

# Wilmington Group plc

Annual Report and Accounts 2004



“The information and training group, fulfilling the needs of professional businesses”.

# Wilmington Group plc

Annual Report and Accounts 2004

## Wilmington's strategy

To focus on specific professional business markets which:

- are of high value
- have information requiring regular updating
- operate in an environment of increasing compliance and regulation
- have demonstrable growth potential

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LEGAL AND REGULATORY



HEALTHCARE



MEDIA AND  
ENTERTAINMENT



DESIGN AND  
CONSTRUCTION



DRINKS AND CATERING

## Financial Highlights

|   | Year ended<br>30th June<br>2004<br>£'000 | Year ended<br>30th June<br>2003<br>£'000 | Increase<br>% |
|---|--|--|---------------|
| Turnover  | 82,658                                   | 78,419                                   | 5.4           |
| Operating profit before exceptionals, amortisation, interest and taxation | 10,613                                   | 9,371                                    | 13.3          |
| Profit before taxation, amortisation and exceptionals ("Adjusted profit") | 10,205                                   | 9,085                                    | 12.3          |
| Profit before taxation  | 5,412                                    | 4,411                                    | 22.7          |
| Earnings per share (pence)  | 2.47p                                    | 1.32p                                    | 87.1          |
| Adjusted earnings per share (pence)                                       | 7.73p                                    | 6.65p                                    | 16.2          |
| Dividend per share (pence)  | 3.0p                                     | 2.5p                                     | 20.0          |

# Chairman's Statement

## Results

I am pleased to announce the results for Wilmington Group plc for the year to 30th June 2004.

Turnover in the year to 30th June 2004 was £82.7m (2003: £78.4m), an increase of 5%. Profit before tax, amortisation of goodwill and intangible assets and exceptional items increased by 12% to £10.2m (2003: £9.1m). Adjusted earnings per share increased by 16% to 7.73p (2003: 6.65p). Cash flow of £12.0m was generated from operating activities.

The Board is proposing a final dividend of 2.0p per share payable on 5th November 2004 to shareholders on the register on 8th October 2004. Taken together with the interim dividend of 1.0p per share, this will make a total dividend for the year of 3.0p per share, an increase of 20% over the 2.5p paid last year.

## Market Focus

Wilmington remains committed to generating sustainable and growing profits from servicing the information and training requirements of professional business communities. Our strategy is to develop stronger positions in key market sectors by focusing investment, both acquisitive and organic, on those markets and to expand revenue streams by adding new products and delivery channels. In order to accelerate growth, the management of the Group's businesses has been restructured and is now organised by market sector. The principal sectors are: Legal and Regulatory; Healthcare; Media and Entertainment; Design and Construction; and Drinks and Catering. The results of the Group's businesses are now being

reported by market sector which will provide a clearer view of their performance.

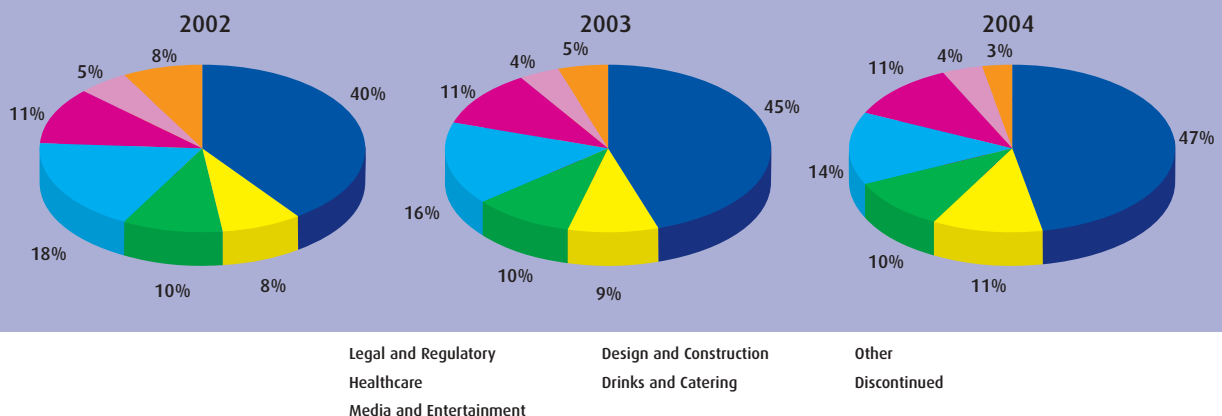
## Overview of Results

The results for the year reflect the significant progress made in developing the Group through improvements in the performance of existing businesses and by acquisitions. They have been influenced by a number of trends in the information marketplace. We have experienced increasing demand for information delivered electronically. The growing demand for mandatory training has had a positive impact on our courses and conferences and we have seen a number of opportunities to expand our capability internationally which has been reflected in a 12% increase in overseas sales. In contrast we have not experienced significant improvement in magazine advertising revenues.

An analysis of the Group's performance by market sector is set out in the Chief Executive's Operational Review from which the significance and continuing growth of our Legal and Regulatory business is evident. Legal and Regulatory contributed £39.1m to Group turnover (2003: £34.9m) and £9.6m to operating profit before amortisation and allocation of central overheads (2003: £8.5m).

We have continued to create new revenue streams through organic initiatives. These include the development of anti-money laundering and compliance training programmes recently launched in collaboration with the British Bankers Association and the development of an accreditation scheme for immigration lawyers.

## Group Turnover by Market



We have made a number of targeted acquisitions to improve our presence in key markets, principally the acquisition of Agence de Presse Medicale ("APM") from Reuters in December 2003. APM is based in Paris and provides on-line information on the French healthcare industry. The performance of APM and other acquisitions was strong and has exceeded expectations at the time of purchase.

In addition to restructuring the management of the Group along market sectors, we continue to take action to improve efficiency and focus our activities. We undertook a further rationalisation of our magazine portfolio through the disposal of the Group's UK industrial magazines, giving rise to an exceptional profit of £251,000. We also incurred exceptional costs of £250,000 in the year which related to two transactions aborted at the due diligence stage.

#### Summary

As a result of the positive action taken over the last two years, we have created a strong platform for future growth and are better placed to take advantage of new opportunities in our key markets. The Group operates in a number of established, high value sectors which provide both stability

and growth opportunities. The Group's businesses generate strong cash flows and we have a robust balance sheet together with an experienced management team committed to the profitable development of the Group.

We believe that the current marketplace offers us some exciting possibilities and we remain confident that the Group will continue to move forward.

Finally, I would like to thank my fellow directors, senior managers and all of the Group's employees for their hard work and commitment.

**Bernard Jolles**

*Chairman*

16th September 2004



**“The performance of recent acquisitions was strong and exceeded our expectations at the time of purchase.”**

# Chief Executive's Operational Review

## Results

After my first year as Chief Executive, I reported my confidence in Wilmington's ability to deliver annual profit growth. Therefore I am now pleased to report that the Group has performed excellently during the year ended 30th June 2004. Operating profit before exceptional items, interest, tax and amortisation rose by 13.3% to £10.6 million (2003: £9.4 million). Adjusted earnings per share grew by 16.2% from 6.65p to 7.73p in 2004.

The decisive action taken by Wilmington's management team to streamline and focus the business has successfully delivered profit growth, as well as creating the capacity to deliver improved results during the current year and beyond.

## Strategy

Wilmington's strategy is to provide information and training to selected professional business markets. In these markets our clients operate in an intensely competitive environment with increasing levels of regulatory pressure. Wilmington provides researched and accurate information in a variety of formats to service their needs. This varies from professional magazines providing news and updates to comprehensive databases provided either electronically or in hard copy format. Wilmington also provides comprehensive training and conference programmes and a range of educational and accreditation schemes.

By understanding and working directly with our client base Wilmington is able to provide essential support and information which frequently requires regular updating, thereby resulting in long-term and continuing revenue sources. Wilmington's strategy is to focus on those key market

sectors where it has critical mass and where there is a demonstrable need for information and training. In many cases there are mandatory professional or regulatory requirements for clients to use products of the type provided by Wilmington.

## Review of Operations

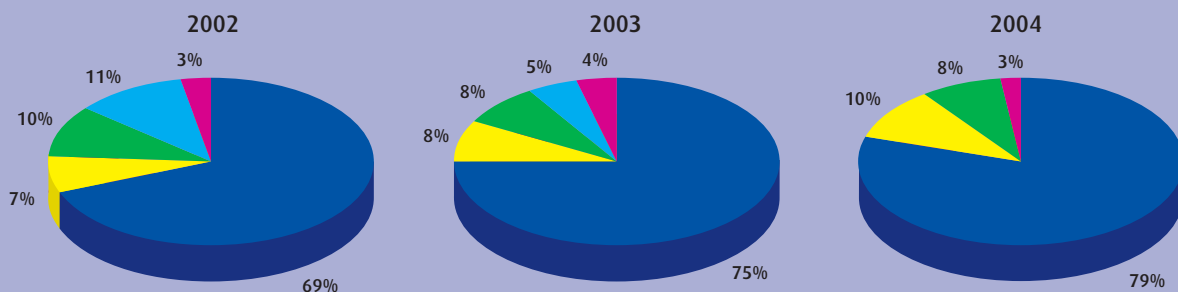
Our strategy results from a major review of Wilmington's portfolio of businesses initiated two years ago. The review clearly identified that certain Wilmington businesses operated in major markets with good growth potential. They were robust businesses, delivering outstanding profit margins, with the potential for organic and acquisitive growth. In these markets Wilmington generally had a range of complementary activities in a variety of formats including: magazines; directories; information databases; exhibitions; training conferences and seminars. Our intention is to focus on key markets where we have, or can develop, businesses with these characteristics.

Existing market sectors which fulfil these objectives are as follows:

- Legal and Regulatory;
- Healthcare;
- Media and Entertainment;
- Design and Construction;
- Drinks and Catering

In previous years Wilmington was organised by delivery channel into three divisions – Business Information; Media; and Professional Training. From this year we will report and manage our business by the markets identified above.

## Group Profit by Market



Legal and Regulatory  
Healthcare  
Media and Entertainment

Design and Construction  
Drinks and Catering

Other  
Discontinued

We believe this will provide a better understanding of how we manage and perceive the Group and create a better base for expansion.

The review also highlighted that parts of Wilmington's portfolio were in markets the Group no longer intended to pursue, or did not have the profit and growth characteristics that the Group sought. We have therefore disposed of, or closed, a number of non-core activities. The most recent was the disposal of a portfolio of seven magazines serving the UK industrial and manufacturing sector in May 2004. This continues the process whereby in recent years Wilmington has effectively managed a number of non-core activities with a view to exiting at an appropriate time.

A second result of the review was to streamline Wilmington's management to increase efficiency and to create a team capable of growth through organic development combined with strategic bolt on acquisitions. This process is continuing in the year ending 30th June 2005. The Directors are determined to take the action necessary to improve the quality of the business whilst delivering consistent profit growth. We are succeeding in this objective.

During the year ended 30th June 2004 Wilmington completed a number of acquisitions. The main acquisition was the purchase of Agence de Presse Medicale ("APM") from Reuters in December 2003. APM is based in Paris and provides on-line information on the French healthcare industry. Earlier, in August 2003 the Group entered into arrangements whereby its Retail Entertainment Data business merged with its principal competitor, Muze UK, to form a new subsidiary, New Entertainment Data.

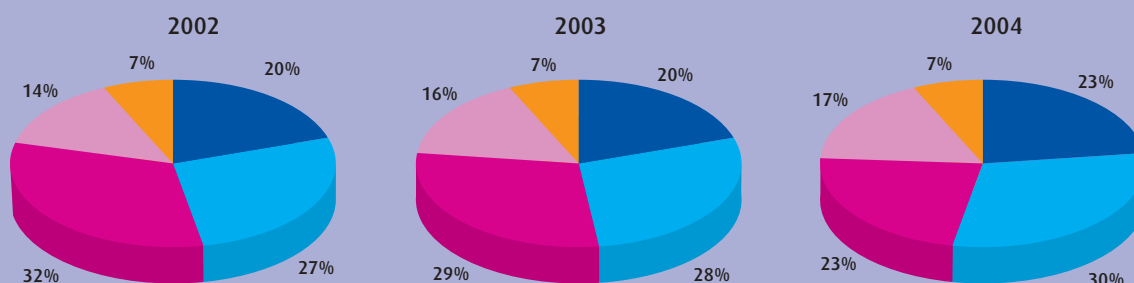
Wilmington has continued to seek other acquisitions which complement its strategic goals and which provide the opportunity to increase shareholder value. As part of this process exceptional costs of £250,000 were incurred in the year relating to two transactions which were aborted at the due diligence stage. This has been compensated for by the exceptional profits on the sale of our industrial magazines.

To ensure progressive long-term profit growth Wilmington has looked to develop additional revenues from its core businesses including the development of an extensive range of electronic and Internet applications for our principal markets. The result has been the creation of new and sustainable profit streams. It is anticipated that e-revenues will continue to grow within the Group and in some cases our businesses are largely based on e-delivery and the Internet. In all of our businesses electronic delivery is an important part of product development and margin improvement.

The period under review has also seen growth in our overseas revenues as we expand our existing capability outside the UK in key markets. In particular, revenues have been enhanced by our acquisition of APM and the expansion of our overseas education programmes on trust management, compliance and anti-money laundering.

I would now like to provide a more detailed overview of our businesses, each of which is managed by an experienced team with a proven track record. Further information about all our products and services is contained on our web site at [www.wilmington.co.uk](http://www.wilmington.co.uk).

### Group Revenue by Source



Information Sales and Professional Services  
Professional Education and Events  
Magazine Advertising

Subscriptions and Copy Sales  
Directory and Database Advertising

# Chief Executive's Operational Review

continued

## Legal and Regulatory

|                 | Twelve months to<br>30th June 2004<br>£'000 | Twelve months to<br>30th June 2003<br>£'000 |
|-----------------|---|---|
| Turnover        | 39,087                                      | 34,940                                      |
| Trading Profit* | 9,622                                       | 8,537                                       |
| Margin          | 24.6%                                       | 24.4%                                       |

\*Trading profit is before unallocated central overheads, amortisation, interest, exceptional items and tax

This is our largest sector accounting for 47% of Group turnover and contributing 81% of Group trading profit. Legal and Regulatory had a good year: turnover has grown by 11.9% and trading profit increased by 12.7% during the year. The combination of high quality "must have" information together with a range of focused, market leading products and events has produced a resilient, growing business with good profit margins which have been increased to 24.6% in the year ended 30th June 2004 (2003: 24.4%).

**Waterlow** provides information in hard copy and electronic format for the Legal, Accountancy, Surveying, Pensions, Finance and Charity markets. Many of its products are market leading and are based on high-quality, proprietary information. Waterlow has shown growth in sales and profits over a number of years, most of which has been organic.

The business has a number of established subsidiary brands including **Pendragon** which provides online information on the UK pensions industry, **ICP** which provides financial analysis and information on overseas companies and **Charity Choice/Caritas** which provide financial analysis and information on charities.

Waterlow has growing e-revenues much of which are based on annually renewable contracts. Pendragon and ICP deliver all their information electronically.

Waterlow has also developed a number of key strategic partnerships with professional institutions including the Law Society, CBI, Institute of Chartered Accountants in England and Wales and The Royal Institution of Chartered Surveyors. These long-term relationships, combined with Waterlow's proprietary information and expertise in data management, have formed the basis of its sustained revenue and long-term profits.

In November 2002 Waterlow acquired the **Solicitors Journal**, a weekly subscription based magazine for the legal profession. In its first full year subscriptions have increased and advertising revenue has doubled. In addition this publication is a valuable marketing and cross selling resource for our training activities and other Group products.

Our education and training activities reported good turnover and profit growth. **Central Law Training** ("CLT") serves the legal and financial markets, being the market leader in the provision of mandatory post qualification courses for UK lawyers. It delivers more than 3,000 courses per year.

Our legal training business is founded on a strong subscription membership scheme and excellent marketing capability. Furthermore CLT has developed strong business partnerships with local Law Societies and professional associations. CLT has grown strongly in Scotland producing record profits in the year under review and has recently launched a new post-qualification training programme in Ireland. In the period the Group was accredited by The Commission for Legal Services and The Law Society as the sole provider of a mandatory accreditation scheme for Immigration and Asylum Advisers. From April 2005 all immigration and asylum advisers wishing to receive legal aid must be accredited.

On an international basis we operate in 20 centres around the world and have become the leading trainers in trust management, compliance and anti-money laundering. These include an MBA in Wealth Management provided in conjunction with Manchester Business School.

**Bond Solon**, the witness training company has had an excellent year with profits up 66%. Since its acquisition in 2001 turnover has increased by 225% and profit by 300%. This is a tribute to the management team at Bond Solon which has accurately identified the need for proper preparation for witnesses giving evidence to a court or tribunal. This growth is likely to continue as Bond Solon has secured long-term contracts with major employers such as HM Customs & Excise, Northern Ireland Fire Brigade and many NHS trusts.



## LEGAL AND REGULATORY

“Wilmington’s detailed knowledge of Legal and Regulatory markets is:

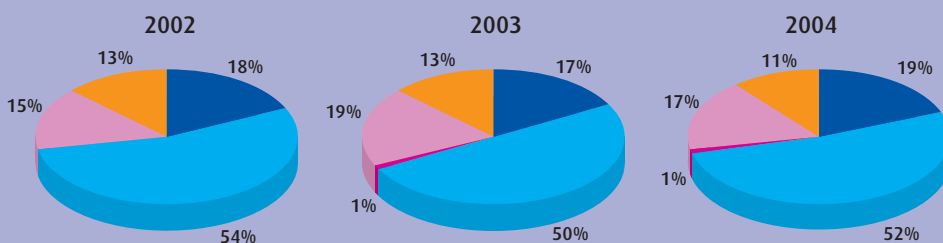
vital to promote and develop existing and new initiatives

a major attraction to potential partners

eagerly sought by third parties wishing to access these vibrant markets.”



Legal and Regulatory Revenue by Source



Information Sales and Professional Services  
Professional Education and Events  
Magazine Advertising

Subscriptions and Copy Sales  
Directory and Database Advertising



# Chief Executive's Operational Review

continued

## Healthcare

|                        | Twelve months to<br>30th June 2004 | Twelve months to<br>30th June 2003 |
|------------------------|------------------------------------|------------------------------------|
|                        | £'000                              | £'000                              |
| <b>Turnover</b>        | <b>8,833</b>                       | 6,730                              |
| <b>Trading Profit*</b> | <b>1,246</b>                       | 886                                |
| <b>Margin</b>          | <b>14.1%</b>                       | 13.2%                              |

\*Trading profit is before unallocated central overheads, amortisation, interest, exceptional items and tax

Healthcare accounts for 11% of Group turnover and 11% of Group trading profit. This sector had a good year: turnover increased by 31% and trading profits by 41%. Healthcare is an area in which we will concentrate on expanding our presence as it is a high value market where a combination of accelerating use of technology and rapid changes in information requirements are creating many opportunities.

**Binleys** was acquired in 2001 and has maintained revenue growth of 25% per annum. Its foundation is contact data of individuals across the UK healthcare industry. It has a high spending primary client base including the NHS and all the major pharmaceutical companies. It is expecting to continue its expansion and is being supported by investment at all levels, including capital expenditure of over £2.5m on new premises to support its growth.

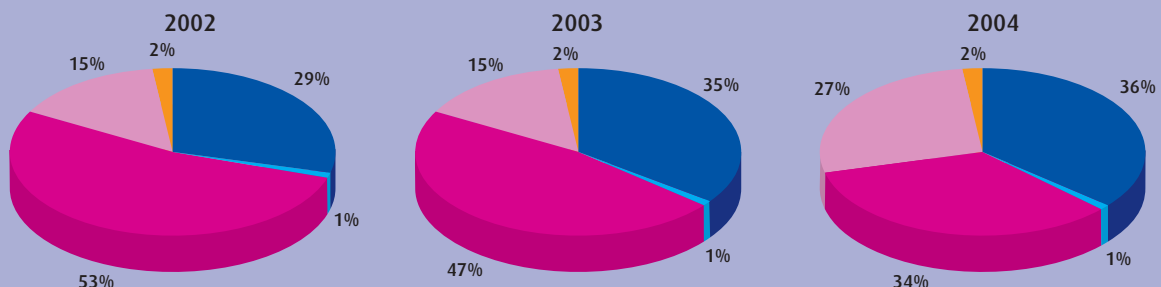
The division also includes **Agence de Presse Medicale** ("APM") which was acquired from Reuters in December 2003.

APM is based in Paris and provides on-line information on the French healthcare industry. APM delivered an initial contribution which exceeds original expectations. Profits from this sector are expected to grow as a result of a full year's contribution from APM.

The Group also publishes a number of specialist magazines in this area and is developing a seminar training programme with the Institute of Health Management. There is close collaboration between the Group's healthcare and legal training businesses, partly as a result of which Bond Solon currently acts for approximately 150 NHS trusts.



## Healthcare Revenue by Source



Information Sales and Professional Services  
Professional Education and Events  
Magazine Advertising

Subscriptions and Copy Sales  
Directory and Database Advertising

## Media and Entertainment

|                        | Twelve months to<br>30th June 2004 | Twelve months to<br>30th June 2003 |
|------------------------|------------------------------------|------------------------------------|
|                        | £'000                              | £'000                              |
| <b>Turnover</b>        | <b>8,453</b>                       | 7,508                              |
| <b>Trading Profit*</b> | <b>958</b>                         | 850                                |
| <b>Margin</b>          | <b>11.3%</b>                       | 11.3%                              |

\*Trading profit is before unallocated central overheads, amortisation, interest, exceptional items and tax

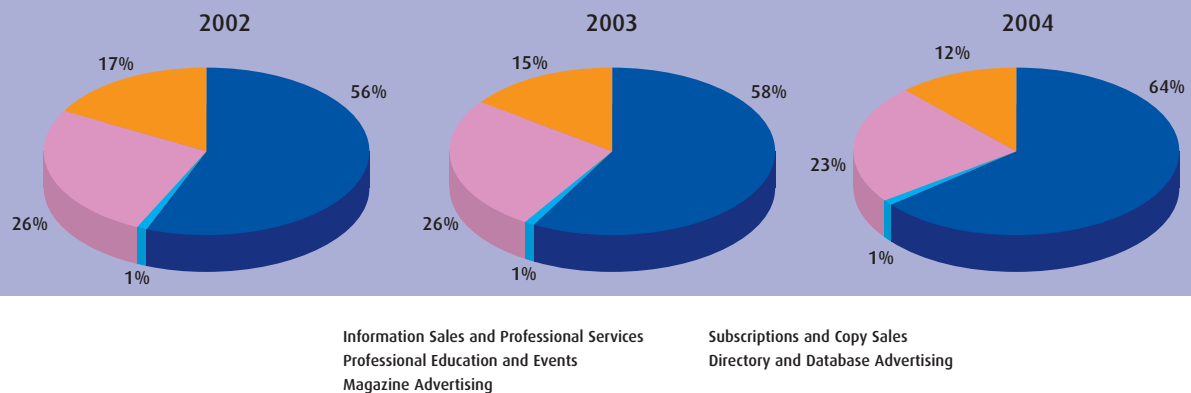
Media and Entertainment, which accounts for 10% of Group turnover and 8% of Group trading profit, had a good year in which turnover and trading profits increased by 13%. The media industry is another fast changing, evolving market where a combination of technological developments and high quality data create new opportunities for Wilmington.

Media and Entertainment services the requirements of the media and entertainment sector including TV, music, publishing and PR. It is the leading provider in the UK of information on recorded music and video. It operates through a number of leading brands including **Hollis**, **Muze**, **Retail Entertainment Data**, **PCR**, **Abacus** and **TMSS**.



In August 2003 the Group entered into arrangements whereby its Retail Entertainment Data business merged with its principal competitor, Muze UK, to form a new subsidiary, New Entertainment Data. The costs of integration were largely absorbed in the first half year and the anticipated level of profitability was achieved in the second half. Profits from this business are expected to grow as a result of a full year's contribution from New Entertainment Data.

## Media and Entertainment Revenue by Source



# Chief Executive's Operational Review

continued

## Design and Construction

|                        | Twelve months to<br>30th June 2004<br>£'000 | Twelve months to<br>30th June 2003<br>£'000 |
|------------------------|---|---|
| Turnover               | 11,282                                      | 12,742                                      |
| Trading Profit/(Loss)* | (165)                                       | 609   |
| Margin                 | (1.5%)                                      | 4.8%  |

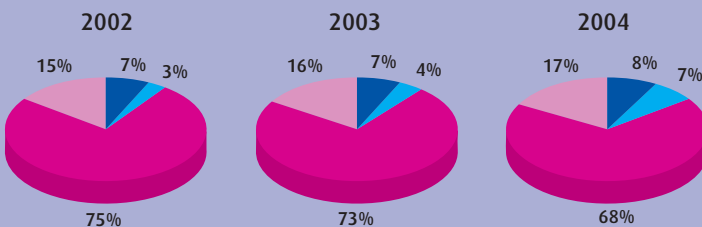
\*Trading profit/(loss) is before unallocated central overheads, amortisation, interest, exceptional items and tax

Design and Construction accounted for 14% of Group turnover. This sector has had a disappointing year: turnover declined by 11% and a trading profit of £609,000 in 2003 became a loss of £165,000 in the year ended 30th June 2004.

Whilst we have a number of strong products, principally Modern Power Systems; Timber Trade Journal; Tunnels and Tunnelling; FX and Blueprint, its dependence on display advertising has resulted in a poor performance. This is partly due to the overall economy but also to severe competitive pressures.

Design and Construction remains an important market place and therefore a major restructuring is underway which includes further rationalisation of the property and cost base together with the development of alternative revenue streams from information sales and events. As a result we have budgeted for a number of one-off costs associated with this in the year to 30th June 2005.

### Design and Construction Revenue by Source



Information Sales and Professional Services  
Professional Education and Services  
Magazine Advertising  
Subscriptions and Copy Sales  
Directory and Database Advertising



## Drinks and Catering

|                 | Twelve months to<br>30th June 2004<br>£'000 | Twelve months to<br>30th June 2003<br>£'000 |
|-----------------|---|---|
| Turnover        | 9,035                                       | 8,756                                       |
| Trading Profit* | 303   | 458   |
| Margin          | 3.4%  | 5.2%  |

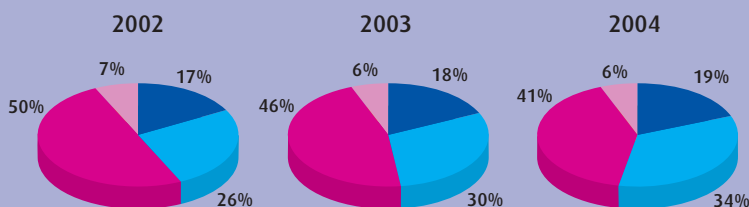
\*Trading profit is before unallocated central overheads, amortisation, interest, exceptional items and tax

Drinks and Catering accounted for 11% of Group turnover and 3% of Group trading profit. Results from this business have

been severely impacted by the downturn in magazine advertising. A sustained recovery in these revenues will clearly have a significant impact on this business. Notwithstanding this, some of this decline has been compensated by growth in event and information service revenue.

The successful development of event revenues includes the International Wine Challenge, the world's largest blind wine tasting event, as well as leading catering events serving the armed forces, prisons and cost sector catering markets. We have also developed additional revenues from major research contracts with leading food service providers and the development of associations and affinity groups.

### Drinks and Catering Revenue by Source



Information Sales and Professional Services  
Professional Education and Services  
Magazine Advertising  
Subscriptions and Copy Sales  
Directory and Database Advertising



## Other and Discontinued

The remainder of our turnover falls into a number of miscellaneous markets or are revenues from discontinued businesses including the disposal of our portfolio of industrial titles.

### Summary

As a result of positive action undertaken by the management team Wilmington has developed a number of resilient profitable businesses with a solid record of performance. The majority of these businesses are cash generative with good profit margins and substantial repeat revenues. Wilmington's strategy is to build multi media businesses, with diverse revenue streams, in core markets. This diversity creates a robust business model and allows a greater understanding and insight into the dynamics of the markets we serve. Wilmington has continually invested in technology, the costs of which are written off as incurred, to extend its product range and profitability.

Wilmington's management has created an environment which encourages organic growth, whilst at the same time targeting focused bolt on acquisitions which complement our core activities. We have a robust business with a strong balance sheet which will enable us to continue to grow a coherent and profitable business.

In spite of demanding trading conditions, Wilmington has been successful in identifying new opportunities. Advances in our information and training profits have more than compensated for weakness in magazine advertising which now accounts for 23% of Group sales as compared to 35% three years ago.

### Outlook

We are set to make further progress this financial year as a result of the growing requirement for high quality information and training amongst the professional business communities we serve. The current year has started in line with our expectations and, as in the previous year, we expect that the Group's performance will be weighted to the second half of the year.

The success of Wilmington has been founded on the entrepreneurial talents of hard working people. Our strategy remains the continuation of a structure in which managers are given an environment to grow their operations while being highly motivated to succeed. I should like to thank our Chairman, my fellow directors, our business managers and our many employees for all their enthusiasm, hard work and support. Our people remain our greatest assets and their efforts are appreciated.

The Directors' intention is to continue creating an exciting and focused business of which shareholders and employees will be proud.

**Charles J Brady**  
*Chief Executive*

16th September 2004

# Officers and Advisers

## Directors

### **Bernard N Jolles – Non-Executive Chairman**

Bernard Jolles, aged 55, joined the Board in July 2001 and was appointed Chairman in January 2003. He is an independent corporate finance consultant with 25 years' experience in investment banking and he held senior positions at Samuel Montagu and Henry Ansbacher. Mr Jolles is Chairman of the Group's Audit Committee and a member of the Group's Nomination and Remuneration Committees.

### **Charles J Brady – Chief Executive**

Charles Brady, aged 48, is a solicitor and was a law lecturer before founding in 1985 the business which is now Central Law Group (CLG). CLG was acquired by Wilmington in June 1999. Mr Brady joined the Board in November 1999 and was appointed Chief Executive in February 2002. He is a member of the Group's Nomination Committee.

### **R Basil Brookes – Finance Director**

Basil Brookes, aged 46, qualified as a Chartered Accountant with Coopers & Lybrand. He has worked in the media industry since 1986 and joined the Wilmington businesses in 1992 and was a founder director of Wilmington Group.

### **Stephen P Broome – Executive Director**

Stephen Broome, aged 53, was a law lecturer for 14 years prior to becoming Director of the Institute of Legal Executives Tutorial Services in 1987. He became a director of CLG in 1990 and is now its Managing Director. He joined the Board in July 2002.

### **Rory A Conwell – Executive Director**

Rory Conwell, aged 51, has worked in the publishing and information industries for over 20 years. His experience has centred on the development of intellectual property assets for the Group. A founder Director of Wilmington Group, since 1992 he has had responsibility for the Group's Professional Information activities.

## Advisers

*Financial Advisers and Stockbrokers* Hoare Govett Limited  
250 Bishopsgate  
London EC2M 4AA

*Registered Auditors* PKF  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

*Solicitors* Lawrence Graham LLP  
190 Strand  
London WC2R 1JN

*Principal Bankers* Barclays Bank plc  
P.O. Box 544, 54 Lombard Street  
London EC3V 9EX

### **Nicholas J Miller – Executive Director**

Nicholas Miller, aged 46, has worked in both business and consumer publishing for over 20 years in sales and management positions and is a founder Director of Wilmington Group.

### **Richard W P Magee – Non-Executive Director**

Richard Magee, aged 61, joined the Board in August 1999. Mr Magee was formerly chairman of Tullett & Tokyo Forex International Limited, an international securities house. Mr Magee is Chairman of the Group's Nomination Committee and a member of the Group's Audit and Remuneration Committees.

### **David L Summers – Non-Executive Director**

David Summers, aged 62, joined the Board in January 2001. Mr Summers was formerly Managing Director and Deputy Chairman of Butterworths, the professional reference publishers, and previously a director of Reed Elsevier UK Ltd. He is a panel member of the Competition Appeal Tribunal. Mr Summers is Chairman of the Group's Remuneration Committee and a member of the Group's Audit and Nomination Committees.

## Secretary

### **Ahmed Zahedieh – Company Secretary**

Ahmed Zahedieh, aged 53, qualified as a Chartered Accountant with Ernst & Young.

## Registered Office

Paulton House, 8 Shepherdess Walk  
London N1 7LB  
Company Registration No. 3015847

## Head Office

19-21 Christopher Street  
London EC2A 2BS  
Tel: +44(0) 20 7422 6800  
Fax: +44 (0) 20 7422 6822  
Website: [www.wilmington.co.uk](http://www.wilmington.co.uk)

## Registrars

Lloyds TSB Registrars Scotland  
P.O. Box 28448  
Finance House  
Orchard Brae  
Edinburgh EH4 1WQ

## Corporate calendar

|                                 |                   |
|---------------------------------|-------------------|
| Annual General Meeting          | 3rd November 2004 |
| Payment of Final Dividend       | 5th November 2004 |
| Announcement of Interim Results | February 2005     |
| Announcement of Final Results   | September 2005    |

# Financial Review

## Basis of consolidation

The Group accounts comprise the consolidated accounts of the Company and its subsidiary undertakings prepared using consistently applied accounting policies.

## Turnover

Group turnover was £82,658,000 for the 12 months to 30th June 2004, compared to £78,419,000 for the 12 months to 30th June 2003.

Revenues from non-advertising sources (including, for example, training, subscriptions and information services) continued to grow and represented approximately 70 per cent. of revenue for the 12 months to 30th June 2004 (12 months to 30th June 2003: 64 per cent.).

Overseas sales were £13,915,000 for the 12 months to 30th June 2004, representing a 12 per cent. increase on the 12 months to 30th June 2003 figure of £12,382,000.

## Operating profit

Operating profit before amortisation of goodwill and intangible assets and exceptional items ("adjusted profit") increased to £10,613,000 for the 12 months to 30th June 2004, compared to £9,371,000 for the 12 months to 30th June 2003.

Operating profit of £5,569,000 (2003: £4,936,000) is shown after exceptional costs of £250,000 (2003: £Nil) relating to abortive transaction costs where substantial due diligence work had been carried out.

## Profit before interest and taxation

Profit before interest and taxation was £5,820,000 for the 12 months to 30th June 2004 compared to £4,697,000 for the 12 months to 30th June 2003. Profit before interest and taxation is stated after crediting a non operating exceptional profit of £251,000 on disposal of the Group's UK industrial magazines (2003: £553,000 profit on sale of business less exceptional restructuring costs of £792,000).

## Profit before taxation

Profit before taxation was £5,412,000 for the 12 months to 30th June 2004 compared to £4,411,000 for the 12 months to 30th June 2003.

## Taxation

The current period corporation and foreign tax charge of £2,862,000 represents 52.9 per cent. of the Group's profit before taxation (2003: 59.9 per cent.). The majority of amortisation of goodwill and intangible assets is disallowable for corporation tax purposes. The taxation charge represents 28.0 per cent. of the profit before taxation and amortisation of goodwill and intangible assets (2003: 29.9 per cent.). Adjusting for the impact of exceptional items and amortisation of goodwill and intangible assets the taxation charge represents 30.8 per cent. (2003: 30.9 per cent.).

## Minority interests

Minority interests allocated out of the period's profit were £658,000 for the 12 months to 30th June 2004 compared to £715,000 for the 12 months to 30th June 2003.

## Earnings per share

Earnings per share increased to 2.47p for the 12 months to 30th June 2004 compared to 1.32p for the 12 months to 30th June 2003. Earnings per share is calculated on the weighted average number of shares in issue of 83,292,467 for the 12 months to 30th June 2004 (12 months to 30th June 2003: 83,103,203). Adjusted earnings per share, which is calculated before amortisation of goodwill and intangible fixed assets and exceptional items increased to 7.73p for the 12 months to 30th June 2004 compared to 6.65p for the 12 months to 30th June 2003.

## Gearing and cash flow

At the balance sheet date the Group had net debt of £4,538,000. Operating cash flow for the 12 months to 30th June 2004 of £11,969,000 was 115 per cent. of operating profit before amortisation of goodwill and intangible assets and non-operating exceptional items (2003: 138 per cent.). The free cash flow, calculated after deduction from operating cash flow of replacement capital expenditure, payment of corporation tax and equity dividends and after adjusting for exceptional items was £5,414,000 (2003: 7,787,000).

Cash of £2,516,000 was used in acquiring freehold properties and on related refurbishments for one of our fastest growing businesses.

The acquisitions of Agence de Presse Medicale International SAS, Corporate Event Publishing Limited, Cosmetics and Toiletries Manufacture Worldwide and the outstanding minority stakes in Central Law Group Limited and CaritasData Limited, together with the acquisition of a further stake in Pendragon Professional Information Limited, resulted in a cash outflow on acquisitions of £13,447,000.

### Treasury policy

The Group does not have significant foreign exchange exposure but does have some net income in US dollars and Euros. These dollars and Euros are sold periodically having regard to both prevailing exchange rates and transaction charges. The Group has agreed to hedge its interest rate exposure on approximately two thirds of any amount borrowed (subject to a £10 million minimum) under the revolving credit facility agreement with its bankers.

Cash and debt is managed on a Group wide basis and subsidiaries operate within funding restrictions controlled by the Executive Directors of the Group.

### International Financial Reporting Standards

All European Union listed groups will be required to adopt International Financial Reporting Standards (IFRS) for accounting periods commencing after 31st December 2004. Accordingly the Group will produce its accounts in accordance with IFRS for the year ending 30th June 2006 with comparative information for the year to 30th June 2005.

The Group is currently reviewing the likely impact of IFRS on its published financial statements. Although it is not yet possible to quantify the likely impact, it is anticipated that the accounting treatment of the following items will be impacted:

Goodwill and Intangible Assets

Deferred Tax

Share Options

Pension fund surpluses/deficits

Operating leases

Financial Instruments.

The above list is not necessarily exhaustive. Training of relevant members of staff has already commenced to ensure that the Group will be able to fulfil its future reporting obligations.

**Basil Brookes**

*Finance Director*

16th September 2004



# Directors' Report

For the year ended 30th June 2004

The Directors present their report and the audited accounts for the year ended 30th June 2004.

## Business review

The Group's principal activity is the provision of information to business markets through directories, electronic products, events, magazines, training courses and other media. The performance of the business is reviewed in the Chairman's Statement, the Chief Executive's Operational Review and the Financial Review. The Group's acquisitions during the year are dealt with in Note 12 to the accounts.

The business does not require expenditure on pure research. However, market research and analysis is written off as incurred. All product development costs have been written off as incurred.

## Results and dividends

The Group's financial results are set out in the profit and loss account. Turnover is analysed by market sector and geographically in Notes 2 and 3 of the accounts. Retained losses of £442,000 will be deducted from reserves. An interim dividend of 1.0p per ordinary share (2003: 0.8p) was paid on 7th April 2004.

The Directors recommend a final dividend of 2.0p per ordinary share (2003: 1.7p) which, if approved by shareholders, will be paid on 5th November 2004 to shareholders on the register on 8th October 2004.

## Directors and their interests

The Directors holding office during the year, and their interests in shares and options, are shown in the Report on Directors' Remuneration.

R B Brookes, an Executive Director, and D L Summers, a Non-Executive Director, retire by rotation and, being eligible, offer themselves for re-appointment at the Annual General Meeting. Biographical details of both Directors are set out on page 12. R B Brookes has a service contract with the Company which is terminable by either party on 12 months' notice and D L Summers has a letter of appointment with the Company under which his appointment may be terminated by either party on 3 months' notice.

Details of the Directors' service contracts and letters of appointment are shown in the Report on Directors' Remuneration.

Other than as disclosed in the Report on Directors' Remuneration, none of the Directors had any interest, either during or at the end of the financial year, in any material contract or arrangement with the Company or any subsidiary undertaking.

## Substantial shareholdings

As at 10th September 2004, in addition to the interests of the Directors, the Company had been notified of interests in 3 per cent. or more of the issued share capital of the Company as shown below. Interests are shown as a percentage of shares in issue at 10th September 2004.

|                             | Number of<br>ordinary shares | Percentage |
|-----------------------------|------------------------------|------------|
| B D Gilbert                 | 8,759,907                    | 10.51      |
| Haymarket Magazines Limited | 2,592,234                    | 3.11       |

## Fixed assets

The Directors do not believe that there is a significant difference between the market values and the balance sheet values of the Group's interests in freehold land and buildings.

## Changes in share capital

236,850 ordinary shares were issued during the year in respect of share options exercised by members of staff.

## Post balance sheet event

In August 2004 the remaining 45 per cent. stake in International Compliance Training Limited was purchased for a total consideration of £975,000.

## Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and the Group at the end of the period and of the Group profit or loss for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general

responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information in the annual report are prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The maintenance and integrity of the Group's web site is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## Charitable donations

The Group made charitable donations of £5,312 (2003: £7,494) during the year. No political donations were made during the year (2003: £nil).

## Supplier payment policy

The Group endeavours to settle payments to its suppliers in accordance with mutually agreed terms and conditions of business.

The estimated time taken to pay suppliers was 46 days (2003: 55 days).

## Employees

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to colour, race, national origin, sex, sexual orientation, religion or handicap not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group affords staff the opportunity to advance to positions of greater responsibility and authority based on their skills and ability to perform the work required. Opportunities for training,

promotion or transfer are not affected by colour, race, national origin, sex, sexual orientation, religion, handicap not related to job performance or disability.

## Employee involvement

The Group places a great deal of importance on communicating its plans and objectives to all its staff and, where appropriate, consulting with them. Within each of the divisions there are profit centres run by experienced business managers the majority of whom are shareholders in the Company or its subsidiaries and whose remuneration is linked to revenue and/or profit achievements.

The Group operates Share Option Schemes details of which are given both below and in note 24 to the accounts.

## Share options

The Wilmington Group plc 1995 Unapproved Share Option Scheme (the Unapproved Scheme) was adopted by the Company on 22nd November 1995 and is administered by the Remuneration Committee of the Board ("the Remuneration Committee"). It provides for the grant of non-transferable options to acquire shares in the Company at prevailing market prices at the time of the grant. The exercise of options granted under the Unapproved Scheme is normally conditional upon achieving performance targets set by the Remuneration Committee.

The Wilmington Group plc 1999 Approved Share Option Scheme (the Approved Scheme) was adopted on 2nd September 1999 and approved by the Inland Revenue on 29th September 1999. The Approved Scheme is administered by the Remuneration Committee and provides for the grant of non-transferable options to acquire shares in the Company at prevailing market prices at the time of grant. The exercise of options granted under the Approved Scheme is normally conditional upon the achievement of performance targets set out by the Remuneration Committee.

The Wilmington Group plc 2003 Unapproved Executive Share Option Scheme (the Unapproved Executive Scheme) was adopted on 5th November 2003. It is intended that the Unapproved Executive Scheme will primarily be operated through an employee share ownership trust, the trustees of which, at the recommendation of the Remuneration Committee, may grant non-transferrable options to one or more employees (including Directors) of the Group to acquire existing or new shares in the Company at prevailing market prices at the time of the grant. The exercise of options granted under the Unapproved Executive Scheme will normally be conditional upon the achievement of performance targets recommended by the Remuneration Committee.

The Wilmington Group plc 1995 Savings-Related Share Option Scheme (the SAYE Scheme) was adopted on 22nd November 1995 and approved by the Inland Revenue on 25th October 1996. It provides for the grant of non-transferable options to acquire shares in the Company at a discount of up to 20 per cent. on prevailing market prices at the time of the grant.

In March 2004 a grant of options under the Approved and Unapproved Schemes totalling 490,000 ordinary shares was made to selected staff throughout the group at an exercise price of 118.5p. On the same date a grant under the same schemes totalling 90,000 options was made to three Executive Directors at an exercise price of 118.5p.

The performance target set by the Remuneration Committee on options issued during the year was that growth in adjusted earnings per share over a 3, 4 or 5 year period from 30th June 2004 shall not be less than the percentage increase in the Retail Price Index over the same period plus 3 per cent. for each year.

No options were granted during the year under the Unapproved Executive and SAYE schemes.

In the case of each of the schemes, no consideration is payable for the grant of options and options may generally be exercised three years after the dates of their grant (subject to the achievement of any applicable performance targets).

The grant of options under the Company's share option schemes is intended to encourage wider employee participation in the Company and in its future growth and development.

### Health and safety policy

Management at all levels are conscious of and committed to their responsibilities in securing the health, safety and welfare of employees and others, arising from the Group's activities.

### Environmental policies

Wilmington has no manufacturing base and therefore produces no major polluting emissions that affect the environment. The principal environmental impacts emanate from its printing and paper usage, via its suppliers, and the packaging waste created by its various activities. The Group is mindful of this and is working to reduce these effects.

Whilst the Group increasingly delivers information electronically, the use of the printed word is still a major factor. When purchasing paper its policy is to use suppliers conforming to the industry standard ISO 14001 – or its equivalent. The majority of paper is ECF (elemental chlorine

free) and when purchasing the Group ensures that its paper is being produced from sustainable forests and resources.

When selecting print suppliers the Group looks for those with a responsible approach to the environment and who have good working practices in place to reduce and control waste at all stages of the production process. This is monitored by regular visits to suppliers ensuring that standards are maintained. Within the last three years the Group has reduced the use of film to an insignificant amount by using electronic digital workflow techniques. This equates to a reduction of approximately 5 tons of film per annum. In addition there are the related reductions in chemical, water and transportation usage and costs. The Group has also brought much of its magazine production 'in-house' which is not only more efficient, but also reduces the need for couriers and other energy using processes.

The Group is a member of Valpack and fulfils its responsibilities for recovery and recycling of packaging waste through this nationwide compliance scheme.

The Group's activities are primarily based in office accommodation and wherever practicable the Group adopts energy saving policies. As regards the office environment, the Group encourages the recycling of materials such as paper, toners and cartridges wherever sensible.

### Insurance

To preclude the possibility of the Company incurring expenses which might arise from the need to indemnify a Director or Officer from claims made against him or her or the cost associated with their defence, the Group has effected Directors' and Officers' liability insurance as permitted by the Companies Act 1985.

### Annual General Meeting

Included in this Report and Accounts is a notice convening the Annual General Meeting of the Company to be held at the offices of Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA on 3rd November 2004 at which the resolutions set out in the notice will be proposed.

The notice includes items of special business described below. Under the provisions of the Companies Act 1985 (the "Act"), the Directors may only allot unissued shares (other than pursuant to employee share schemes) if authorised to do so by the Company's articles of association or with the authority of shareholders. Accordingly, at the Annual General Meeting, resolution 7 on the notice will be proposed as an ordinary resolution to renew the authority of the Directors to allot ordinary shares of 5p each having a nominal value of up to £1,389,194 which currently amounts to 27,783,880 ordinary

shares of 5p each, such authority to expire at the conclusion of next year's Annual General Meeting of the Company or the date being 15 months after the date of passing of the resolution, whichever is the earlier. This represents approximately 33.33% of the issued ordinary share capital of the Company as at 10th September 2004. The authority replaces that which was granted at the Company's Annual General Meeting in 2002. Other than fulfilling the Company's obligations pursuant to the exercise of options granted under the Company's employee share option schemes, the Directors have no present intention of issuing any part of the unissued ordinary share capital of the Company.

Under section 89 of the Act, equity securities issued for cash must first be offered to existing shareholders in proportion to their existing holdings. At last year's Annual General Meeting, the Directors were empowered to allot equity securities without first being required to offer such securities to existing shareholders strictly in accordance with section 89 of the Act or otherwise up to a limited number of shares. Resolution 8 on the notice will be proposed as a special resolution to replace the power granted at last year's Annual General Meeting for a further period expiring at the conclusion of next year's Annual General Meeting or 15 months after the date of the passing of the resolution, whichever is the earlier. The power will enable the Directors to allot shares otherwise than *pro rata* to existing shareholdings:

- (a) in connection with a rights issue which is made not strictly in accordance with section 89 of the Act; or
- (b) otherwise having a nominal value of up to £208,379 which currently amounts to 4,167,580 ordinary shares of 5p each. This represents approximately 5% of the issued ordinary share capital of the Company as at 10th September 2004.

The power, if granted, will extend to the sale of any shares in the Company held as treasury shares (see below) in the circumstances described above.

At last year's Annual General Meeting, the Company sought authority to buy back some of its shares in the market and indicated at the time that it would seek to renew the authority at successive Annual General Meetings. Accordingly, resolution 9 on the notice will be proposed as a special resolution to authorise the Company to purchase up to 8,335,160 ordinary shares of 5p each in the market, representing approximately 10% of the issued ordinary share capital of the Company as at 10th September 2004, at a price not less than the nominal value of the ordinary shares and not more than 5% above the average of the middle market quotations of the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The authority will continue until the conclusion of next year's Annual General Meeting or 15 months after the date of the passing of

resolution 9, whichever is the earlier. The Directors have no present intention of making such purchases, but consider it prudent to have this authority so as to be able to act at short notice if circumstances change. The authority would, however, only be exercised if the Directors believed that to do so would be in the best interests of shareholders generally. Options over an aggregate of 2,607,025 ordinary shares in the Company were outstanding as at 10th September 2004 representing approximately 3.13% of the Company's issued share capital at that date and which would represent approximately 3.47% of the Company's issued share capital if the authority granted at last year's Annual General Meeting to buy back 8,311,480 ordinary shares were exercised in full (and all of the repurchased shares were cancelled) and approximately 3.48% of the Company's issued share capital if the proposed authority being sought at this year's Annual General Meeting to buy back 8,335,160 ordinary shares was exercised in full.

Resolution 9 on the notice will also permit the Company to purchase its own shares to hold as treasury shares. Since 1st December 2003, when the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") came into force, companies have been able to hold shares acquired by them as treasury shares rather than cancelling them. Pursuant to the Regulations, the treasury shares can subsequently be cancelled, sold for cash or used to satisfy share options granted under employee share option schemes and would therefore provide the Company with additional flexibility in the management of its capital base. As at 10th September 2004, the Company did not hold any of its ordinary shares as treasury shares. The Directors would consider holding as treasury shares any shares which the Company purchases pursuant to the authority proposed to be granted by resolution 9 on the notice. In relation to any repurchased shares held in treasury however, unless such shares are subsequently cancelled, earnings per share will only be increased on a temporary basis until such time as the shares are subsequently sold out of treasury. The resolution complies with the current guidelines issued by the investor protection committees and the Directors will have regard to any guidelines issued by the investor protection committees which may be published at the time of any such purchase, holding or resale of treasury shares.

## Auditors

PKF have expressed their willingness to continue in office and a resolution will be proposed at the Annual General Meeting for their re-appointment.

By Order of the Board

**Ahmed Zahedieh**  
*Secretary*

16th September 2004

# Corporate Governance

The Directors consider that the Company has complied throughout the year with all of the provisions set out in Section 1 of the Combined Code (the Code) except for the requirement to have a senior Non-Executive Director other than the Chairman. Bernard Jolles was the senior independent Non-Executive Director until his appointment as Chairman in January 2003. Since then the Board has not appointed a senior independent Non-Executive Director in his stead. The present composition of the Board, together with biographical notes on each of the Directors, is set out in the Officers and Advisers section of these accounts.

## The Board

The Board comprises the Non-Executive Chairman, the two other Non-Executive Directors and the Executive Directors. The Board meets monthly and reserves for its consideration a number of matters including annual budgets, reviewing performance against targets, acquisitions and disposals, major items of capital expenditure outside budgeted amounts and strategic development. Responsibility for the day to day operations of the Group's business is delegated to the boards of operating subsidiaries.

All of the Non-Executive Directors are considered by the Board to be independent within the meaning of the Code.

## Committees

The Board has established Audit, Nomination and Remuneration Committees.

The Audit Committee, which comprises all of the Non-Executive Directors and which is chaired by Bernard Jolles, meets at least four times a year, including at least two meetings with the Company's external auditors. The Audit Committee's terms of reference include considering the scope and results of the audit, the fees of the auditors and reviewing the financial reports to shareholders.

The Nomination Committee, which comprises all of the Non-Executive Directors and Charles Brady and which is chaired by Richard W P Magee, deals with appointments to the Board and meets as and when required.

The Remuneration Committee, which comprises all of the Non-Executive Directors and which is chaired by David Summers, is described in the Report on Directors' Remuneration.

## Internal control

The Board of Directors has overall responsibility for the systems of internal control throughout the Group and for reviewing their effectiveness. These controls are not restricted to financial controls but also cover operational, compliance and risk management systems.

There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The systems of internal controls are designed to manage rather than

eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Throughout the year under review, the Group had established a process for identifying and managing the risks faced by the Group in accordance with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull Working Party and these processes have remained in place up to the date of approval of the annual report and financial statements.

Key procedures that have been established and are designed to provide effective internal control are:

- a defined organisational structure and the appropriate delegation of responsibility to management and staff;

- the setting of an annual budget for Board approval. The budget is continually reviewed in line with the Group's forecast prospects and the actual results being achieved;

- the maintenance of documented financial controls and procedures for each major business conforming to an overall standard;

- the identification by the Board and local management of major business risks as part of the process of reviewing the system of internal financial control;

- the monthly review by the Board of the Group management accounts which include profit and loss account, balance sheet and cash flow. These accounts also contain information on individual subsidiaries and their products. Performance is monitored against budget and the previous year at all levels.

The Board has reviewed the need for an internal audit function and concluded that it is not appropriate to establish one in a group of this size.

The Directors have carried out a review of the effectiveness of the Group's systems of internal control.

## Relations with shareholders

There is regular dialogue with institutional shareholders including presentations after the announcement of the Group's half year and full year results. The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer questions.

## Going concern

After reviewing the Group's budget for the year to 30th June 2005 and its medium term plans, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Therefore they have adopted the going concern basis in preparing the accounts.

# Report on Directors' Remuneration

## Introduction

This remuneration report sets out the Company's policy on the remuneration of Executive and Non-Executive Directors together with details of directors' remuneration packages, employment conditions and service contracts.

This report will be put to an advisory vote of the Company's shareholders at the Annual General Meeting on 3rd November 2004.

Sections marked (\*) are not subject to audit.

## Remuneration Committee \*

Remuneration policy for Executive Directors and the determination of individual directors' remuneration packages and employment conditions have been delegated to the Board's Remuneration Committee which consists only of Non-Executive Directors. It also has responsibility for determining the performance criteria included in the share option schemes and granting options.

The Remuneration Committee comprises David Summers (Chairman), Bernard Jolles and Richard Magee. All three members were present at the Remuneration Committee's three meetings during the year. It consults with the Chief Executive on proposals relating to Executive Directors and determines the Chief Executive's own remuneration independently.

It has access to external professional advice at the Company's expense and during the year took advice from New Bridge Street Consultants LLP.

## Remuneration policy \*

The Remuneration Committee has established a policy on the remuneration of Executive Directors.

The key principles of this policy are:

Remuneration is directly aligned with the performance of the Group and the interests of shareholders and is designed to attract, retain and motivate directors of the highest calibre.

A significant proportion of Executive Directors' remuneration is structured so as to link rewards to performance targets set for areas of the business over which they have either direct personal control or significant indirect influence.

Their remuneration packages are reviewed annually and are determined by reference to those pertaining in competing firms, responsibilities and time commitment, the performance of the individual and the performance of the Group.

Non-Executive Directors are remunerated by fees taking into account the time commitment and responsibilities of the role. They do not participate in the Company's share option schemes or incentive schemes. Fees are determined by the Executive Directors in consultation with the Company's professional advisers and will be reviewed annually. That process will be carried out wholly independently of the Executive Directors' annual remuneration review.

## Directors' service contracts and letters of appointment \*

The Company has adopted the following policy on Executive Directors' service contracts:

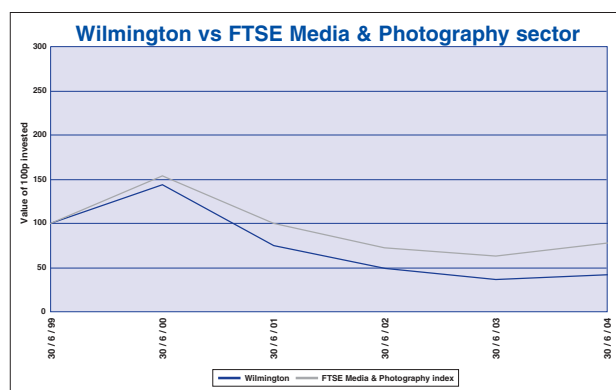
12 months' notice period or less shall apply.

Termination payments are limited to payment of 12 months' salary and benefits.

Non-Executive Directors have letters of appointment.

## Performance graph \*

The following graph shows, for the year ended 30th June 2004 and for each of the previous four years, the total shareholder return (calculated in accordance with the Directors' Remuneration Report Regulations 2002) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares of the same kinds and number as those by reference to which the FTSE Media and Photography Index is calculated. This index has been chosen as the appropriate comparator because it is the index within which the Company's shares are quoted.



## Service contracts and letters of appointment \*

The following table shows details of Directors' service contracts and letters of appointment:

| Name                 | Date of service contract/<br>letter of appointment | Notice period |
|----------------------|--|---------------|
| <b>Executive</b>     |  |               |
| C J Brady            | 27th February 2002                                 | 12 months     |
| R B Brookes          | 8th May 2002                                       | 12 months     |
| S P Broome           | 27th February 2002                                 | 12 months     |
| R A Conwell          | 8th May 2002                                       | 12 months     |
| N J Miller           | 8th May 2002                                       | 12 months     |
| <b>Non-Executive</b> |  |               |
| B N Jolles           | 30th April 2003                                    | 12 months     |
| R W P Magee          | 10th February 2000                                 | 3 months      |
| D L Summers          | 19th January 2001                                  | 3 months      |

### Notes:

The service contracts of the Executive Directors provide that if an Executive Director ceases to be a Director of the Company by virtue of removal, failure to be re-elected to or retirement without submission to be re-elected from, such office pursuant to the Company's Articles of Association the Company may terminate his employment immediately by making a payment equivalent to the basic salary and the value of non-monetary benefits payable during the notice period under his service contract.

S P Broome's service contract is with Central Law Group Limited.

## Directors' emoluments and compensation

The remuneration of the directors of the Company for the year ended 30th June 2004 is set out below.

|             | Salary and fees                    |                                    | Bonus                              |                                    | Allowances and benefits in kind    |                                    | Total                              |                                    |
|-------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|             | Twelve months ended 30th June 2004 | Twelve months ended 30th June 2003 | Twelve months ended 30th June 2004 | Twelve months ended 30th June 2003 | Twelve months ended 30th June 2004 | Twelve months ended 30th June 2003 | Twelve months ended 30th June 2004 | Twelve months ended 30th June 2003 |
|             | £                                  | £                                  | £                                  | £                                  | £                                  | £                                  | £                                  | £                                  |
| C J Brady   | 195,000                            | 175,000                            | 64,282                             | -                                  | 23,058                             | 23,042                             | 282,340                            | 198,042                            |
| R B Brookes | 160,000                            | 150,000                            | 38,569                             | -                                  | 23,058                             | 22,793                             | 221,627                            | 172,793                            |
| S P Broome  | 160,000                            | 147,115                            | 44,003                             | -                                  | 23,487                             | 22,865                             | 227,490                            | 169,980                            |
| R A Conwell | 80,000                             | 75,000                             | 29,291                             | -                                  | 16,523                             | 16,042                             | 125,814                            | 91,042                             |
| B D Gilbert | -                                  | 87,500                             | -                                  | -                                  | -                                  | 13,464                             | -                                  | 100,964                            |
| N J Miller  | 160,000                            | 150,000                            | 12,856                             | -                                  | 23,058                             | 22,793                             | 195,914                            | 172,793                            |
| B N Jolles  | 66,000                             | 52,000                             | -                                  | -                                  | -                                  | -                                  | 66,000                             | 52,000                             |
| R W P Magee | 20,000                             | 20,000                             | -                                  | -                                  | 13,200                             | 13,200                             | 33,200                             | 33,200                             |
| D L Summers | 25,000                             | 25,000                             | -                                  | -                                  | -                                  | -                                  | 25,000                             | 25,000                             |
|             | <b>866,000</b>                     | <b>881,615</b>                     | <b>189,001</b>                     | <b>-</b>                           | <b>122,384</b>                     | <b>134,199</b>                     | <b>1,177,385</b>                   | <b>1,015,814</b>                   |

No pension contributions were made in respect of any Director during the year (2003: Nil). None of the Directors are accruing benefits under defined contribution or benefit schemes (2003: None).

During the year ended 30th June 2003, B D Gilbert, who resigned as a Director of the Company on 31st December 2002, received a termination payment of £200,000, giving total emoluments for B D Gilbert of £300,964 and total Directors' emoluments for the Group of £1,215,814.

# Report on Directors' Remuneration

continued

## Benefits

Benefits for Executive Directors comprise a car allowance and cover for private medical, permanent health and life insurance. Certain directors waived their entitlement to their cover during the year ended 30th June 2004. Benefits are not pensionable.

## Performance related bonuses \*

Executive Directors participate in an annual bonus scheme under which cash bonuses may be earned.

Bonuses earned during the year ended 30th June 2004 are shown in the table of Directors' emoluments and compensation.

The bonuses of C J Brady and R B Brookes were earned by reference to the growth in the Group's profit before taxation and amortisation of goodwill and intangible assets after deducting the interest of minority shareholders in such profits.

The bonuses of S P Broome, R A Conwell and N J Miller were earned by reference partly to the growth in operating profits (after deducting the interest of minority shareholders) of their respective divisions and partly by reference to the increase in the Group's profit referred to above.

## Share options

Details of the options held by directors are shown below.

|             |                   | At<br>1st July<br>2003 | Options<br>exercised/<br>lapsed | Options<br>granted | At<br>30th June<br>2004 |
|-------------|-------------------|------------------------|---------------------------------|--------------------|-------------------------|
| R B Brookes | Unapproved Scheme | -                      | -                               | 5,000              | 5,000                   |
|             | Approved Scheme   | -                      | -                               | 25,000             | 25,000                  |
| N J Miller  | Unapproved Scheme | -                      | -                               | 5,000              | 5,000                   |
|             | Approved Scheme   | -                      | -                               | 25,000             | 25,000                  |
| S P Broome  | Unapproved Scheme | -                      | -                               | 5,000              | 5,000                   |
|             | Approved Scheme   | -                      | -                               | 25,000             | 25,000                  |

Options granted during the year have an exercise price of 118.5p and are exercisable during the period from March 2007 to March 2011 provided that the performance targets are met.

For the financial year ending 30th June 2005 the bonus scheme will be as follows:

C J Brady, R B Brookes and R A Conwell will receive bonuses calculated by reference to the percentage growth in the Group's profit before taxation and amortisation of goodwill and intangible assets after deducting the interest of minority shareholders in such profits.

S P Broome will receive a bonus calculated partly by reference to the percentage growth in operating profits (after deducting the interest of minority shareholders) of the division for which he is responsible and partly by reference to the percentage increase in the Group's profit as referred to above.

A bonus cap of 100 per cent. of annual basic salary applies to each Executive Director.

At 30th June 2004 the Company's share price was 106p and its highest and lowest share prices during the year ended 30th June 2004 were 132.5p and 88.5p respectively.



## Directors' interests

The interests of Directors and their immediate families in the issued ordinary share capital of the Company as at 30th June 2004 and the movement in the year are set out below.

| Name        | Beneficial/<br>Non-Beneficial | At 1st July<br>2003<br>(or date of appointment)<br>Number | Movement<br>in year<br>Number | At 30th June<br>2004<br>Number | At 30th June<br>2004<br>Percentage |
|-------------|-------------------------------|---|-------------------------------|--------------------------------|------------------------------------|
| C J Brady   | Beneficial                    | 3,382,500   | -                             | 3,382,500                      | 4.06                               |
| R B Brookes | Beneficial                    | 827,223   | -                             | 827,223                        | 0.99                               |
| S P Broome  | Beneficial                    | 433,552   | -                             | 433,552                        | 0.52                               |
| R A Conwell | Beneficial                    | 4,509,356   | -                             | 4,509,356                      | 5.41                               |
| N J Miller  | Beneficial                    | 1,423,241   | 4,543                         | 1,427,784                      | 1.71                               |
| N J Miller  | Non-Beneficial                | 199,992   | (4,543)                       | 195,449                        | 0.23                               |
| B N Jolles  | Beneficial                    | 24,000  | -                             | 24,000                         | 0.03                               |
| D L Summers | Beneficial                    | 26,500  | -                             | 26,500                         | 0.03                               |

Interests at 30th June 2004 are shown as a percentage of shares in issue on that date.

There have been no changes in the Directors' interests between 30th June 2004 and 16th September 2004.

No Director had a material interest in any contract of any significance with the Company or any of its undertakings during the year other than a service contract or, in the case of the Non-Executive Directors, a letter of appointment.

## Pensions

Executive Directors may elect to have part of their basic annual salary paid into a personal pension scheme. There are no pension arrangements that the Company has put in place for any Director.

On behalf of the Board

**David Summers**

*Director and Chairman of The Remuneration Committee*

16th September 2004

# Consolidated Profit and Loss Account

For the year ended 30th June 2004

|   | Notes     | Existing<br>Operations<br>£'000 | Acquisitions<br>£'000 | Discontinued<br>Operations<br>£'000 | Sub-<br>Total<br>£'000 | Amortisation<br>and<br>Exceptionals<br>£'000 | Twelve<br>months<br>ended<br>30th June<br>2004<br>£'000 | Twelve<br>months<br>ended<br>30th June<br>2003<br>£'000 |
|---|-----------|---------------------------------|-----------------------|-------------------------------------|------------------------|--|---|---|
| <b>Turnover</b> – continuing operations                                 |           | 78,487                          | 1,555                 | –                                   | 80,042                 | –  | <b>80,042</b>   | 74,210  |
| – discontinued operations   |           | –                               | –                     | 2,616                               | 2,616                  | –  | <b>2,616</b>  | 4,209   |
|   | 2 and 3   | 78,487                          | 1,555                 | 2,616                               | 82,658                 | –  | <b>82,658</b>   | 78,419  |
| <b>Cost of Sales</b>  |           | (26,525)                        | (73)                  | (875)                               | (27,473)               | –  | <b>(27,473)</b>   | (26,348)  |
| <b>Gross profit</b>   |           | 51,962                          | 1,482                 | 1,741                               | 55,185                 | –  | <b>55,185</b>   | 52,071  |
| Operating expenses  | 4         | (41,680)                        | (980)                 | (1,912)                             | (44,572)               | (5,044)                                      | <b>(49,616)</b>   | (47,135)  |
| <b>Operating profit</b> – continuing operations                         |           | 10,282                          | 502                   | –                                   | 10,784                 | (5,044)                                      | <b>5,740</b>  | 4,908   |
| – discontinued operations   |           | –                               | –                     | (171)                               | (171)                  | –  | <b>(171)</b>  | 28  |
|   | 5         | 10,282                          | 502                   | (171)                               | 10,613                 | (5,044)                                      | <b>5,569</b>  | 4,936   |
| <b>Non-operating exceptionals</b>                                       | 5         | –                               | –                     | –                                   | –                      | 251  | <b>251</b>  | (239)   |
| <b>Profit before interest and taxation</b>                              |           | 10,282                          | 502                   | (171)                               | 10,613                 | (4,793)                                      | <b>5,820</b>  | 4,697   |
| Interest receivable and similar income                                  | 8         |                                 |                       |                                     |                        |  | <b>15</b>   | 78  |
| Interest payable and similar charges                                    | 9         |                                 |                       |                                     |                        |  | <b>(423)</b>  | (364)   |
| <b>Profit on ordinary activities before taxation</b>                    |           |                                 |                       |                                     |                        |  | <b>5,412</b>  | 4,411   |
| Taxation  | 10        |                                 |                       |                                     |                        |  | <b>(2,695)</b>  | (2,600)   |
| <b>Profit on ordinary activities after taxation</b>                     |           |                                 |                       |                                     |                        |  | <b>2,717</b>  | 1,811   |
| Minority interests  |           |                                 |                       |                                     |                        |  | <b>(658)</b>  | (715)   |
| <b>Profit for the financial period and attributable to shareholders</b> | 11 and 27 |                                 |                       |                                     |                        |  | <b>2,059</b>  | 1,096   |
| Dividend paid or proposed   | 11 and 27 |                                 |                       |                                     |                        |  | <b>(2,501)</b>  | (2,078)   |
| <b>Retained loss for the period</b>                                     |           |                                 |                       |                                     |                        |  | <b>(442)</b>  | (982)   |
| <b>Earnings per ordinary share</b>                                      | 13        |                                 |                       |                                     |                        |  | <b>2.47p</b>  | 1.32p   |
| <b>Diluted earnings per ordinary share</b>                              | 13        |                                 |                       |                                     |                        |  | <b>2.46p</b>  | 1.32p   |
| <b>Adjusted earnings per ordinary share</b>                             | 13        |                                 |                       |                                     |                        |  | <b>7.73p</b>  | 6.65p   |

There are no recognised gains and losses for the year other than those shown in the consolidated profit and loss account.

The accompanying notes are an integral part of these accounts.

# Balance Sheets

As at 30th June 2004

|  | Notes | Group                      |                            | Company                    |                            |
|--|-------|----------------------------|----------------------------|----------------------------|----------------------------|
|  |       | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| <b>Fixed assets</b>  |       |                            |                            |                            |                            |
| Goodwill and intangible assets                                 | 14    | 64,453                     | 62,444                     | -                          | -                          |
| Tangible assets  | 15    | 11,665                     | 9,749                      | 1,883                      | 2,008                      |
| Investments  | 16    | -                          | -                          | 48,552                     | 48,052                     |
|  |       | <b>76,118</b>              | 72,193                     | <b>50,435</b>              | 50,060                     |
| <b>Current assets</b>  |       |                            |                            |                            |                            |
| Stock and work in progress                                     | 17    | 1,874                      | 2,053                      | -                          | -                          |
| Debtors  | 18    | 17,802                     | 16,320                     | 30,460                     | 25,461                     |
| Cash at bank and in hand                                       |       | 2,954                      | 5,787                      | 2,000                      | 4,576                      |
|  |       | <b>22,630</b>              | 24,160                     | <b>32,460</b>              | 30,037                     |
| <b>Creditors: Amounts falling due within one year</b>          | 19    | <b>(31,832)</b>            | (31,964)                   | <b>(11,392)</b>            | (17,874)                   |
| Net current (liabilities)/assets                               |       | <b>(9,202)</b>             | (7,804)                    | <b>21,068</b>              | 12,163                     |
| Total assets less current liabilities                          |       | <b>66,916</b>              | 64,389                     | <b>71,503</b>              | 62,223                     |
| <b>Creditors: Amounts falling due after more than one year</b> | 20    | <b>(7,000)</b>             | (4,900)                    | <b>(7,000)</b>             | -                          |
| Provision for liabilities and charges                          | 22    | <b>(604)</b>               | (678)                      | <b>(51)</b>                | (82)                       |
| <b>Net assets</b>  |       | <b>59,312</b>              | 58,811                     | <b>64,452</b>              | 62,141                     |
| <b>Capital and reserves</b>                                    |       |                            |                            |                            |                            |
| Called-up share capital  | 23    | 4,167                      | 4,156                      | 4,167                      | 4,156                      |
| Share premium account  | 25    | 42,363                     | 42,149                     | 42,363                     | 42,149                     |
| Other reserves   | 26    | 949                        | 949                        | -                          | -                          |
| Profit and loss account  | 27    | 9,743                      | 10,185                     | 17,922                     | 15,836                     |
| <b>Equity Shareholders' funds</b>                              | 28    | <b>57,222</b>              | 57,439                     | <b>64,452</b>              | 62,141                     |
| Minority interests   |       | 2,090                      | 1,372                      | -                          | -                          |
|  |       | <b>59,312</b>              | 58,811                     | <b>64,452</b>              | 62,141                     |

Approved on behalf of the Board on 16th September 2004

**Charles J Brady**  
Chief Executive

**R Basil Brookes**  
Finance Director

The accompanying notes are an integral part of these accounts.

# Consolidated Cash Flow Statement

For the year ended 30th June 2004

|   |       | Twelve months<br>ended<br>30th June<br>2004<br>£'000 | Twelve months<br>ended<br>30th June<br>2003<br>£'000 |
|---|-------|--|--|
| <b>Net cash inflow from operating activities</b>                      | 34(a) | <b>11,969</b>  | 12,936   |
| <b>Returns on investments and servicing of finance</b>                |       |  |  |
| Interest received   |       | 15   | 78   |
| Interest and similar charges paid                                     |       | (545)  | (364)  |
| Dividends paid to minority shareholders in subsidiary undertakings    |       | (256)  | (157)  |
| Net cash outflow  |       | (786)  | (443)  |
| <b>Taxation</b>   |       |  |  |
| Corporation tax paid  |       | (2,970)  | (2,719)  |
| <b>Capital expenditure and financial investment</b>                   |       |  |  |
| Purchase of goodwill and intangible fixed assets                      |       | (309)  | (1,075)  |
| Purchase of tangible fixed assets                                     | 15    | (3,854)  | (1,375)  |
| Sale of tangible fixed assets   |       | 223  | 272  |
| Net cash outflow  |       | (3,940)  | (2,178)  |
| <b>Acquisitions and disposals</b>                                     |       |  |  |
| Purchase of subsidiary undertakings and minority interests            |       | (12,954)   | -  |
| Purchase of businesses  | 12    | (493)  | (1,529)  |
| Sale of businesses  |       | 44   | 663  |
| Net cash outflow  |       | (13,403)   | (866)  |
| <b>Equity dividends paid</b>  |       | (2,247)  | (1,055)  |
| <b>Cash (outflow)/inflow before financing</b>                         |       | <b>(11,377)</b>                                      | 5,675  |
| <b>Financing</b>  |       |  |  |
| Issue of shares   | 23    | 225  | 65   |
| New borrowings  | 20    | 7,000  | -  |
| Repayment of loan notes   |       | -  | (295)  |
| Net cash inflow/(outflow)   |       | 7,225  | (230)  |
| <b>(Decrease)/increase in net (debt)/cash in the year</b>             | 34(b) | <b>(4,152)</b>                                       | 5,445  |
| <b>Reconciliation of net cash flow to movement in net (debt)/cash</b> | 34(b) |  |  |
| (Decrease)/increase in net (debt)/cash in the year                    |       | (4,152)  | 5,445  |
| Cash arising on acquisitions and disposals                            |       | 1,024  | -  |
| New borrowings  |       | (7,000)  | -  |
| Net cash brought forward  |       | 5,590  | 145  |
| Net (debt)/cash carried forward                                       |       | <b>(4,538)</b>                                       | 5,590  |

The accompanying notes are an integral part of these accounts.

# Notes to the Accounts

## 1. Statement of accounting policies

The significant accounting policies applied in preparing the financial statements are as follows:

### a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

### b) Basis of consolidation

The consolidated financial information combines the financial statements of the Company and its subsidiaries.

Where, on the acquisition of a business, all of the specific criteria set out in Financial Reporting Standard 6 for the combination to fall within the definition of a merger are met, merger accounting has been applied. In all other instances, acquisition accounting is applied. Fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised as part of goodwill and intangible assets (see note 1e)).

### c) Turnover

Turnover represents the invoiced value of goods sold and services provided during the period, stated net of Value Added Tax. Subscription revenue is allocated to the relevant accounting periods covered by the subscription. Event revenue is recognised in the month that the event takes place. Advertising revenue is recognised on publication. Subscriptions and fees in advance are carried forward in creditors: amounts falling due within one year.

### d) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is not provided on freehold land. On other assets it is provided at the following annual rates, on a straight line basis, in order to write off each asset over its estimated useful life.

|                        |  |
|------------------------|--|
| Freehold buildings     | 2 per cent. per annum  |
| Leasehold properties   | over the term of the lease to a maximum of 50 years                        |
| Leasehold improvements | 10 per cent. per annum or over the term of the lease if less than 10 years |
| Motor vehicles         | 25 per cent. per annum   |
| Computer equipment     | 25-33 per cent. per annum  |
| Fixtures and fittings  | 10-20 per cent. per annum  |

### e) Goodwill and intangible assets

Purchased goodwill and intangible assets are capitalised and amortised through the profit and loss account over their estimated useful lives not exceeding 20 years.

### f) Investments

Fixed asset investments are stated at cost less provision for any impairment in value.

### g) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour, and overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all the further costs to completion and all relevant marketing, selling and distribution costs.

### h) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Trading activities are translated into sterling at the rate of exchange ruling at the time of the transaction. Any resultant gain or loss on exchange is shown as part of the period's profit or loss from ordinary activities.

Profits and losses of overseas subsidiary undertakings are translated into sterling at average rates for the year. The balance sheets of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are dealt with through reserves.

### i) Taxation

Corporation tax has been provided on profit for the period at appropriate rates.

### j) Deferred taxation

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard 19 "Deferred Tax". Deferred taxation is measured on a discounted basis, using an appropriate discount rate, at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates or laws enacted or substantively enacted at the balance sheet date. Deferred taxation assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

### k) Financial instruments

In preparing the disclosures included in note 21 to the financial statements concerning financial instruments, the Group has taken advantage of the exemption available in Financial Reporting Standard 13 not to include details in respect of either short term debtors or creditors.

### l) Operating leases

Rentals incurred in respect of operating leases are charged to the profit and loss account on a straight line basis.

### m) Pension scheme arrangements

The Group operates a defined benefit pension scheme, for a limited number of employees, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet. The fund is actuarially valued every three years.

The Group also contributes to defined contribution pension arrangements for a limited number of other employees. Contributions to these arrangements are charged to the profit and loss account in the period in which they are paid.

# Notes to the Accounts

continued

## 2. Segmental information

In order to better reflect the focus of the business on delivery of business information to a defined number of professional markets, it has now been decided to represent and manage the business by market sector rather than by the three divisions it formerly comprised. Set out below is the segmental information relating to the business by market sector. Comparative figures have been prepared on the same basis for the twelve months to 30th June 2003.

|  | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
|--|--|--|
| Turnover:  |  |  |
| Legal and Regulatory   | 39,087   | 34,940   |
| Healthcare   | 8,833  | 6,730  |
| Media and Entertainment  | 8,453  | 7,508  |
| Design and Construction  | 11,282   | 12,742   |
| Drinks and Catering  | 9,035  | 8,756  |
| Other  | 3,352  | 3,534  |
| Discontinued   | 2,616  | 4,209  |
|  | <u>82,658</u>                                  | <u>78,419</u>                                  |
| Profit before taxation:  |  |  |
|  | £'000  | £'000  |
| Legal and Regulatory   | 9,622  | 8,537  |
| Healthcare   | 1,246  | 886  |
| Media and Entertainment  | 958  | 850  |
| Design and Construction  | (165)  | 609  |
| Drinks and Catering  | 303  | 458  |
| Other  | 53   | (76)   |
| Discontinued   | (171)  | 28   |
| Trading profit   | <u>11,846</u>                                  | <u>11,292</u>                                  |
| Less: unallocated central overheads  | (1,233)  | (1,921)  |
| Operating profit before interest, exceptional items and amortisation           | <u>10,613</u>                                  | <u>9,371</u>                                   |
| Less: interest   | (408)  | (286)  |
| Profit before taxation, amortisation and exceptional items ("adjusted profit") | <u>10,205</u>                                  | <u>9,085</u>                                   |
| Exceptional items – operating  | (250)  | –  |
| – non-operating  | 251  | (239)  |
| Profit before amortisation and taxation  | <u>10,206</u>                                  | <u>8,846</u>                                   |
| Less: amortisation   | (4,794)  | (4,435)  |
| Profit before taxation   | <u>5,412</u>                                   | <u>4,411</u>                                   |

The amortisation charge is split between Legal and Regulatory – £3,124,000 (2003: £2,747,000), Healthcare – £364,000 (2003: £199,000), Media and Entertainment – £617,000 (2003: £385,000), Design and Construction £444,000 (2003: £429,000), Drinks and Catering £129,000 (2003: £133,000), Other £116,000 (2003: £168,000) and Discontinued – £Nil (2003: £374,000). £123,000 of the Healthcare amortisation charge relates to an acquisition made during the twelve months to 30th June 2004.

## 2. Segmental information (continued)

|                                     | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
|-------------------------------------|----------------------------|----------------------------|
| Net assets:                         |                            |                            |
| Legal and Regulatory                | 39,148                     | 40,217                     |
| Healthcare                          | 8,437                      | 3,239                      |
| Media and Entertainment             | 7,698                      | 6,053                      |
| Design and Construction             | 5,882                      | 7,028                      |
| Drinks and Catering                 | 5,017                      | 4,924                      |
| Other                               | 1,830                      | 1,873                      |
|                                     | <u>68,012</u>              | <u>63,334</u>              |
| Unallocated central net liabilities | (8,700)                    | (4,523)                    |
|                                     | <u>59,312</u>              | <u>58,811</u>              |

## 3. Turnover

The geographical analysis of turnover is as follows:

|                | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
|----------------|--|--|
| United Kingdom | 68,743   | 66,037   |
| Overseas       | 13,915   | 12,382   |
|                | <u>82,658</u>                                  | <u>78,419</u>                                  |

## 4. Operating expenses

|  | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
|--|--|--|
| Distribution and selling costs                 | 23,183   | 23,084   |
| Administrative expenses                        | 21,389   | 19,616   |
| Exceptional item – abortive transaction costs  | 250  | –  |
|  | <u>44,822</u>                                  | <u>42,700</u>                                  |
| Amortisation of goodwill and intangible assets | 4,794  | 4,435  |
|  | <u>49,616</u>                                  | <u>47,135</u>                                  |

Included in operating expenses are £1,642,000 (2003: £1,966,000) of distribution and selling costs and £270,000 (2003: £227,000) of administrative expenses in respect of discontinued operations. Cost of sales in respect of discontinued operations were £875,000 (2003: £1,614,000). Also included in operating expenses are £2,000 of distribution and selling costs and £978,000 of administration expenses relating to acquisitions made during the twelve months to 30th June 2004.

# Notes to the Accounts

continued

## 5. Operating profit and exceptional items

Operating profit is stated after charging/(crediting)

|  | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
|--|--|--|
| Depreciation of owned tangible fixed assets (see note 15)    | 1,766  | 1,949  |
| Amortisation of goodwill and intangible assets (see note 14) | 4,794  | 4,435  |
| Profit on sale of fixed assets                               | (4)  | (55)   |
| Rentals under operating leases:                              |  |  |
| Machinery  | 16   | 5  |
| Other operating leases                                       | 470  | 381  |
| Auditors' remuneration:                                      |  |  |
| Audit fees   | 166  | 147  |
| Other services   | 30   | 43   |
| Exceptional items – abortive transaction costs               | 250  | –  |
|  | <hr/>  | <hr/>  |
| Non-operating exceptional items comprise                     |  |  |
| Profit on sale of businesses                                 | 251  | 553  |
| Restructuring costs  | –  | (792)  |
|  | <hr/>  | <hr/>  |
|  | 251  | (239)  |

The fees paid for other services to the auditors relate primarily to work on the Group's tax affairs.

The auditors also received fees totalling £17,000 (2003: £5,000) for services provided in respect of the acquisitions made by the Group during the period, which have been capitalised as acquisition costs and also £77,000 (2003: £Nil) for services provided in respect of the abortive transactions referred to above.

The Directors considered the auditors to be best placed to provide these services. The Audit Committee reviews the nature and extent of non audit services to ensure that independence is maintained.

## 6. Staff costs

Employee costs (including Directors) were as follows:

|                       | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
|-----------------------|--|--|
| Wages and salaries    | 27,065   | 26,821   |
| Social security costs | 2,962  | 2,433  |
| Pension costs         | 306  | 291  |
|                       | <hr/>  | <hr/>  |
|                       | 30,333   | 29,545   |

The average number of employees employed by the Group was as follows:

|                          | Twelve months<br>to 30th June<br>2004<br>Number | Twelve months<br>to 30th June<br>2003<br>Number |
|--------------------------|---|---|
| Selling and distribution | 531   | 565   |
| Production               | 187   | 189   |
| Administration           | 366   | 277   |
|                          | <hr/>   | <hr/>   |
|                          | 1,084   | 1,031   |



## 7. Directors' remuneration

Full details of the Directors' remuneration packages for the period and share options in the Company are set out in the Report on Directors' Remuneration.

## 8. Interest receivable and similar income

|               | Twelve months ended<br>30th June<br>2004<br>£'000 | Twelve months ended<br>30th June<br>2003<br>£'000 |
|---------------|---|---|
| Bank interest | 15  | 78  |

## 9. Interest payable and similar charges

|                         | Twelve months ended<br>30th June<br>2004<br>£'000 | Twelve months ended<br>30th June<br>2003<br>£'000 |
|-------------------------|---|---|
| On loans and overdrafts | 423   | 364   |

## 10. Taxation

|                                     | Twelve months ended<br>30th June<br>2004<br>£'000 | Twelve months ended<br>30th June<br>2003<br>£'000 |
|-------------------------------------|---|---|
| The tax charge comprises:           |   |   |
| UK corporation tax at current rates | 2,965   | 2,806   |
| Adjustment to previous years        | (93)  | 74  |
|                                     | <u>2,872</u>                                      | <u>2,880</u>                                      |
| Foreign tax                         | 176   | -   |
| Tax on exceptional items            | (279)   | (164)   |
|                                     | <u>2,769</u>                                      | <u>2,716</u>                                      |
| Deferred tax credit                 | (74)  | (116)   |
|                                     | <u>2,695</u>                                      | <u>2,600</u>                                      |

The deferred tax credit has been discounted by £38,000 (2002: £239,000)

Factors affecting the tax charge for the period:

The tax charge for the period is greater than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Reconciliation of tax charge:

|   |              |              |
|---|--------------|--------------|
| Profit on ordinary activities before tax  | 5,412        | 4,411        |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the period of 30% (2003: 30%) | 1,624        | 1,323        |
| Effect of:  |              |              |
| Goodwill and intangible asset amortisation not deductible for tax purposes  | 1,373        | 1,330        |
| Other expenses not deductible for tax purposes  | 106          | 108          |
| Capital allowances for the period in excess of depreciation   | (37)         | (119)        |
| Gain on sale of business not taxable  | (204)        | -            |
| Adjustment to tax charge in respect of previous periods   | (93)         | 74           |
| Current tax charge for period   | <u>2,769</u> | <u>2,716</u> |

The tax charge in future years will continue to be greater than the standard rate of corporation tax in the UK of 30% due to the goodwill and intangible asset amortisation not being deductible for tax purposes.

# Notes to the Accounts

continued

## 11. Results of Wilmington Group plc

Of the results for the year, a profit of £4,587,000 (2003: £4,033,000) is dealt with in the financial statements of the holding company. Pursuant to Section 230 of the Companies Act 1985 the Company's own profit and loss account is not included in these financial statements.

An interim dividend of 1.0p (2003: 0.8p) per ordinary share was paid on 7th April 2004. A final dividend of 2.0p is proposed (2003: 1.7p), making a total dividend for the year of 3.0p (2003: 2.5p). The amounts of these dividends are as follows:

|         | Twelve months<br>ended<br>30th June<br>2004<br>£'000 | Twelve months<br>ended<br>30th June<br>2003<br>£'000 |
|---------|--|--|
| Interim | 834  | 665  |
| Final   | 1,667  | 1,413  |
|         | <u>2,501</u>   | <u>2,078</u>   |

## 12. Acquisitions

### Subsidiaries acquired

During the year a wholly owned subsidiary of the Company acquired 100 per cent. of the share capital of Agence de Presse Medicale International SAS ("APM") and a 75 per cent. owned subsidiary of the Company acquired 100 per cent. of the share capital of Corporate Event Publishing Limited.

Assets and liabilities of subsidiary undertakings acquired:

|                                   | Book value<br>£'000 | Fair value<br>adjustments<br>£'000 | Fair value<br>£'000 |
|-----------------------------------|---------------------|------------------------------------|---------------------|
| Tangible fixed assets             | 47                  | -                                  | 47                  |
| Debtors                           | 998                 | -                                  | 998                 |
| Cash                              | 1,024               | -                                  | 1,024               |
| Creditors due within one year     | (1,350)             | -                                  | (1,350)             |
| Goodwill and intangible assets    | -                   | -                                  | -                   |
|                                   | <u>719</u>          | <u>-</u>                           | <u>719</u>          |
| Less: minority interests          |                     |                                    | (68)                |
|                                   |                     |                                    | <u>651</u>          |
| Goodwill arising on consolidation |                     |                                    | 5,472               |
| Consideration                     |                     |                                    | <u>6,123</u>        |
| Satisfied by cash                 |                     |                                    | <u>6,123</u>        |

No adjustments were necessary to the book values of the net assets acquired to reflect their fair values and the application of Group accounting policies.

The Group's major acquisition APM made a profit after taxation in the twelve months prior to its acquisition of £715,000 on turnover of £3,974,000.

### Other acquisitions

During the year the Company indirectly acquired an additional title Cosmetics and Toiletries Manufacture Worldwide Directory for a total cash consideration of £493,000.

In August 2003 the Group entered into arrangements whereby its Retail Entertainment Database Publishing business merged with its principal competitor Muze UK to form a new subsidiary New Entertainment Data Limited which is 50.001 per cent. owned by the Group. The Group retains day to day management control of the business. This arrangement gave rise to an increase in goodwill and intangible assets of £657,000.

During the year the Group entered into an agreement whereby its office equipment magazine business acquired Channel Info, one of its main competitors, in exchange for a 25 per cent. interest in the combined business, Office Solutions Media Limited. This arrangement gave rise to an increase in goodwill and intangible assets of £56,000.

### Minority interests acquired

During the year the Company indirectly acquired the remaining 25 per cent. of CaritasData Limited for a total cash consideration of £817,000 giving rise to an increase in goodwill and intangible assets of £714,000. During the year the Company also indirectly acquired a further 7.55 per cent. of Pendragon Professional Information Limited for a total cash consideration of £293,000 giving rise to an increase in goodwill and intangible assets of £227,000.

### 13. Earnings per ordinary share

|  | Twelve months<br>ended<br>30th June<br>2004 | Twelve months<br>ended<br>30th June<br>2003 |
|--|---|---|
| The calculation of earnings per ordinary share is based on profit after taxation and minority interests of                                       | <u>£2,059,000</u>                           | <u>£1,096,000</u>                           |
| and on the average number of ordinary shares in issue during the period of   | <u>83,292,467</u>                           | <u>83,103,203</u>                           |
| and, after adjusting for 274,502 outstanding share options (2003: 55,159), on the diluted average number of ordinary shares during the period of | <u>83,566,969</u>                           | <u>83,158,362</u>                           |
| Earnings per ordinary share  | <u>2.47p</u>                                | <u>1.32p</u>                                |
| Diluted earnings per ordinary share  | <u>2.46p</u>                                | <u>1.32p</u>                                |
| Adjusted earnings per ordinary share   | <u>7.73p</u>                                | <u>6.65p</u>                                |

An adjusted earnings per ordinary share has been calculated using an adjusted profit after taxation and minority interests but before amortisation of goodwill and intangible assets and post taxation exceptional items of £6,439,000 (2003: £5,528,000).

### 14. Goodwill and intangible assets

|  | Group<br>£'000 |
|--|----------------|
| <b>Cost</b>                              |                |
| At 1st July 2003                         | 82,374         |
| Additions and acquisitions               | 7,803          |
| Deferred consideration no longer payable | (1,000)        |
| Disposals                                | (707)          |
| At 30th June 2004                        | <u>88,470</u>  |
| <b>Amortisation</b>                      |                |
| At 1st July 2003                         | 19,930         |
| Charge for year                          | 4,794          |
| Disposals                                | (707)          |
| At 30th June 2004                        | <u>24,017</u>  |
| <b>Net book value</b>                    |                |
| At 30th June 2004                        | <u>64,453</u>  |
| At 30th June 2003                        | <u>62,444</u>  |

Publishing rights, titles and databases are recorded at cost. Goodwill arising on acquisitions is also capitalised as an intangible asset. Goodwill and intangible assets are amortised over their estimated lives not exceeding 20 years.

# Notes to the Accounts

continued

## 15. Tangible assets

| Group                 | Freehold<br>property<br>£'000 | Long<br>leasehold<br>property<br>£'000 | Short<br>leasehold<br>property<br>£'000 | Fixtures<br>and fittings<br>£'000 | Computer<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|-----------------------|-------------------------------|--|---|-----------------------------------|--------------------------------|----------------------------|----------------|
| <b>Cost</b>           |                               |  |   |                                   |                                |                            |                |
| At 1st July 2003      | 3,150                         | 3,550                                  | 859                                     | 3,015                             | 5,775                          | 937                        | 17,286         |
| Additions             | 2,065                         | 38                                     | 41                                      | 770                               | 908                            | 32                         | 3,854          |
| Acquisitions          | -                             | -                                      | 11                                      | 22                                | 14                             | -                          | 47             |
| Disposals             | -                             | -                                      | (161)                                   | (675)                             | (801)                          | (344)                      | (1,981)        |
| At 30th June 2004     | <b>5,215</b>                  | <b>3,588</b>                           | <b>750</b>                              | <b>3,132</b>                      | <b>5,896</b>                   | <b>625</b>                 | <b>19,206</b>  |
| <b>Depreciation</b>   |                               |  |   |                                   |                                |                            |                |
| At 1st July 2003      | 229                           | 604                                    | 284                                     | 1,760                             | 4,359                          | 301                        | 7,537          |
| Charge for year       | 34                            | 151                                    | 70                                      | 413                               | 874                            | 224                        | 1,766          |
| Disposals             | -                             | -                                      | (96)                                    | (626)                             | (784)                          | (256)                      | (1,762)        |
| At 30th June 2004     | <b>263</b>                    | <b>755</b>                             | <b>258</b>                              | <b>1,547</b>                      | <b>4,449</b>                   | <b>269</b>                 | <b>7,541</b>   |
| <b>Net book value</b> |                               |  |   |                                   |                                |                            |                |
| At 30th June 2004     | <b>4,952</b>                  | <b>2,833</b>                           | <b>492</b>                              | <b>1,585</b>                      | <b>1,447</b>                   | <b>356</b>                 | <b>11,665</b>  |
| At 30th June 2003     | 2,921                         | 2,946                                  | 575                                     | 1,255                             | 1,416                          | 636                        | 9,749          |

Included in freehold property is £1,210,000 (2003: 810,000) of non-depreciated land.

| Company               | Long<br>leasehold<br>property<br>£'000 | Short<br>leasehold<br>property<br>£'000 | Fixtures<br>and fittings<br>£'000 | Computer<br>equipment<br>£'000 | Total<br>£'000 |
|-----------------------|--|---|-----------------------------------|--------------------------------|----------------|
| <b>Cost</b>           |  |   |                                   |                                |                |
| At 1st July 2003      | 2,453                                  | -                                       | 15                                | 218                            | 2,686          |
| Additions             | -                                      | 28                                      | 24                                | 13                             | 65             |
| Disposals             | -                                      | -                                       | (6)                               | (17)                           | (23)           |
| Inter group transfers | -                                      | -                                       | (5)                               | (10)                           | (15)           |
| At 30th June 2004     | <b>2,453</b>                           | <b>28</b>                               | <b>28</b>                         | <b>204</b>                     | <b>2,713</b>   |
| <b>Depreciation</b>   |  |   |                                   |                                |                |
| At 1st July 2003      | 531                                    | -                                       | 5                                 | 142                            | 678            |
| Charge for year       | 118                                    | 2                                       | 5                                 | 54                             | 179            |
| Disposals             | -                                      | -                                       | (4)                               | (17)                           | (21)           |
| Inter group transfers | -                                      | -                                       | (2)                               | (4)                            | (6)            |
| At 30th June 2004     | <b>649</b>                             | <b>2</b>                                | <b>4</b>                          | <b>175</b>                     | <b>830</b>     |
| <b>Net book value</b> |  |   |                                   |                                |                |
| At 30th June 2004     | <b>1,804</b>                           | <b>26</b>                               | <b>24</b>                         | <b>29</b>                      | <b>1,883</b>   |
| At 30th June 2003     | 1,922                                  | -                                       | 10                                | 76                             | 2,008          |

## 16. Investments

|                       | <b>Company</b><br>Shares in<br>subsidiary<br>undertakings<br>£'000 |
|-----------------------|--|
| Cost at 1st July 2003 | 48,052   |
| Additions             | 500  |
| At 30th June 2004     | <b>48,552</b>  |

At 30th June 2004 the principal subsidiary undertakings listed below were all owned by the Company. All have ordinary share capital. Abacus Software Limited also has preference share capital which is wholly owned by the Company. Except where indicated, all of the principal subsidiary undertakings were incorporated in and principally operated in Great Britain.

| Name of company  | Business  | Percentage owned |
|--|---|------------------|
| Wilmington Business Information Limited  | Provision of reference information                                | 100              |
| Waterlow Specialist Information Publishing Limited   | Provision of reference information                                | 100              |
| New Entertainment Data Limited   | Provision of reference information                                | 50               |
| CaritasData Limited  | Provision of reference information                                | 100              |
| Hollis Directories Limited   | Holding Company   | 75               |
| Hollis Publishing Limited  | Provision of reference information                                | 75               |
| Corporate Event Publishing Limited   | Provision of reference information                                | 75               |
| Beechwood House Publishing Limited   | Provision of reference information                                | 75               |
| Abacus Software Limited  | Electronic publishing services                                    | 75               |
| Showcase Publications Limited  | Provision of reference information                                | 75               |
| TMSS Limited   | Provision of reference information                                | 100              |
| Pendragon Professional Information Limited   | Provision of reference information                                | 83               |
| APM International SAS<br>(formerly Agence de Presse Medicale International SAS)<br>(incorporated and operates in France) | News information services   | 100              |
| APM Media SARL<br>(formerly Agence de Presse Medicale Media SARL)<br>(incorporated and operates in France)               | News information services   | 100              |
| Wilmington Media Limited   | Publication of trade and technical journals                       | 100              |
| ETP Limited  | Publication of trade and technical journals                       | 100              |
| Office Solutions Media Limited   | Publication of trade and technical journals                       | 75               |
| WDIS Limited   | Database management and publishing support services               | 100              |
| Dewberry Boyes Limited   | Publication of trade and technical journals                       | 100              |
| Polygon Media Limited  | Publication of trade and technical journals                       | 75               |
| Redpoint Marketing Limited   | Database and direct marketing                                     | 75               |
| Central Law Group Limited  | Holding company   | 100              |
| Central Law Training Limited   | Post qualification training and legal conferences                 | 100              |
| Central Law Training (Scotland) Limited  | Post qualification training and legal conferences                 | 80               |
| Bond Solon Training Limited  | Witness training and conferences                                  | 75               |
| International Compliance Training Limited  | Training courses in International Compliance and money laundering | 55               |

Wilmington Business Information Limited owns 75 per cent. of Hollis Directories Limited and Beechwood House Publishing Limited, 82.55 per cent of Pendragon Professional Information Limited and 50.001 per cent. of New Entertainment Data Limited. Hollis Directories Limited owns 100 per cent. of Hollis Publishing Limited. Hollis Publishing Limited owns 100 per cent. of Showcase Publications Limited and Corporate Event Publishing Limited. Wilmington Media Limited owns 75 per cent. of Polygon Media Limited and Office Solutions Media Limited. Dewberry Boyes Limited owns 75 per cent. of Redpoint Marketing Limited. Central Law Training Limited owns 80 per cent. of Central Law Training (Scotland) Limited, 75 per cent. of Bond Solon Training Limited and 55 per cent. of International Compliance Training Limited.

Bond Solon Training Limited has a non-coterminous year end of 28th February 2004 due to share option agreements.

# Notes to the Accounts

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## 17. Stock and work in progress

|                     | Group                      |                            |
|---------------------|----------------------------|----------------------------|
|                     | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| Raw materials       | 163                        | 154                        |
| Work in progress    | 1,650                      | 1,805                      |
| Books held for sale | 61                         | 94                         |
|                     | <u>1,874</u>               | <u>2,053</u>               |

## 18. Debtors

|   | Group                      |                            | Company                    |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| Trade debtors                                     | 14,512                     | 13,721                     | -                          | -                          |
| Other debtors                                     | 1,179                      | 522                        | 13                         | 129                        |
| Amounts due from subsidiary undertakings          | -                          | -                          | 25,142                     | 20,559                     |
| Dividends receivable from subsidiary undertakings | -                          | -                          | 5,080                      | 4,265                      |
| Prepayments and accrued income                    | 2,111                      | 2,077                      | 225                        | 508                        |
|   | <u>17,802</u>              | <u>16,320</u>              | <u>30,460</u>              | <u>25,461</u>              |

Included in Group other debtors is £507,000 (2003: £Nil) due in more than one year.

Amounts due from subsidiary undertakings include £2,333,000 (2003: £2,333,000) of loan stock which bears interest at 1.50 per cent. above Barclays Bank Base Rate. The loan has no fixed date of repayment. They also include £7,480,000 (2003: £7,480,000) which is an interest free loan repayable in more than one year.

## 19. Creditors: amounts falling due within one year

|  | Group                      |                            | Company                    |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| Bank overdrafts                        | 492                        | 197                        | 5,204                      | 5,453                      |
| Loan notes                             | 1,000                      | 1,000                      | -                          | -                          |
| Trade creditors                        | 4,661                      | 5,525                      | -                          | -                          |
| Corporation tax payable                | 1,028                      | 1,235                      | -                          | -                          |
| Other creditors                        | 305                        | 1,014                      | 50                         | 177                        |
| Other taxes and social security        | 1,928                      | 1,976                      | -                          | 385                        |
| Subscriptions and fees in advance      | 9,399                      | 8,689                      | -                          | -                          |
| Accruals                               | 7,389                      | 5,169                      | 634                        | 147                        |
| Amounts due to subsidiary undertakings | -                          | -                          | 3,837                      | 4,578                      |
| Dividends payable                      | 1,746                      | 1,438                      | 1,667                      | 1,413                      |
| Deferred consideration                 | 3,884                      | 5,721                      | -                          | 5,721                      |
|  | <u>31,832</u>              | <u>31,964</u>              | <u>11,392</u>              | <u>17,874</u>              |

The bank overdrafts, which are the subject of a Group set off arrangement, are secured by a fixed and floating charge over certain of the Group's assets. Interest is charged on the overdraft at 1 per cent. above Barclays Bank Base Rate.

The loan notes were issued in connection with the acquisition of subsidiary undertakings. These loan notes which bear interest at Barclays Bank base rate were repaid in July 2004.

The deferred consideration of £3,884,000 at 30 June 2004 represents cash consideration due in July 2004 in respect of the acquisition of Bond Solon Training Limited which was paid in July 2004 and which was included at a value of £3,900,000 in creditors: amounts falling due after more than one year at 30th June 2003. The deferred consideration of £5,721,000 at 30th June 2003 represented the cash consideration due in July 2003 in respect of the acquisition of the remaining minority interests in Central Law Group.

## 20. Creditors: amounts falling due after more than one year

|                        | Group                      |                            | Company                    |                            |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                        | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| Bank loan              | 7,000                      | -                          | 7,000                      | -                          |
| Deferred consideration | -                          | 4,900                      | -                          | -                          |
|                        | <u>7,000</u>               | <u>4,900</u>               | <u>7,000</u>               | <u>-</u>                   |

The Group has a committed revolving credit facility of £25 million (2003: £40 million) for five years to September 2008 of which £7 million was drawn down at 30th June 2004 (2003: £nil). Interest is charged on the amount drawn down at 1 per cent. above LIBOR. Under the facility, draw down is made for interest fixture periods of up to six months in duration. The amount drawn down at 30th June 2004 matured on 7th July 2004.

## 21. Financial instruments

The Group's financial instruments comprise principally bank borrowings, cash and various other items that arise directly from its trading operations such as trade debtors, trade creditors and subscriptions and fees in advance. The main purpose of these financial instruments is to ensure that finance is available for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies are unchanged from the previous year.

### a) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group has expanded rapidly its operations both organically and by acquisition. This expansion has led on occasions to the need for external finance. The Board has chosen a credit facility with a floating rate of interest linked to LIBOR and has agreed to hedge its interest exposure on approximately two thirds of the amounts borrowed under the revolving credit facility agreement with its bankers.

The Group had net borrowings at 30th June 2004 of £4,538,000 (30th June 2003: £nil) and had a committed bank facility of £25 million (30th June 2003: £40 million) of which £7 million was drawn down at 30th June 2004 (30th June 2003: £nil).

### b) Liquidity risk

The Group's policy throughout the period has been to ensure continuity of funding by the use of a £10 million overdraft facility and a £25 million committed revolving credit facility.

### c) Foreign currency risk

The Group has a substantial customer base overseas. Certain overseas customers are invoiced in US dollars and Euros which provides a stable currency base. The Group maintains bank accounts in foreign currency and converts this currency to sterling at the appropriate times hence, minimising the exposure to exchange fluctuations.

# Notes to the Accounts

continued

## 21. Financial instruments (continued)

### d) Financial rate risk profile of financial assets and financial liabilities

#### i. Financial assets

The only financial asset held by the Group other than short term debtors is its cash balance. The balance is held in short term interest bearing accounts.

#### ii. Financial liabilities

Except as disclosed below, the only financial liabilities of the Group at the balance sheet date were floating rate and are shown below at their book values (which equate to their fair values) along with their maturity dates:

|  | <b>30th June<br/>2004<br/>£'000</b> | 30th June<br>2003<br>£'000 |
|--|-------------------------------------|----------------------------|
| In one year or less, or on demand of which £3,884,000 is non interest bearing (2003: £5,721,000)           | <b>5,376</b>                        | 6,918                      |
| In more than one year but not more than two years of which £nil is non interest bearing (2003: £4,900,000) | -                                   | 4,900                      |
| In more than two years but not more than five years  | <b>7,000</b>                        | -                          |
|  | <b><u>12,376</u></b>                | <u>11,818</u>              |

### e) Currency exposures

At the balance sheet date the net monetary assets of the Group denominated in foreign currencies translated into sterling totalled £806,000 (2003: £208,000). This balance consisted principally of cash and debtor balances in US dollars and Euros.

The above disclosures highlight how the Group has structured its financial liabilities in order to provide both adequate and flexible financing.

## 22. Provisions for liabilities and charges

The Group liability for deferred taxation is as follows:

|   | <b>Group</b>                        |                            | <b>Company</b>                      |                            |
|---|-------------------------------------|----------------------------|-------------------------------------|----------------------------|
|   | <b>30th June<br/>2004<br/>£'000</b> | 30th June<br>2003<br>£'000 | <b>30th June<br/>2004<br/>£'000</b> | 30th June<br>2003<br>£'000 |
| Accelerated capital allowances                          | <b>792</b>                          | 904                        | <b>55</b>                           | 90                         |
| Tax losses carried forward                              | -                                   | -                          | -                                   | -                          |
|   | <u>792</u>                          | <u>904</u>                 | <u>55</u>                           | <u>90</u>                  |
| Undiscounted liability carried forward                  | <b>792</b>                          | 904                        | <b>55</b>                           | 90                         |
| Discount  | <b>(188)</b>                        | (226)                      | <b>(4)</b>                          | (8)                        |
|   | <u>604</u>                          | <u>678</u>                 | <u>51</u>                           | <u>82</u>                  |
| Discounted provision for deferred tax                   | <b>604</b>                          | 678                        | <b>51</b>                           | 82                         |
| Provision at 1st July 2003                              |                                     | 678                        |                                     | 82                         |
| Deferred tax credit in profit and loss account for year |                                     | (74)                       |                                     | (31)                       |
|   |                                     | <u>604</u>                 |                                     | <u>51</u>                  |
| Provision at 30th June 2004                             |                                     | 604                        |                                     | 51                         |



## 23. Called-up share capital

|   | Group and Company          |                            |
|---|----------------------------|----------------------------|
|   | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
| <i>Authorised</i><br>110,000,000 (2003: 110,000,000) ordinary shares of 5p each                       | <b>5,500</b>               | 5,500                      |
| <i>Allotted, called-up and fully paid ordinary shares</i><br>of 5p each 83,351,679 (2003: 83,114,829) | <b>4,167</b>               | 4,156                      |

During the year 236,850 ordinary shares with a nominal value of £11,842 were issued for a cash consideration of £225,007 in respect of Share Option Schemes.

## 24. Share options

Details of Directors' share options are set out in the Report on Directors' Remuneration. Other employees of the Group hold options to subscribe for ordinary shares as follows:

### a) Under the Wilmington Group plc 1995 Unapproved Share Option Scheme

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 30th June 2004 |
|---------------|------------------------------|---|--|
| 1998          | 142p                         | Mar 2001-Mar 2005                       | 168,500  |
| 1998          | 181.5p                       | Jun 2001-Jun 2005                       | 55,000   |
| 1998          | 137.5p                       | Oct 2001-Oct 2005                       | 45,000   |
| 1999          | 285p                         | Nov 2002-Nov 2006                       | 143,000  |
| 2000          | 384.5p                       | Jun 2003-Jun 2007                       | 170,950  |
| 2001          | 217.5p                       | Jun 2004-Jun 2008                       | 197,180  |
| 2001          | 146.5p                       | Nov 2004-Nov 2008                       | 100,000  |
| 2003          | 61.5p                        | Mar 2006-Mar 2010                       | 415,000  |
| 2004          | 118.5p                       | Mar 2007-Mar 2011                       | 256,000  |

### b) Under the Wilmington Group plc 1999 Approved Share Option Scheme

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 30th June 2004 |
|---------------|------------------------------|---|--|
| 1999          | 285p                         | Nov 2002-Nov 2006                       | 210,500  |
| 2000          | 384.5p                       | Jun 2003-Jun 2007                       | 101,850  |
| 2000          | 316.5p                       | Nov 2003-Nov 2007                       | 88,625   |
| 2001          | 217.5p                       | Jun 2004-Jun 2008                       | 139,820  |
| 2002          | 170p                         | May 2005-May 2009                       | 17,600   |
| 2003          | 61.5p                        | Mar 2006-Mar 2010                       | 221,000  |
| 2004          | 118.5p                       | Mar 2007-Mar 2011                       | 234,000  |

### c) Under the Wilmington Group plc 1995 Savings-Related Share Option Scheme

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 30th June 2004 |
|---------------|------------------------------|---|--|
| 1999          | 230.8p                       | Dec 2004-Jun 2005                       | 62,569   |

# Notes to the Accounts

continued

## 25. Share premium account

|  | Group and Company<br>£'000 |
|--|----------------------------|
| Balance at 1st July 2003                   | 42,149                     |
| Issue of shares under Share Option Schemes | 214                        |
|  | <hr/>                      |
| Balance at 30th June 2004                  | <b>42,363</b>              |

## 26. Other reserves

|   | Group<br>£'000   |
|---|------------------|
| Balance at 1st July 2003 and 30th June 2004 | <hr/> <b>949</b> |

## 27. Profit and loss account

|                              | Group  |  | Company  |  |
|------------------------------|--|--|--|--|
|                              | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
| Opening balance              | 10,185   | 11,167   | 15,836   | 13,881   |
| Profit for the twelve months | 2,059  | 1,096  | 4,587  | 4,033  |
| Dividends                    | (2,501)  | (2,078)  | (2,501)  | (2,078)  |
|                              | <hr/>  | <hr/>  | <hr/>  | <hr/>  |
| Closing Balance              | <b>9,743</b>                                   | 10,185   | <b>17,922</b>                                  | 15,836   |

## 28. Reconciliation of movements in equity shareholders' funds

|                                  | Group  |  | Company  |  |
|----------------------------------|--|--|--|--|
|                                  | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 | Twelve months<br>to 30th June<br>2004<br>£'000 | Twelve months<br>to 30th June<br>2003<br>£'000 |
| Profit for the twelve months     | 2,059  | 1,096  | 4,587  | 4,033  |
| Dividends                        | (2,501)  | (2,078)  | (2,501)  | (2,078)  |
|                                  | <hr/>  | <hr/>  | <hr/>  | <hr/>  |
| Issue of shares                  | (442)  | (982)  | 2,086  | 1,955  |
| Opening shareholders' funds      | 225  | 65   | 225  | 65   |
|                                  | <hr/>  | <hr/>  | <hr/>  | <hr/>  |
| Closing shareholders' funds      | <b>57,439</b>                                  | 58,356   | <b>62,141</b>                                  | 60,121   |
|                                  | <hr/>  | <hr/>  | <hr/>  | <hr/>  |
| Closing shareholders' funds      | <b>57,222</b>                                  | 57,439   | <b>64,452</b>                                  | 62,141   |
|                                  | <hr/>  | <hr/>  | <hr/>  | <hr/>  |
| Attributable to equity interests | <b>57,222</b>                                  | 57,439   | <b>64,452</b>                                  | 62,141   |

## 29. Contingent liabilities

### Group

The Group has entered into agreements with the minority shareholders of certain of its subsidiary companies whereby those shareholders have the right to sell to the Group their shares at prices determined by formulae based on the subsidiaries' profitability. These amounts are capped at an aggregate of £13.0m payable between 2004 and 2015, although based on current levels of profitability the Directors estimate that the amounts payable would amount to an aggregate of £5.0m.

In respect of one subsidiary an uncapped amount is payable in 2007, which in the opinion of the Directors, based on current levels of profitability, will not exceed £0.5m.

### Company

The Company has entered into an unlimited cross guarantee with the Group's bankers in respect of the net £10 million overdraft facilities extended to certain of the Company's subsidiaries. At 30th June 2004 the Company's gross contingent liability in respect of this facility was £1,041,000 (2003: £1,137,000).

## 30. Commitments

a) The Group had capital commitments at 30th June 2004 contracted but not provided for of £141,000 (2003: £Nil).

b) Annual commitments payable under non-cancellable operating leases were as follows:

|                            | Property   |            | Other operating leases |           |
|----------------------------|------------|------------|------------------------|-----------|
|                            | 30th June  | 30th June  | 30th June              | 30th June |
|                            | 2004       | 2003       | 2004                   | 2003      |
|                            | £'000      | £'000      | £'000                  | £'000     |
| One year                   | 277        | 54         | -                      | 4         |
| Between two and five years | 282        | 475        | 5                      | 5         |
| After five years           | 6          | 39         | -                      | -         |
|                            | <u>565</u> | <u>568</u> | <u>5</u>               | <u>9</u>  |

c) Not included in note 29 above, minority shareholders in three of the Group's subsidiaries have exercised their put options and as a result the Group will be purchasing their remaining interests after the year end. The amount payable is expected to be in the region of £4.7 million.

## 31. Post balance sheet event

In August 2004 the remaining 45 per cent. stake in International Compliance Training Limited which was not subject to a put option was purchased for a total consideration of £975,000.

## 32. Related party transactions

The Company and its wholly owned subsidiaries offer certain group-wide purchasing facilities to the Company's other subsidiaries whereby the actual costs are recharged. The Company has taken advantage of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with 90 per cent. or more owned subsidiaries. However, the following transactions occurred with less than 90 per cent. owned subsidiaries during the period:

|   |                               |
|---|-------------------------------|
| Provision of finance by less than 90 per cent. owned subsidiaries at commercial rates of interest | £194,000 (2003: £153,000)     |
| Circulation management services provided by WDIS Limited  | £88,000 (2003: £85,000)       |
| Balance owed to Company by Polygon Media Limited  | £1,633,000 (2003: £1,083,000) |

# Notes to the Accounts

continued

## 33. Pension and similar arrangements

### SSAP 24 disclosures

The Group operates a defined benefit pension scheme for a limited number of members, the Wilmington Media Limited Pension Scheme. Total membership of the Scheme at 30th June 2004 was 45. The benefits under the Scheme accrue from 6th March 1992 and are based on final salary. The Scheme is funded by payment of contributions to a separately administered trust fund.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent valuations, which were conducted as at 31st March 2001, are as follows:

Main assumptions:

|   |                     |
|---|---------------------|
|   | Per cent. per annum |
| Rate of return on investments   | 6.5                 |
| Rate of increase in salaries  | 4.5                 |
| Rate of increase in pensions in payment   | 3.0                 |
|   | <hr/>               |
|   | £'000               |
| Market value of Scheme's assets   | 1,469               |
|   | <hr/>               |
| Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases | 102 per cent.       |
|   | <hr/>               |

The actuary confirmed that the contribution rate of 13.3 per cent. currently being paid by the Group was sufficient to meet the cost of the benefits expected to arise in respect of future service.

There were no variations from the regular cost to be allocated over the average remaining working lives of the current employees.

### FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31st March 2001 and updated by the same qualified independent actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the Scheme at 30th June 2004. Scheme assets are stated at their market value at 30th June 2004.

Main assumptions:

|   | <b>30th June 2004</b>      | 30th June 2003      | 30th June 2002      |
|---|----------------------------|---------------------|---------------------|
|   | <b>per cent. per annum</b> | per cent. per annum | per cent. per annum |
| Rate of increase in salaries            | <b>4.2</b>                 | 3.9                 | 4.1                 |
| Rate of increase to pensions in payment | <b>3.0</b>                 | 2.5                 | 2.5                 |
| Discount rate                           | <b>5.7</b>                 | 5.4                 | 5.8                 |
| Inflation assumption                    | <b>3.0</b>                 | 2.5                 | 2.5                 |

### 33. Pension and similar arrangements (continued)

The assets and liabilities of the Scheme and the expected rates of return were:

|                                       | 30th June 2004                                       |                | 30th June 2003                                       |                | 30th June 2002                                       |                |
|---------------------------------------|--|----------------|--|----------------|--|----------------|
|                                       | Long term<br>rate of return<br>expected<br>per cent. | Value<br>£'000 | Long term<br>rate of return<br>expected<br>per cent. | Value<br>£'000 | Long term<br>rate of return<br>expected<br>per cent. | Value<br>£'000 |
| Equities                              | 7.5  | 1,459          | 7.5  | 1,202          | 7.0  | 1,163          |
| Bonds                                 | 5.3  | 120            | 5.9  | 179            | 5.8  | 177            |
| Cash and other assets                 | 4.0  | 94             | 4.0  | 40             | 5.0  | 72             |
| Total market value of assets          |  | <b>1,673</b>   |  | 1,421          |  | 1,412          |
| Present value of Scheme liabilities   |  | <b>(2,151)</b> |  | (2,194)        |  | (1,843)        |
| Pension liability before deferred tax |  | <b>(478)</b>   |  | (773)          |  | (431)          |
| Related deferred tax asset            |  | <b>143</b>     |  | 232            |  | 129            |
| Net pension liability                 |  | <b>(335)</b>   |  | (541)          |  | (302)          |

Reconciliation of net assets and reserves under FRS 17

Group net assets

|  | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
|--|----------------------------|----------------------------|
| Net assets as stated in balance sheet                      | <b>59,312</b>              | 58,811                     |
| SSAP 24 balance  | -                          | -                          |
| Net assets excluding defined benefit<br>assets/liabilities | <b>59,312</b>              | 58,811                     |
| FRS 17 pension liability                                   | <b>(335)</b>               | (541)                      |
| Net assets including defined benefit<br>liabilities        | <b>58,977</b>              | 58,270                     |

Group reserves

|  | 30th June<br>2004<br>£'000 | 30th June<br>2003<br>£'000 |
|--|----------------------------|----------------------------|
| Profit and loss reserve as stated in balance sheet               | <b>9,743</b>               | 10,185                     |
| SSAP 24 balance  | -                          | -                          |
| Profit and loss reserve excluding defined benefit<br>liabilities | <b>9,743</b>               | 10,185                     |
| FRS 17 pension liability   | <b>(335)</b>               | (541)                      |
| Profit and loss reserve including defined benefit<br>liabilities | <b>9,408</b>               | 9,644                      |

# Notes to the Accounts

continued

## 33. Pension and similar arrangements (continued)

Had FRS 17 been fully implemented, an adjustment of £89,000 (2003: £98,000) would have been shown as a charge against the profit and loss account for current service cost and £16,000 (2003: £14,000) would have been shown as a charge in the profit and loss account as other finance costs, being the net of £105,000 (2003: £98,000) expected return on assets less £121,000 (2003: £112,000) interest on liabilities.

Actuarial gain/(loss) recognised in statement of total recognised gains and losses ("STRGL").

|   | <b>Twelve months<br/>ended<br/>30th June<br/>2004<br/>£'000</b> | Twelve months<br>ended<br>30th June<br>2003<br>£'000 | Sixteen months<br>ended<br>30th June<br>2002<br>£'000 |
|---|---|--|---|
| Actuarial return less the expected return on assets | 62  | (181)  | (419)   |
| Experience gains and losses on liabilities          | 402   | 125  | (15)  |
| Loss due to changes in assumptions                  | <b>(153)</b>  | (266)  | -   |
| Actuarial gain/(loss) recognised in STRGL           | <b>311</b>  | (322)  | (434)   |

Movement in deficit during the year.

The movement in the deficit during the year to 30th June 2004 would have been as follows:

|   | <b>Twelve months<br/>ended<br/>30th June<br/>2004<br/>£'000</b> | Twelve months<br>ended<br>30th June<br>2003<br>£'000 |
|---|---|--|
| Deficit at 1st July 2003                  | <b>(773)</b>  | (431)  |
| Current service cost                      | <b>(89)</b>   | (98)   |
| Employer contributions                    | <b>89</b>   | 92   |
| Other finance costs                       | <b>(16)</b>   | (14)   |
| Actuarial gain/(loss) recognised in STRGL | <b>311</b>  | (322)  |
| Deficit at 30th June 2004                 | <b>(478)</b>  | (773)  |

History of experience gains and losses

|  | <b>Twelve months<br/>ended<br/>30th June<br/>2004</b> | Twelve months<br>ended<br>30th June<br>2003 | Sixteen months<br>ended<br>30th June<br>2002 |
|--|---|---|--|
| Difference between the expected and actual return on Scheme assets |   |   |  |
| Amount (£'000)   | 62  | (181)                                       | (419)  |
| Per cent. of Scheme assets   | 3.7%  | 12.7%                                       | 29.7%  |
| Experience gains on Scheme liabilities                             |   |   |  |
| Amount (£'000)   | 402   | 125   | (15)   |
| Per cent. of the present value of Scheme liabilities               | 18.7%   | 5.7%  | 0.8%   |
| Total amount recognised in STRGL                                   |   |   |  |
| Amount (£'000)   | 311   | (322)                                       | (434)  |
| Per cent. of the present value of Scheme liabilities               | 14.5%   | 14.7%                                       | 23.5%  |

### Defined contribution scheme

The Group contributes to a defined contribution pension scheme. Total contributions to the scheme during the year were £217,000 (2003: £210,000).

### 34. Notes to the consolidated cash flow statement

#### (a) Reconciliation of operating profit to net cash inflow from operating activities:

|  | Twelve months<br>ended<br>30th June<br>2004<br>£'000 | Twelve months<br>ended<br>30th June<br>2003<br>£'000 |
|--|--|--|
| Operating profit                                     | 5,569  | 4,936  |
| Depreciation of tangible fixed assets                | 1,766  | 1,949  |
| Amortisation of goodwill and intangible fixed assets | 4,794  | 4,435  |
| Profit on sale of tangible fixed assets              | (4)  | (55)   |
| Restructuring costs                                  | -  | (792)  |
| Decrease in stock and work in progress               | 136  | 176  |
| Decrease/(increase) in debtors                       | 372  | (344)  |
| (Increase)/decrease in creditors                     | (664)  | 2,631  |
| Net cash inflow from operating activities            | <u>11,969</u>  | <u>12,936</u>  |

Included above is a net cash inflow of £223,000 in respect of the operating activities of the Group's acquisitions. Acquisitions also accounted for £206,000 of the tax paid by the Group in the twelve months to 30th June 2004. No figures can be disclosed for discontinued operations as they are not separately identifiable.

#### (b) Analysis of movement in net cash/(debt)

|                          | At 1st July<br>2003<br>£'000 | Cash flow<br>£'000 | Arising on<br>acquisitions<br>and disposals<br>£'000 | At 30th June<br>2004<br>£'000 |
|--------------------------|------------------------------|--------------------|--|-------------------------------|
| Cash at bank and in hand | 5,787                        | (3,857)            | 1,024  | 2,954                         |
| Bank overdraft           | (197)                        | (295)              | -  | (492)                         |
|                          | <u>5,590</u>                 | <u>(4,152)</u>     | <u>1,024</u>   | <u>2,462</u>                  |
| Bank loan                | -                            | (7,000)            | -  | (7,000)                       |
|                          | <u>5,590</u>                 | <u>(11,152)</u>    | <u>1,024</u>   | <u>(4,538)</u>                |

# Independent Auditors' Report

## Independent Auditors' report to the members of Wilmington Group plc

We have audited the financial statements of Wilmington Group plc for the year ended 30th June 2004 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on Directors' Remuneration that is described as having been audited.

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

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Report on Directors' Remuneration to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Report on Directors' Remuneration, the Chairman's Statement, the Chief Executive's Operational Review, the Financial Review and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on Directors' Remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion:

the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30th June 2004 and of the Group's profit for the year then ended, and

the financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

### PKF

*Registered Auditors*  
London, UK

16th September 2004



# Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of the Company will be held at the offices of Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA on 3rd November 2004 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 7, as ordinary resolutions and, in the case of resolutions 8 and 9, as special resolutions):

## Ordinary Business

1. To receive the Accounts of the Company for the financial year ended 30th June 2004 together with the Directors' and Auditors' Reports thereon.
2. To receive and approve the Report on Directors' Remuneration (as set out on pages 20 to 23 of the Annual Report and Accounts) for the financial year ended 30th June 2004.
3. To declare a final dividend of 2.0 pence per ordinary share for the financial year ended 30th June 2004.
4. To re-appoint R Basil Brookes, who retires by rotation, as a Director.
5. To re-appoint David L Summers, who retires by rotation, as a Director.
6. To re-appoint PKF as auditors and authorise the Directors to fix their remuneration.

## Special Business

7. To consider and, if thought fit, pass the following Resolution, which will be proposed as an Ordinary Resolution:  
That the Directors be and they are hereby generally and unconditionally authorised (in substitution for any existing such authority, to the extent unused) for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £1,389,194, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date being 15 months after the date of the passing of this Resolution (whichever is the earlier), save that the Company may before such expiry make an offer or an agreement which would or might require relevant securities to be allotted after such authority expires and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
8. To consider and, if thought fit, pass the following Resolution, which will be proposed as a Special Resolution:  
That, subject to the passing of Resolution 7 above, the Directors be and they are hereby empowered (in substitution for any existing such power) pursuant to section 95 of the Act to allot equity securities (within the meaning of sections 94(2) and 94(3A) of the Act) for cash pursuant to the authority conferred on the Directors by Resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) for the purpose of, or in connection with, an offer of such equity securities by way of rights to the holders of issued ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise however; and
  - (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £208,379.and such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date being 15 months after the date of the passing of this Resolution (whichever is the earlier), save that the Company may before such expiry make an offer or an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the introductory wording to this Resolution 8 the words "pursuant to the authority conferred on the Directors by Resolution 7 above" were omitted.
9. To consider and, if thought fit, pass the following Resolution, which will be proposed as a Special Resolution:  
That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 5p each in the capital of the Company ("ordinary shares") provided that:
  - (a) the maximum aggregate number of ordinary shares authorised to be purchased is 8,335,160 ordinary shares;
  - (b) the minimum price which shall be paid for the ordinary shares is 5p for each ordinary share and the maximum price (exclusive of expenses) which may be paid for each ordinary share shall not be more than 5% above the average of the middle market quotations for ordinary shares of the Company derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day of the purchase;
  - (c) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or the date being 15 months after the date of the passing of this Resolution (whichever is the earlier); and
  - (d) the Company may, before the expiry of this authority, make a contract to purchase ordinary shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its ordinary shares in pursuance of such a contract, as if such authority had not expired.

By Order of the Board

**Ahmed Zahedieh**

Secretary

16th September 2004

Registered Office:

Paulton House

8 Shepherdess Walk

London N1 7LB

## Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint other person(s) to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. A form of proxy is enclosed which, to be valid, must be completed and returned to the office of the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZR, not less than 48 hours before the time fixed for the Meeting.
3. The completion and return of a proxy will not prevent a member from attending the Meeting and voting in person if he or she wishes to do so.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the Meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 12.00 noon on 1st November 2004.
5. The following documents may be inspected at the Company's registered office during normal business hours on any weekday except Saturday, Sunday and any public holiday from the date of this notice until the conclusion of the Meeting, and will be available for inspection at the place of the Meeting for a period of 15 minutes before, and during, the Meeting:
  - (a) the register of interests of Directors and their connected persons; and
  - (b) the current service agreements and letters of appointment of Directors.

# Pro-forma Five Year Financial Summary

Years ended 30th June

|   | 2000        | 2001        | 2002          | 2003         | 2004         |
|---|-------------|-------------|---------------|--------------|--------------|
|   | £'m         | £'m         | £'m           | £'m          | £'m          |
| <b>Consolidated Profit and Loss Accounts</b>  |             |             |               |              |              |
| Turnover  | 61.6        | 75.3        | 78.6          | 78.4         | 82.7         |
| Cost of Sales   | (21.3)      | (26.1)      | (26.9)        | (26.3)       | (27.5)       |
| <b>Gross profit</b>   | <b>40.3</b> | <b>49.2</b> | <b>51.7</b>   | <b>52.1</b>  | <b>55.2</b>  |
| Operating expenses  | (30.5)      | (37.7)      | (41.5)        | (42.7)       | (44.6)       |
| <b>Operating profit before amortisation of goodwill and intangible assets and exceptional items</b> | <b>9.8</b>  | <b>11.5</b> | <b>10.2</b>   | <b>9.4</b>   | <b>10.6</b>  |
| Operating exceptional item  | -           | -           | -             | -            | (0.2)        |
| <b>Operating profit before amortisation of goodwill and intangible assets</b>                       | <b>9.8</b>  | <b>11.5</b> | <b>10.2</b>   | <b>9.4</b>   | <b>10.4</b>  |
| Amortisation of goodwill and intangible assets  | (2.5)       | (3.1)       | (6.4)         | (4.5)        | (4.8)        |
| <b>Operating profit</b>   | <b>7.3</b>  | <b>8.4</b>  | <b>3.8</b>    | <b>4.9</b>   | <b>5.6</b>   |
| Non-operating exceptional items   | -           | -           | -             | (0.2)        | 0.2          |
| <b>Profit before interest and taxation</b>  | <b>7.3</b>  | <b>8.4</b>  | <b>3.8</b>    | <b>4.7</b>   | <b>5.8</b>   |
| Net interest payable  | (1.0)       | (0.1)       | (0.3)         | (0.3)        | (0.4)        |
| <b>Profit on ordinary activities before taxation</b>  | <b>6.3</b>  | <b>8.3</b>  | <b>3.5</b>    | <b>4.4</b>   | <b>5.4</b>   |
| Taxation  | (2.4)       | (3.3)       | (2.9)         | (2.6)        | (2.7)        |
| <b>Profit on ordinary activities after taxation</b>   | <b>3.9</b>  | <b>5.0</b>  | <b>0.6</b>    | <b>1.8</b>   | <b>2.7</b>   |
| Minority interests  | (0.5)       | (0.8)       | (0.7)         | (0.7)        | (0.6)        |
| <b>Profit/(loss) for the financial year attributable to shareholders</b>                            | <b>3.4</b>  | <b>4.2</b>  | <b>(0.1)</b>  | <b>1.1</b>   | <b>2.1</b>   |
| Dividends   | (1.5)       | (2.0)       | (2.4)         | (2.1)        | (2.5)        |
| <b>Retained profit/(loss) for the year</b>  | <b>1.9</b>  | <b>2.2</b>  | <b>(2.5)</b>  | <b>(1.0)</b> | <b>(0.4)</b> |
| <b>Earnings per ordinary share (pence)</b>  | <b>4.54</b> | <b>5.17</b> | <b>(0.06)</b> | <b>1.32</b>  | <b>2.47</b>  |
| <b>Diluted earnings per ordinary share (pence)</b>  | <b>4.49</b> | <b>5.12</b> | <b>(0.06)</b> | <b>1.32</b>  | <b>2.46</b>  |
| <b>Adjusted earnings per ordinary share (pence)</b>   | <b>7.96</b> | <b>8.92</b> | <b>7.68</b>   | <b>6.65</b>  | <b>7.73</b>  |
| <b>Consolidated Balance Sheets</b>  |             |             |               |              |              |
| Goodwill and intangible fixed assets  | 45.7        | 54.1        | 64.4          | 62.4         | 64.4         |
| Tangible fixed assets   | 8.1         | 11.6        | 10.6          | 9.8          | 11.7         |
| Net current (liabilities)/assets  | 1.8         | (2.9)       | (2.9)         | (7.8)        | (9.2)        |
| Creditors due after one year  | -           | (2.1)       | (11.9)        | (4.9)        | (7.0)        |
| Provision for liabilities and charges   | (0.5)       | (0.9)       | (0.8)         | (0.7)        | (0.6)        |
| <b>Net assets</b>   | <b>55.1</b> | <b>59.8</b> | <b>59.4</b>   | <b>58.8</b>  | <b>59.3</b>  |
| Called-up share capital   | 4.0         | 4.1         | 4.2           | 4.2          | 4.2          |
| Share premium account   | 37.8        | 39.9        | 42.1          | 42.1         | 42.4         |
| Other reserves  | 0.9         | 0.9         | 0.9           | 0.9          | 0.9          |
| Profit and loss account   | 11.5        | 13.7        | 11.2          | 10.2         | 9.7          |
| <b>Equity shareholders' funds</b>   | <b>54.2</b> | <b>58.6</b> | <b>58.4</b>   | <b>57.4</b>  | <b>57.2</b>  |
| Minority interests  | 0.9         | 1.2         | 1.0           | 1.4          | 2.1          |
|   | <b>55.1</b> | <b>59.8</b> | <b>59.4</b>   | <b>58.8</b>  | <b>59.3</b>  |
| <b>Operating cash inflow</b>  | <b>10.6</b> | <b>13.0</b> | <b>12.5</b>   | <b>12.9</b>  | <b>12.0</b>  |

The above is based on information extracted from the Company's statutory accounts as adjusted using information from its management accounts to reflect the change in the Company's accounting reference date in 2002 from 28th February to 30th June.



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