Group accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a basis consistent with prior years, except for the adoption of UITF 38 'Accounting for ESOP trusts' (see note 14).

Consolidation

The financial statements include the financial statements of the company and all its subsidiaries, made up to 31 December, or within one week of that date, together with the group's share of the results for the year and of the book values of the net assets and attributable goodwill of joint ventures and associates. The results of subsidiaries and joint ventures and associates acquired or sold during the year are included from or to the effective date of acquisition or disposal.

Turnover

Turnover, which is stated net of trade discounts, VAT and other sales related taxes, is recognised as follows:

Publishing: advertising revenue is recognised on issue of the publication. Revenue from online subscriptions is recognised over the life of the subscription.

Exhibitions: revenue is recognised when the show has been completed. Deposits received in advance are recorded as deferred income in the balance sheet.

Directories: revenue is recognised on the issue of the directory.

Market research: revenue is recognised on a completed contract or completion of agreed milestone basis. Work in progress amounts are recorded in the balance sheet at cost. Syndicated revenues are recognised on completion and any subsequent sales are recognised as they arise.

News distribution: revenue is recognised on message delivery. Revenue from subscriptions is recognised over the life of the subscription.

Goodwill and intangible fixed assets

Purchased goodwill is capitalised as an intangible asset and amortised on a straight-line basis over its estimated useful life, which the directors view as being a period generally between six and twenty years based on the nature, age and stability of the industry in which the business operates. Where a business is sold, or where goodwill is considered to have been impaired, the net book value of goodwill or the amount of impaired goodwill, as applicable, is charged through the profit and loss account as part of the profit or loss on disposal or through operating profit in the year of impairment.

Impairment reviews are carried out at the end of the first full financial year after acquisition and on the occurrence of any event or change in circumstances indicating that there may have been a decline in the carrying value or change in useful life.

Other intangible assets are stated at cost and comprise certain product rights including licences and related costs, which are amortised over the shorter of their useful lives or the licence period; publishing rights and titles and purchased internet domain names and websites, which are amortised on a straight line basis over their estimated useful lives, not exceeding two years.

Software costs are written off as incurred, except for purchases from third parties in respect of major systems. In such cases, the costs are written off over the expected useful life of the asset, not exceeding five years from the date of implementation of the software.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets except freehold land. Depreciation rates are calculated so that assets are written down to residual value in equal annual instalments over their expected useful lives, which are as follows:

Freehold buildings and long leasehold property	10-70 years
Short leasehold property	Term of lease
General plant, machinery and equipment	5-20 years
Computer equipment	3 years
Motor vehicles	3-5 years

Stocks

Stocks and work in progress are valued on the first in first out basis at the lower of cost and net realisable value. Cost comprises materials, direct labour and a proportion of attributable production and other overheads.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Listed and unlisted investments are stated at the lower of cost and market value or directors' valuation. Investments in subsidiaries included in the company's balance sheet are stated at cost or nominal value of shares issued where merger relief is taken, less any provision for impairment. Investments in companies where the group both has a participating interest and exercises significant influence over the entity's financial and operating policies (through board representation and participation in financial and operating policy decisions) are included as associates under the equity method of accounting. Similarly, investments in companies where the group holds a long-term interest that arises as a result of a contractual arrangement and is jointly controlled by the group and other ventures are included as joint ventures under the gross equity method of accounting. The figures included in the financial statements are based on audited accounts, adjusted where necessary by reference to management accounts for the period up to 31 December. Where the accounting policies of associates and/or joint ventures do not conform in all material respects to those of the group, adjustments are made on consolidation.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for taxable gains arising from the revaluation (and similar fair value adjustments) of fixed assets that have been rolled over into replacement assets, only to the extent that there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period on which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. The trading results of foreign subsidiary undertakings are translated into sterling at an average of the exchange rates ruling for the year. Differences arising on the retranslation of investments, including goodwill, in foreign subsidiary undertakings and related net foreign currency borrowings, and from the translation of the results of those undertakings at average rate, are taken to reserves, and are reported in the statement of total recognised gains and losses. All other exchange differences are taken to the profit and loss account.

Pension costs

The group sponsors a number of defined benefit schemes and defined contribution schemes. The group adopted FRS17 "Retirement Benefits" in the financial statements for the year ended 31 December 2002. For the defined contribution schemes, the profit and loss charge represents the contributions payable to the scheme during the accounting period. The assets of the defined benefit pension schemes are measured at their market value at the balance sheet date and the liabilities of those schemes are measured using the projected unit method. The discount rate used is the current rate of return on a AA corporate bond of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed/fall short of their liabilities is shown as a surplus/deficit in the balance sheet to the extent that a surplus is recoverable by the group or that a deficit represents an obligation of the group.

The following is charged to operating profit:

- the increase in the present value of pension scheme liabilities arising from employee service in the current period;
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest; and
- gains and losses arising on settlements/curtailments.

A credit in respect of the expected return on the schemes' assets and a charge in respect of the increase during the period in the present value of the schemes' liabilities because the benefits are one period closer to settlement are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Financial instruments

Interest differentials under interest rate swaps, forward rate agreements, caps and collars are recognised by adjustment of the underlying interest receivable or payable over the term of the agreement and as such are accrued to the profit and loss account on a time apportioned basis. Any gains or losses arising on forward foreign exchange contracts taken out to hedge currency transaction risks on monetary assets and liabilities and forecast trading flows are deferred and recognised in operating profit or as adjustments to carrying amount when the hedged transaction has itself been reflected in the group's financial statements upon maturity of the contract. The forward premium or discount for these contracts is not accounted for as interest but as part of the hedge achieved. If underlying forecast flows do not materialise as envisaged, the hedges are either reversed or swapped forward to a future financing period. The adjusting hedges are then accounted for through the profit and loss account to match the revised underlying exposure being hedged. Currency options are accounted for in the same manner as the forward foreign exchange contracts above except that the premium paid is deferred to the point of exercise or lapse of the option.

International Financial Reporting Standards

The Council of the European Union announced in June 2002 that listed companies would adopt International Financial Reporting Standards (IFRS), formerly known as International Accounting Standards, from 1 January 2005. The adoption of IFRS will be first reflected in the group's financial statements for the half year ending 30 June 2005 and the year ending 31 December 2005.

In 2003 we commenced the process of investigating the differences between UK GAAP and IFRS in order to assess the impact the conversion to IFRS will have on our financial position, results of operations and cash flows, our internal and external financial reporting, our accounting systems and procedures, treasury issues (such as debt covenants and risk management), our day-to-day business, and the training and education of our workforce. This assessment has resulted in a plan for conversion. We have substantially finalised the conversion during 2004 to ensure the group will be ready to meet the conversion deadline and have included on page 87 of this annual report, unaudited reconciliations of our 2004 result under IFRS, and of the groups' 1 January 2004 and 31 December 2004 shareholders' funds in order to present clearly the effects of this transition.