number of businesses and customers, and lead directly to a loss of revenues.

Online customers are accessing the group's digital content in an increasing number of ways, including using websites, apps and e-books. The group relies on effective digital rights management technology to provide flexible and secure access to its content. An inability to provide flexible access rights to the group's content could lead to products being less competitive or allow unauthorised access to content, reducing subscription revenues as a result.

The group's reliance on key suppliers, particularly IT suppliers, has increased. An operational or financial failure of a key supplier could affect the group's ability to deliver products, services or events with a direct impact on management time and financial results.

A reduction in back-office technology investment increases the risk of the online platform becoming ineffective with the group becoming less competitive. This could lead to fewer customers and declining group revenues.

**Mitigation**

The group continues to invest significantly in its central back-office technology. The platform is planned, managed and run by a dedicated, skilled team and its progress and performance are closely monitored by the executive committee and the board.

The group continues to invest in digital rights management technology to ensure its content is adequately secured and changing customer requirements for accessing the group's products and services are met.

Operational and financial due diligence is undertaken for all key suppliers as part of a formal risk assessment process as well as regular monitoring. Contingency planning is carried out to mitigate risk from supplier failure.

The group has made a substantial investment in e-commerce technology and hosting infrastructure to ensure the back-office platform continues to perform effectively.

**Acquisition and disposal risk**



As well as launching and building new businesses, the group continues to make strategic acquisitions where opportunities exist to strengthen the group. The management team reviews a number of potential acquisitions each year with only a small proportion of these going through to the due diligence stage and possible subsequent purchase. The strategy also results in the disposal of businesses that no longer fit the group's strategy.

**Potential impact**

There is a risk that an acquisition opportunity could be missed. The group could also suffer an impairment loss if an acquired business does not generate the expected returns or fails to operate or grow. Additionally, there is a risk that a newly acquired business is not integrated into the group successfully or that the expected risks of a newly acquired entity are misunderstood. As a consequence a significant amount of management time could be diverted from other operational matters.

The group is also subject to disposal risk, possibly failing to achieve optimal value from disposed businesses, failing to identify the time at which businesses should be sold or underestimating the impact on the remaining group from such a disposal.

**Mitigation**

Senior management perform detailed in-house due diligence on all possible acquisitions and call on expert external advisers where necessary. Acquisition agreements are usually structured so as to retain key employees in the acquired company and there is close monitoring of performance at board level of the entity concerned post-acquisition.

The board regularly reviews the group's existing portfolio of businesses to identify under-performing businesses or businesses that no longer fit with the group's strategy and puts in place divestment plans accordingly.

**Failure of online strategy**



The emergence of new technologies such as tablets and other mobile devices and the proliferation of social media are changing how customers access and use the group's products and services. The group has established a strategy to meet the many challenges of migrating the publishing businesses from traditional print media to online and to ensure the non-publishing businesses take advantage of new technology when advantageous to do so. This strategy has been pursued for a number of years.

**Potential impact**

The group's online strategy addresses a number of challenges arising from the group's transition from print media to an online business and changing customer behaviour.

Competition has increased, with free content becoming more available on the Internet and new competitors benefitting from lower barriers to entry. A failure to manage pricing effectively or successfully differentiate the group's products and services could negatively affect business results.

The customer environment is changing fast with an increasing number spending more time using the Internet. Print circulation is declining and a failure to convert customers from print risks a permanent loss of customers to competitors.

The transition from a traditional weekly or monthly publishing cycle to continuous publishing has affected editorial practices significantly. A failure to continue to manage this transition effectively could make the business less efficient and less competitive.

Further changes in technology including the widespread use of tablets and other mobile devices and the impact of social media such as LinkedIn and Twitter are changing customer behaviour and will introduce new challenges for all businesses.

A failure in the group's online strategy to meet these challenges could result in a permanent loss of revenue.

**Mitigation**

The group is already embracing these challenges and overall sees the Internet and other technological advances as an opportunity not a threat.

Significant investment in the group's online strategy has already been made and will continue for as long as necessary. New content management technology is being implemented across the group to enable more effective publishing to web, print and the rapidly increasing number of mobile platforms coming onto the market. Many of the group's businesses already produce soft copies of publications to supplement the hard copies as well as provide information and content via apps.

The group's acquisition strategy has increased the number of online information providers in the business. However, while online revenues are important, the group's product mix reduces dependency on this income. For example, the group generates a third of its profits from its event businesses and face-to-face meetings remain an important part of customers' marketing activities.

**Treasury Operations**



The group treasury function is responsible for executing treasury policy which seeks to manage the group's funding, liquidity and treasury derivatives risks. More specifically, these include currency exchange rate fluctuations, interest rate risks, counterparty risk and liquidity and debt levels.

**Potential impact**

If the treasury policy does not adequately mitigate the financial risks summarised above or is not correctly executed, it could result in unforeseen derivative losses or higher than expected finance costs.

The treasury function undertakes high-value transactions hence there is an inherent high risk of payment fraud or error having an adverse impact on group results.

**Mitigation**

The tax and treasury committee is responsible for reviewing and approving group treasury policies which are executed by the group treasury.

Segregation of duties and authorisation limits are in place for all payments made. The treasury function is also subject to regular internal audit.

**Unforeseen Tax Liabilities**



The group operates within many tax jurisdictions and earnings are therefore subject to taxation at differing rates across these jurisdictions.

**Potential impact**

The directors endeavour to manage the tax affairs of the group in an efficient manner; however, due to an ever-more complex international tax environment there will always be a level of uncertainty when provisioning for tax liabilities. There is also a risk of tax laws being amended by authorities in the different jurisdictions in which the group operates which could have an adverse effect on the financial results.

**Mitigation**

External tax experts and in-house tax specialists, reporting to the tax and treasury committee, work together to review all tax arrangements within the group and keep abreast of changes in global tax legislation.