Company Registration No. 3015847

WILMINGTON GROUP plc
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Annual Report & Accounts 1997

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WILMINGTON GROUP plc
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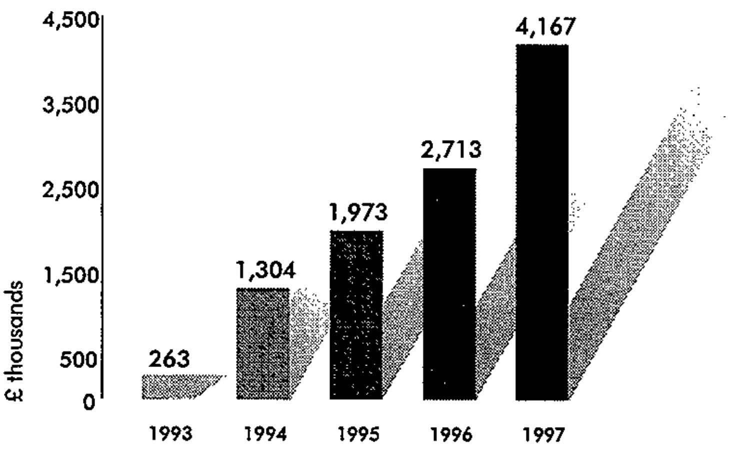
Contents

Financial Highlights

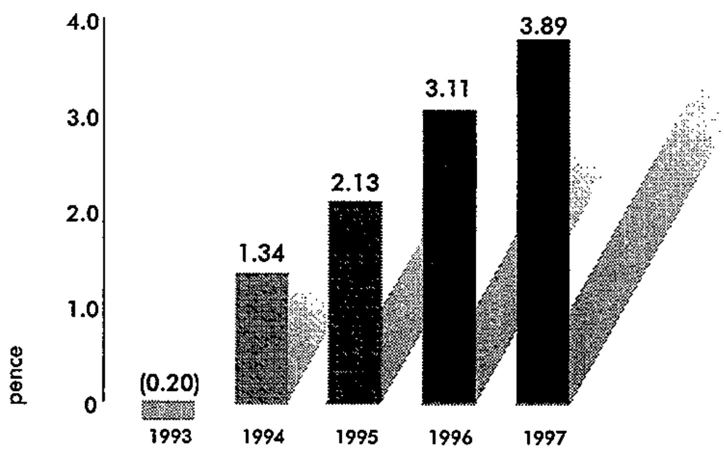
Group revenues and earnings per share continue to grow

	1993 £'000	1994 £'000	1995 £'000	1996 £'000	1997 £'000
Turnover	20,354	20,842	23,185	25,186	31,561
Profit before interest and taxation	626	1,757	2,525	3,207	4,112
Profit before tax	263	1,304	1,973	2,713	4,167
Earnings per share	(0.20)p	1.34p	2.13p	3.11p	3.89p

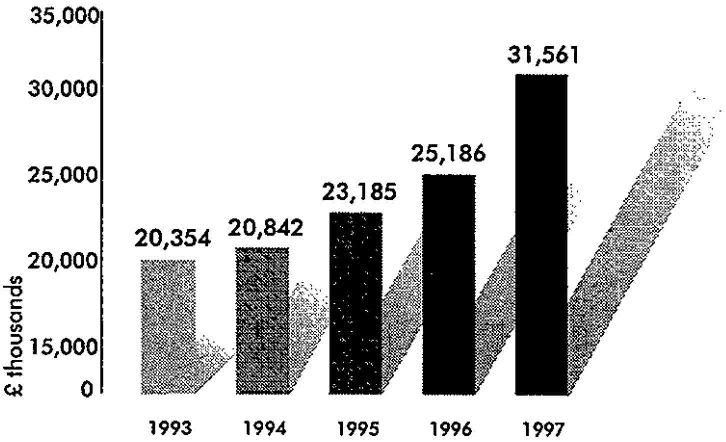
Profit before tax
A constant pattern of growth



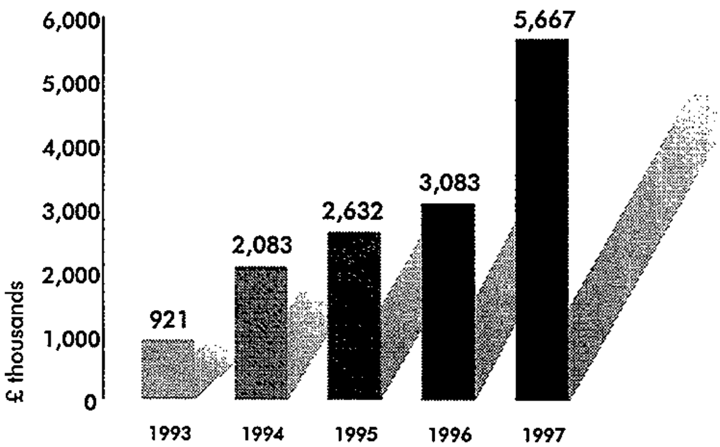
Earnings per share
Enhancing shareholder value



Turnover
Sales expanding steadily



Operating cash inflow
Cash generative assets



The above has been based on information extracted from the Company's accounts and the Company's prospectus.

It has been prepared on a merger basis as if the Group had always existed.

Officers and Advisers

DIRECTORS AND HEAD OFFICE

Dennis Rooke – *Non-Executive Chairman*
Dennis Rooke, aged 51, joined the board in November 1995. He has over 25 years experience in investment & commercial banking and has worked at senior levels for Bank of Nova Scotia and Barclays Bank where he was a director of BZW (Holdings) Ltd and Chairman of Barclays Metals Group. Currently he is a senior adviser to Sakura Bank. Dennis Rooke is the Chairman of the Group's Audit and Remuneration Committees.

Brian D Gilbert – *Chief Executive*
Brian Gilbert, aged 53, has worked in the publishing and information industries for nearly 30 years and has considerable experience in developing media businesses by organic growth and acquisition. Brian Gilbert built up United Trade Press before overseeing its purchase by Maxwell Communication Corporation plc (MCC) in 1987. In 1992 he successfully led the management buy-outs of both Wilmington Publishing and Waterlow Information Services from MCC and was Chairman of both organisations prior to merger and flotation. Mr Gilbert is also a member of the Audit Committee.

Rory A Conwell – *Director*
Rory Conwell, aged 44, has worked in the publishing and information industries for over 16 years in financial and management positions. His experience has centred on the development of intellectual property assets at Graham & Trotman, The Lafferty Group and MCC. In 1992 he completed the purchase, with Brian Gilbert and Ahmed Zahedieh, of Waterlow Information Services from MCC and has since then been its Managing Director.

Nicholas J Miller – *Director*
Nicholas Miller, aged 39, has worked in both business and consumer publishing for nearly 18 years in sales and management positions. Whilst at FF Publishing, Harpers International (USA), United Trade Press and MCC he developed and acquired a wide range of titles and media assets. In 1992 he completed the purchase with Brian Gilbert of the titles that became Wilmington Publishing and has since then been its Managing Director.

R Basil Brookes – *Finance Director*
Basil Brookes, aged 39, qualified as a Chartered Accountant with Coopers & Lybrand. He joined MCC and was appointed Group Finance Director in November 1990. Having worked in the media industry for over 10 years he joined the board of Wilmington Publishing in September 1992 as Finance Director.

Ahmed Zahedieh – *Director and Company Secretary*
Ahmed Zahedieh, aged 46, qualified as a Chartered Accountant with Ernst & Young before he joined United Trade Press as Group Financial Controller in 1986. In 1992 he completed with Brian Gilbert and Rory Conwell the management buy-out of Waterlow Information Services from MCC and has since then been its Finance Director.

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Company Registration No. 3015847
Tel: 0171 251 6499
Fax: 0171 608 2215

ADVISERS

Financial Advisers and Joint Stockbrokers	**Marshall Securities Limited** Crusader House 145-157 St. John's Street London EC1V 4QJ **Panmure Gordon & Co. Limited** New Broad Street House 35 New Broad Street London EC2M 1NH
Registered Auditors	**Hacker Young** Chartered Accountants 3&5 St Paul's Road Clifton Bristol BS8 1LX
Solicitors	**Hill Taylor Dickinson** Irongate House Duke's Place London EC3A 7LP
Principal Bankers	**Barclays Bank plc** P.O. Box 54 74-75 East Street Chichester West Sussex PO19 1HT
Registrars	**Bank of Scotland plc** Apex House 9 Haddington Place Edinburgh EH7 4AL

CORPORATE CALENDAR

Annual General Meeting	**14th July 1997**
Payment of Final Dividend	**15th July 1997**
Announcement of Interim Results	**November 1997**
Announcement of Final Results	**June 1998**

Chairman's Statement

I am delighted to announce the annual results of Wilmington Group plc. Profit before tax for the year to 28th February 1997 increased by 54% to £4,167,000 from £2,713,000 for the year to 29th February 1996.

Wilmington Group was first listed on the London Stock Exchange in December 1995 and has been built on the ownership of intellectual property in quality media assets generating sustainable revenue streams. The focus of the corporate strategy is to continue to provide information to specialist markets through magazines, directories, electronic information and other media.

Our financial highlights underline the success of this. Turnover rose from £25,186,000 to £31,561,000, an increase of 25%, and earnings per share increased sharply from 3.11p in 1996 to 3.89p in the year under review. The positive cash characteristics of our business, underpinned by strict financial controls, generated an operating cash inflow of £5,667,000 (1996: £3,083,000), an 84% increase. Our commitment to build the business has resulted in the re-investment of much of this cash in strategic acquisitions. We are constantly assessing acquisitions in order to ensure they are complementary to our strategy and have the potential to contribute significantly to our overall profitability.

The merger of Wilmington Publishing Limited and Waterlow Information Services Limited, as detailed in last year's annual report, is now complete. The business now operates through two distinct divisions, **Magazine Publishing** and **Information Services**, which allows us to concentrate our specialist skills within each unit and quickly absorb acquisitions. The two divisions are, however, co-ordinated at Board level in the implementation of strategy and the application of financial control.

During the year we have completed and integrated seven acquisitions within the Group. These acquisitions and the organic development of the Group are more fully discussed in the Chief Executive's report.

It is important to highlight that this excellent set of results features a limited contribution from our recent acquisitions, as many of these were completed in the second half of the financial year.

The success of our new and existing businesses is very dependent upon how we nurture and motivate our managers. We believe equity participation is an essential ingredient in this motivation and, as a result, all our senior managers have an equity interest in the Group. This gives a clear incentive to managers, who are encouraged to operate autonomously, to manage their business units according to the Group's objectives.

I am pleased to report that since my association with the Company I have come to appreciate that you have a very strong, committed and experienced team of executive Directors and senior managers working within an effective and unified strategy. The media business, by definition, is a 'people' business and the correct management of this important resource will invariably contribute positively to the success of a company.

Your Board remains committed to best practice in Corporate Governance as detailed in the Directors' Report and is actively seeking to strengthen the Board with the appointment of another non-executive Director. Although the appointee may not necessarily have media experience, he or she will be expected to contribute significantly to overall Group strategy and, of course, represent (as I endeavour to do) the interests of the shareholders.

In April of this year we further strengthened our team of professional advisers by the appointment of Panmure Gordon as joint brokers to the Group. On behalf of the Board I extend a warm welcome and look forward to working with them. It is also worth noting that on 31st December 1996 Wilmington became a constituent of the FTSE Small Cap Index.

I should like to thank Brian Gilbert, our Chief Executive, and the other executive Directors for an excellent performance throughout the year. Your Board is greatly looking forward to the year ahead and is delighted to propose a final dividend of 1.20p per ordinary share for the year to 28th February 1997.

In closing, I should also like to thank our employees and professional advisers for their hard work and enthusiasm. This has translated into yet another successful year for the Group.

Dennis Rooke

Dennis Rooke
Chairman
11th June 1997

Dennis Rooke

Chief Executive's Review

Description of the Group

The flotation of Wilmington Group plc on the London Stock Exchange in December 1995 was an essential ingredient in our plan to create a progressive, innovative and successful media group.

The Group owns the intellectual property rights of all its main publications and products, of which an increasing proportion are delivered electronically. Most are well established and address the needs of specialist markets. Group income derives largely from advertising, subscriptions, copy sales, data sales, list rentals, customised reports and professional service fees.

The last 12 months have once again seen achievement of the profitable growth which is the bedrock of our strategy. I have been delighted to lead the enthusiastic commitment of my team as it has converted historical initiatives into profitable revenue streams, whilst laying the foundations for improved performance from the fresh investments we have made.

In this review I will explain our business philosophy, identify the principal events in the period, describe the organisation of the Group and comment on its performance. Finally, I will underline my belief that there are many more opportunities for the development of our Group.

Key Events

Below I have detailed the key developments that have shaped the year under review. Many have been initiatives to strengthen or achieve leadership in specialist markets or to build further on the foundations of the Group laid down at the time of flotation.

In August 1996 we purchased two energy market titles from Reed Business Publishing. This was an important step in extending leadership in that important market, as was our purchase, for our personal finance periodicals, of the Rate-Update subscriber base from FT Magazines. Likewise, our September purchase of The Gramophone's minority interest in our **Retail Entertainment Data Publishing Limited** **(RED)** subsidiary and the February acquisition of Laserlog, **RED's** main competitor, give us a commanding position in providing purchasing data to music retailers.

Equally important during the period was our acquisition of two market-leading newsletters, European Cosmetic Markets and Production and Casting Report. The editorial and marketing skills associated with quality newsletters are becoming an increasingly important source of profits for the Group.

An important benefit of many of this period's acquisition activity has been the arrival at the Group of a number of experienced managers and editorial staff. I cannot stress enough how vital quality managers are to our activities. They are important drivers of growth as our Company seeks to build on existing market positions and enter new ones. Our February acquisition of **Decision Publishing Limited** is an excellent example of a business which comes complete with an experienced and able management team. Much of the value we can draw from such an acquisition is by providing management with the environment and support to grow their business and be rewarded by its success.

Investment in new technology is essential to the achievement of our growth. Correctly utilised it can provide a competitive edge through the creation of new products and the opportunity for cost efficiencies.

Consequently, most new product development throughout the period centred on the electronic distribution of news, data and advertising. The launch of a CD-ROM version of the Waterlow Solicitors' and Barristers' Directory, first published in 1844 (in many ways the flagship publication of our **Information Services** division) proved that even our more mature publications allow for the launch of profitable electronic products that expand upon existing revenue streams.

Within the Group we continually strive to improve upon and develop our businesses. For example, our **WDIS** subsidiary continues to add value to the Group's activities through its management of our valuable circulation lists. The cost-savings generated by this central function are considerable and give us a tangible edge in reaching our markets.

Throughout the Group we have continued with the development of systems that assimilate and effectively communicate financial and statistical information. We are now benefiting from a Group-wide accounting system that consolidates financial data and provides management with accurate and timely information. Investments like these are crucial if the Group is to continue to successfully integrate new assets and businesses.

I mentioned last year how pleased I was with the way the Board had worked together and achieved its internal and external objectives. I was no less pleased this year and I am truly delighted at the complementary skills and experiences we have at our disposal.

Product and market developments

Magazine Publishing

Our **Magazine Publishing** division has been created from Wilmington Publishing Limited and its subsidiaries.

Operating out of offices in Kent, Essex, Middlesex, Cambridgeshire and the West Midlands, it produces over 40 monthly magazines complemented by a growing number of related activities. The units within this division reflect our de-centralised management structure and our philosophy of letting business managers focus on specific markets utilising their specialist skills to implement the strategy agreed at Board level.

Our investment in circulation management software, through our **WDIS** subsidiary, means that any publication within the division can call on state-of-the-art circulation software and distribution systems. These efficiencies feed through into well-targeted products, distributed, controlled and audited at the lowest cost. The quality of our databases when allied to the wide-ranging search criteria offered by our sophisticated software, allows for the generation of significant list rental revenue. The value inherent in these systems is acknowledged by the willingness of other major publishing companies, such as Haymarket, to entrust us with the distribution and circulation management of their own products.

- **Wilmington Business Publishing (WBP)** is our Kent-based unit publishing business to business magazines and annuals, as well as providing information services and events for a number of UK and International markets.

  WBP had another excellent year with a sharp increase in both revenues and profits. New launches such as Power Economics, Automation and the first Asian edition of Soap, Perfumery and Cosmetics were complemented by first time contributions from the recently acquired Nuclear Engineering International and International Water, Power and Dam Construction. These acquisitions are performing in line with expectations and greatly strengthen our presence in the world-wide provision of information to the energy and power industries.

- **ETP**, based in Chelmsford and Birmingham, is a specialist magazine and annuals publisher for the UK design and advertising market. It turned in an outstanding performance with a significant increase in profits. Management have lowered the cost base whilst its core markets remain buoyant. Magazines such as FX and Adline are at the centre of **ETP's** success. The previous year's investment in new products has already begun to reap rewards.

- **Quest**, our niche trade and consumer publisher based in Middlesex, completed its first full year's contribution and met our expectations at the time of its acquisition. **Quest**, is particularly strong in the drinks trade through its titles Wine Magazine and Wine & Spirit International and this year again, hosted the world's largest wine blind tasting event – The International Wine Challenge. In the coming year management plan to extend its range of events following the success of What Van? Live and The Car HiFi Awards, both of which have grown out of **Quest** titles.

- **Dewberry Boyes**, acquired in December 1995, is the publisher of two leading UK catering magazines, The Restaurant Business and Cost Sector Catering. During the year it was successfully re-located to **WBP**. The business, which was underperforming on acquisition, has significantly improved margin performance. Tighter financial controls and the provision of Group circulation and production resources have made a significant contribution to this development. It is an excellent example of how we can unlock the value in underperforming assets through good publishing disciplines, strong financial management and empowering an existing quality team.

- **Decision Publishing**, based in Peterborough, publishes four magazines and organises events for the fleet vehicle market. Purchased in February 1997, it was profit-making on acquisition, though naturally we have already begun to improve purchasing and financial controls in line with Group benchmarks. I am confident that in the coming year the titles will command an even greater share of this highly competitive yet lucrative market. Improvements are already under way in recognising and responding to the needs of advertisers, through investment in the comprehensive verification of its circulation, in order to compete effectively with other players in this market.

Information Services

Our **Information Services** division has been created from **Waterlow Information Services Limited, RED** and the newly acquired **Production and Casting Report Limited (PCR)**.

Its businesses, which are operated out of two offices in central London, concentrate on the creation of high quality databases which produce a range of publications and electronic information services. In addition, the division capitalises on the relationships it has established with customers to produce a range of complementary events and services for its professional markets.

- The major assets of **Professional Publishing** are a series of legal and financial databases from which it produces periodicals, annuals, handbooks, value-added data, direct marketing lists and on-line services. Its revenues in the year under review were augmented and complemented by the November 1995 acquisition of two charity titles from the Family Welfare Association and the subscriber base of Rate-Update in March 1996.

  Last year I highlighted the launch of our first Internet product, Waterlow Signature, a trade mark searching service for legal professionals. The initial investment has reaped rewards in winning new customers. The proprietary software developed for the business can now be used elsewhere in the Group and will be of particular help in creating new revenue streams from established intellectual property assets.

- **Waterlow Legal and Company Services** remains one of the UK's leading legal service operations. In the year under review it provided over 15,000 solicitors, accountants and other professionals with company information, incorporation services and technical support. It continues to generate strong positive cash flow and has also successfully established itself as a conference and seminar producer for the professions.

- **International Company Profile (ICP)** provides world-wide company reports for the credit information and insurance industries. It had another excellent year of growth in both revenues and profits. **ICP** is a testament to how our customers are now expecting the electronic delivery of traditional paper-based products, with the majority of reports now being delivered in electronic format. We are particularly pleased by the successful collaboration between **ICP** and **Professional Publishing** who have worked together in the last year in exploiting **ICP's** existing databases to launch directories profiling Arabian and Caribbean companies.

- **Data Distribution Publications**, is a specialist periodical publisher for the Architectural and Construction markets and as of the 1st March 1997 has been transferred from **Magazine Publishing** to our **Information Services** division. Though both revenues and profits during the year were satisfactory the growing relevance of electronic products in this marketplace has convinced us that it would benefit from the concentration of electronic publishing skills in our **Information Services** division.

- **RED**, which publishes purchasing information for music retailers in CD-ROM and hard-copy formats, underwent a major re-structuring during the year. In September 1996 we took 100% control of the business, which had hitherto been a joint-venture with Gramophone Publishing Limited. The unit has consequently benefited from a lower cost base and more focused management. The development continued with our recent purchase of its main competitor, Laserlog, from Trade Service Information Limited. The acquisition brings tremendous opportunities to reduce costs further and greatly increases the subscriber base of the main products. Spurred on by the success of its CD-ROM products, **RED** looks forward to a significant improvement in performance and margins.

- **PCR**, also acquired in September 1996, publishes an eponymous weekly newsletter for the film, TV and theatre industry and, like **RED**, is the market leader in its segment of the entertainment industry. The business has been successfully integrated and shown real growth in its subscriber base since acquisition. It has also greatly benefited from improvements to the pricing and production of its products. As the need for film and TV content grows, with the arrival of digital technology, we are confident of many additional opportunities arising in this sector.

The Year Ahead

We have made enormous progress since flotation in December 1995. I am particularly proud of a number of achievements which have contributed to securing the base from which we will make further advances.

- We are making the transition from a small to a medium size company. This was reflected by our admission to the FTSE Small Cap Index in December 1996.

- We have planned for all our acquisitions in the period to be beneficial to the business during 1997-98.

- All of our internal and external investments have been financed from the cash flow generated by the business.

It is your Board's intention to continue to expand the Group through acquisition and organic development. We are committed to continue our record of investment in assets that capture value for our shareholders and are consistent with our strategy of owning quality media properties. The ownership of intellectual property, or 'content', is the defining characteristic of the Group and in the future we will not be limited to only acquiring and exploiting assets in our traditional media of hard copy and database publishing.

Current trading is encouraging and cash generation remains strong. This, allied with a strong balance sheet and the considerable borrowing facilities at our disposal, gives me the confidence that the current financial year will continue the profitable development of long term revenue streams for our Company.

Finally, I should like to thank our Chairman, the executive Directors, our business managers and our many employees for all their hard work, enthusiasm and success.

Brian Gilbert
Chief Executive
11th June 1997

Financial Review

The purpose of this review is to provide an analysis of the Group's financial position.

Basis of consolidation

The Group accounts comprise consolidated accounts of the Company and its subsidiary undertakings prepared using accounting policies consistently applied except as referred to below.

Change of accounting policy

The work to maintain the integrity of the magazine circulation lists is carried out over a 3 year rolling programme. In previous years, the Group has charged these costs evenly over the period of the programme except when this would have led to costs being deferred, in which case such costs were written off.

This policy was considered appropriate during the formative years of Wilmington Publishing when the majority of the lists required significant and abnormal levels of work to compensate for the lack of investment during their previous ownership. In recent years, these products have benefited, and continue to benefit, from the investment which the Group has made and continues to make year on year. Accordingly, the Directors have concluded that it is more appropriate that such costs are written off as incurred and consequently have adopted this policy. No adjustment is required to either this or the previous year's figures as a result of this change because, since the establishment of WDIS in 1994, the costs have been incurred evenly over the period of such programmes.

Turnover

Turnover for the Group rose from £25,186,000 to £31,561,000 an increase of 25%. This reflects a full year's consolidated trading from **Quest Magazines** and **Dewberry Boyes** as well as revenues of £916,000 from acquisitions during the period. After adjusting for these factors underlying growth in turnover of existing businesses was approximately 7%.

Revenues from non-advertising sources such as subscription products and information services remained at a healthy 41% (1996: 43%).

We continued to have a limited exposure to individual markets and approximately 21% of Group revenues came from overseas.

Operating profit

Operating profit rose from £3,103,000 to £4,112,000 an increase of 33%. This profit growth has derived from a number of areas including organic growth within existing businesses, notably **WBP** and **ICP**, together with improved margins resulting from lower cost bases particularly at **ETP** and **RED**. Additionally, as well as acquisitions during the year which contributed £234,000, there was a full year's trading from **Quest Magazines** and **Dewberry Boyes**.

Profit before interest and tax

In the year under review profit before interest and tax equates to operating profit whereas, in the previous year, a share of profits from our then joint venture **Quest Magazines** and the cost of merger were taken during the period.

Profit before tax

Profit before tax rose 54% from £2,713,000 to £4,167,000, reflecting net interest received of £55,000 against net interest payable of £494,000 last year.

Taxation

The tax charge of £1,378,000 (1996: £925,000) represents 33% of the Group's profit before tax.

Earnings per share

Earnings per share of 3.89p (1996: 3.11p) is calculated on the weighted average number of shares in issue during the year of 71,329,635 (1996: 56,837,439). The EPS shows an increase of 25%.

Gearing and cash flow

Despite cash outflows of over £3,000,000 on acquisitions and the purchase of a freehold property, it is particularly pleasing that we ended the year with net cash balances of £508,000 (1996: net overdrafts of £10,000). This is as a result of the cash generative nature of our assets, both existing and acquired during the year, allied to continued tight working capital control. The increase in deferred revenue from subscriptions arising mainly from acquisitions has in part contributed to the positive cash flow and is reflected as a reduction in net current assets in the balance sheet.

Capital expenditure

Capital expenditure excluding acquisitions and freehold property was £916,000 compared with £821,000 during the previous year and was authorised on a project by project basis.

Tangible fixed assets

The movement in tangible fixed assets is analysed in Note 15 to the accounts. In October 1996, in anticipation of the imminent termination of a short lease, the Group acquired a freehold building for £325,000 for use as office premises for a subsidiary company. The decision to purchase the freehold rather than rent was taken solely to minimise the cost of occupancy.

Stocks

Stock and work-in-progress has fallen from £1,060,000 to £888,000, primarily as a result of falling paper stocks coupled with lower paper prices than the previous year.

Treasury policy

The Group does not have significant foreign exchange exposure but does have some net income in US dollars. These dollars are sold periodically having regard to both prevailing exchange rates and transaction charges.

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

R Basil Brookes
Finance Director
11th June 1997

Directors' Report

For the year ended 28th February 1997

The Directors present their report and the audited accounts for the year ended 28th February 1997.

Business review

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

Results and dividends

The Group's financial results are set out in the profit and loss account. Turnover is analysed by division and geographically in Notes 2 and 3 of the accounts. Retained earnings of £1,922,000 will be added to reserves.

The Directors recommend a final dividend of 1.20p per ordinary share which, if approved by shareholders, will be paid on 15th July 1997 to shareholders on the register on 27th June 1997.

The business does not require expenditure on pure research. However, market research and analysis is written off as incurred.

Fixed assets

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

Directors

The Directors of the Company, during the year, are shown in table (i) below. (A G Dickinson resigned as a director on 18th September 1996).

Tables for Directors' Report

Table (i) Directors' Interests

	Ordinary Shares					
	Beneficial		Non-beneficial		Options	
Name	Number	%	Number	%	Number	%
B D Gilbert	9,762,907	13.69	–	–	–	–
R A Conwell	5,276,356	7.40	–	–	–	–
N J Miller	1,780,241	2.50	199,992	0.28	100,000	0.14
R B Brookes	907,223	1.27	–	–	100,000	0.14
A Zahedieh	2,763,805	3.87	–	–	–	–
D Rooke	360,000	0.50	–	–	–	–
A G Dickinson – resigned 18.9.96	120,000	0.17	–	–	–	–

Mr. D Rooke increased his holding in the Company by 60,000 shares. There was no change in the interests of the other directors in the share capital of the Company during the year or to the date of this report.

Table (ii) Substantial Shareholdings

	Number	%
Stanmore Corporation S.A.	6,338,092	8.89
Cavalier International Corporation	4,225,395	5.92
Funds managed by Abtrust Fund Managers Limited	3,433,810	4.81
M F Jackson, N C Jackson and Clay and Partners Pension Trustees Limited	2,927,234	4.10
Funds under the management of Montanaro Investment Managers Limited	2,800,000	3.92
Haymarket Magazines Limited	2,592,234	3.63

Directors' interests

(a) The interests of the Directors' and their immediate families in the share capital of the Company as at 28th February 1997 are detailed in table (i) on page 9. There have been no changes in the Directors' interests between 28th February and 11th June 1997.

(b) Options to subscribe for or acquire shares in the Company held by Directors as at 28th February 1997 are detailed in table (i) on page 9. There have been no changes to the options referred to above between 28th February and 11th June 1997.

(c) No Director had a material interest in any contract of any significance with the Company or any of its subsidiary undertakings during the year other than a service contract.

Substantial shareholdings

As at 29th May 1997, in addition to the interests of the Directors, the Company had been notified of interests in 3% or more of the issued share capital of the Company as detailed in table (ii) on page 9.

Creditor payment policy

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

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 two core divisions there are profit centres run by experienced business managers all of whom are shareholders in the Company or its subsidiaries and whose remuneration is linked to revenue and/or profit achievements.

The Company has over 100 members of staff who are shareholders and operates an Inland Revenue approved Savings-Related Share Option Scheme which has 78 members.

Employment of disabled persons

It is the Group's policy to give full and fair consideration to applications for employment from people who are disabled, to continue, wherever possible, the employment of employees who become disabled and to provide equal opportunities for the career development of disabled employees.

Charitable donations

The Group made charitable donations of £3,162 (1996: £1,112) during the year. No political donations were made during the year (1996: £Nil).

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

The Company recognises that it has an environmental duty of care and where possible purchases raw materials from sustainable resources and has an on-going recycling policy for materials such as paper and board.

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.

Changes in share capital

There were no changes to the share capital of the Company during the year.

Cadbury report and corporate governance

The Directors consider that the Company has complied throughout the period with all of the provisions of the Code of Best Practice (the Code) established by the Cadbury Committee except for the requirement for three non-executive Directors under paragraph 1.3 of the Code. The present composition of the Board (together with biographical notes on each of the Directors) is set out on page 2.

Following the resignation due to pressure from other business interests of Mr Alan G Dickinson in September 1996, the Company has one non-executive Director, Mr Dennis Rooke who succeeded Mr Dickinson as Chairman. As noted in the Chairman's Statement the Board is actively seeking to appoint a suitable non-executive Director. This would restore the number of non-Executives to two which, in the opinion of the Directors, is the appropriate number for the Company, having regard to the size of the Group. As a result the Audit and Remuneration Committees each have one non-executive Director rather than three as laid down by paragraphs 4.3 and 3.3 respectively of the Code. Mr Brian Gilbert is also a member of the Audit Committee.

Internal financial control

The Directors are responsible for and have reviewed the effectiveness of the Group's system of financial control. The system is designed to ensure the safeguarding of assets against unauthorised use or disposition, the maintenance of proper accounting records and the reliability of timely financial information used in the business or for publication. Such systems can provide reasonable, not absolute, assurance against material mis-statement or loss.

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.

Going concern

After reviewing the Group's budget for 1997/98 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.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group at the end of the year and of the Group profit and loss for that year. 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 accounts 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 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 Group and to prevent and detect fraud and other irregularities.

Annual General Meeting

The formal notice of Annual General Meeting is given on page 30 of this document. Notice is therein given of all matters of ordinary and special business to be transacted at the meeting.

Under the provisions of the Companies Act 1985, 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 meeting, authority is sought in resolution 4 to allot ordinary shares of 5p each having a nominal value of up to £1,188,827 which currently amounts to 23,776,540 ordinary shares of 5p each, such authority to expire at the conclusion of the Annual General Meeting to be held in 1998. This represents approximately one third of the current issued share capital of the Company.

The Board has no present intention of issuing any part of the unissued share capital of the Company other than pursuant to the exercise of options under employee share option schemes. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of the shareholders in general meeting.

Under Section 89 of the Companies Act 1985, equity securities issued for cash must first be offered to existing shareholders in proportion to their existing holdings. At the Annual General Meeting of the Company held on 25th July 1996 the Directors were empowered to allot equity securities for cash without first being required to offer such securities to existing shareholders. It is proposed, by Resolution 5 at the Annual General Meeting, to renew the power on similar terms for a further period expiring at the conclusion of the Annual General Meeting held in 1998, or 15 months after the date of the passing of Resolution 5, whichever is earlier. The power will enable the Directors to allot shares without application of pre-emption rights:–

(a) in connection with a rights issue: and

(b) having a nominal value of up to £178,324 which currently amounts to 3,566,480 ordinary shares of 5p each. This represents approximately 5% of the current issued share capital of the Company.

Auditors

Hacker Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

Ahmed Zahedieh

Secretary

11th June 1997

Report of the Remuneration Committee

The Remuneration Committee currently comprises Dennis Rooke who is the only non-executive Director.

The Committee determines the Company's policy on Directors' remuneration, employment conditions and the individual remuneration packages of executive Directors. Additionally, the Committee is responsible for determining the performance criteria of the share option schemes.

Compliance

The Committee considers that it has complied throughout the period with Section A of the Best Practice Provisions on Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange and confirms that, in determining its remuneration policy has given full consideration to Section B of such provisions.

Remuneration policy for executive Directors

The remuneration policy provides for a competitive compensation package which reflects the Company's performance against financial objectives. It rewards above average performance and is designed to attract, retain and motivate high calibre executives. The remuneration packages are also designed to compete with other publishers and information providers. In determining the policy, the Committee has access to external professional advice and consults with the Chief Executive on proposals relating to the remuneration of the executive Directors other than himself.

Non-executive Directors' remuneration

Fees for non-executive Directors' duties are determined by the executive Directors, in consultation with the Company's professional advisers.

Service agreements

The Company has entered into service agreements with each of the executive Directors, each of which is terminable on 12 months notice.

Performance related bonus arrangements

Bonuses are set for the executive Directors determined by the improvement in the level of earnings per share. Bonuses are not pensionable. The table below sets out the total remuneration for each Director.

Basic salary and benefits

These represent the amounts earned by the Directors and reflect the scope and market value of job responsibilities and the sustained level of individual performance. A company car and private health care is also provided in certain cases. Benefits in kind are not pensionable.

Pensions

Under the terms of the service agreements, each of the executive Directors is entitled to pension contributions and permanent health insurance and life assurance benefits. However, the executive Directors each waived their rights to these benefits for the year under review.

Share option schemes

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

As at 28th February 1997, R B Brookes and N J Miller each held options to subscribe for 100,000 ordinary shares of 5p each at the placing price of 50p per share, which are exercisable, subject to the achievement of performance targets between 1998 and 2002. No directors were granted options during the year.

Save as disclosed in note 22 on page 27, there have been no changes to the options referred to above between 28th February and 11th June 1997.

The Wilmington Group plc 1995 Savings-Related Share Option Scheme (the SAYE scheme), which was adopted on 22nd November 1995, was approved by the Inland Revenue on 25th October 1996. It provides for the grant of non-transferrable options to acquire shares in Wilmington Group plc at a discount of up to 20% on prevailing market prices at the time of the grant. Options over 370,598 ordinary shares of 5p each were granted under the SAYE scheme in the period under review.

	Salary & Fees		Bonus		Benefits in Kind		Totals	
	1997	1996	1997	1996	1997	1996	1997	1996
	£	£	£	£	£	£	£	£
D Rooke	12,000	4,200	–	–	–	–	12,000	4,200
B D Gilbert *	150,000	128,715	36,000	–	17,171	16,368	203,171	145,083
R A Conwell	106,000	95,500	25,440	15,142	8,693	8,676	140,133	119,318
N J Miller	106,000	82,750	25,440	13,250	8,928	11,923	140,368	107,923
R B Brookes	90,000	78,750	21,600	16,250	10,856	12,364	122,456	107,364
A Zahedieh	90,000	74,250	21,600	11,189	4,628	4,412	116,228	89,851
A G Dickinson	26,600	11,250	–	–	–	–	26,600	11,250
	580,600	475,415	130,080	55,831	50,276	53,743	760,956	584,989

*1996 includes salaries and fees of £91,215 paid to a third party and benefits in kind of £10,040 provided to the third party.

Dennis Rooke

Dennis Rooke, Chairman of the Remuneration Committee,
Non-Executive Chairman
11th June 1997

Reports of the Auditors

Hacker Young
Chartered Accountants

To the members of Wilmington Group plc

We have audited the financial statements on pages 16 to 29 and the detailed information set out in the table of the Report of the Remuneration Committee and in the paragraphs headed Share option schemes.

Respective responsibilities of Directors and Auditors

As described on page 11 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to 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 are free from material mis-statement, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 28th February 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hacker Young
Chartered Accountants
Registered Auditors
Bristol
11th June 1997

Report by the Auditors to the Board of Directors of Wilmington Group plc on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Directors' statement on pages 9 to 12 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control on page 11, and going concern on page 11, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 11 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Hacker Young
Chartered Accountants
Registered Auditors
Bristol
11th June 1997

WILMINGTON GROUP plc

Accounts 1997

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Consolidated Profit and Loss Account

For the year ended 28th February 1997

	Notes	1997 £'000	1996 £'000
Turnover	3		
Continuing operations		30,645	24,365
Acquisitions	12	916	821
		31,561	25,186
Cost of sales		(11,730)	(8,458)
Gross profit		19,831	16,728
Operating expenses	4	(15,719)	(13,625)
Operating profit	5		
Continuing operations		3,878	3,158
Acquisitions	12	234	(55)
		4,112	3,103
Cost of merger		—	(47)
Income from interests in associated companies		—	151
Profit before interest and taxation		4,112	3,207
Interest payable and similar charges	8	(5)	(554)
Interest receivable and similar income	9	60	60
Profit on ordinary activities before taxation		4,167	2,713
Taxation	10	(1,378)	(925)
Profit on ordinary activities after taxation		2,789	1,788
Minority interests		(11)	(21)
Profit for the financial year	11	2,778	1,767
Transfer to other reserves		—	(114)
Profit attributable to shareholders		2,778	1,653
Dividends		(856)	(178)
Retained profit for the year		1,922	1,475
Earnings per ordinary share	13	3.89p	3.11p

There were no recognised gains or losses during the year other than the profit for the year.

The accompanying notes are an integral part of these accounts.

Balance Sheets

As at 28th February 1997

	Notes	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Fixed Assets					
Intangible assets	14	12,481	9,332	—	—
Tangible assets	15	4,209	3,896	—	—
Investments	16	—	—	4,650	4,120
		16,690	13,228	4,650	4,120
Current Assets					
Stocks	17	888	1,060	—	—
Debtors	18	7,084	5,783	8,610	6,352
Cash at bank and in hand		508	215	182	90
		8,480	7,058	8,792	6,442
Creditors: Amounts falling due within one year	19	(9,554)	(6,708)	(1,724)	(356)
Net current assets/(liabilities)		(1,074)	350	7,068	6,086
Total assets less current liabilities		15,616	13,578	11,718	10,206
Capital and Reserves					
Called-up share capital	21	3,567	3,567	3,567	3,567
Share premium account		6,555	6,555	6,555	6,555
Other reserves		949	949	—	—
Profit and loss account	24	4,429	2,507	1,596	84
Shareholders' funds		15,500	13,578	11,718	10,206
Minority interests	29(b)	116	—	—	—
		15,616	13,578	11,718	10,206

Approved on behalf of the Board on 11th June 1997

Brian D Gilbert
Chief Executive

R Basil Brookes
Finance Director

The accompanying notes are an integral part of these accounts.

Consolidated Cash Flow

For the year ended 28th February 1997

	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	29(a)	5,667	3,083
Returns on investments and servicing of finance			
Interest received		60	60
Interest paid		(5)	(554)
Dividends paid to minority interest		—	(106)
Redemption premium paid to minority interest		—	(129)
Dividends paid		(178)	—
Net cash (outflow) from returns on investment and servicing of finance		(123)	(729)
Taxation			
UK corporation tax paid		(826)	(657)
Net cash inflow before investing activities and finance		4,718	1,697
Investing activities			
Purchase of intangible fixed assets		(2,270)	(170)
Purchase of tangible fixed assets		(1,279)	(821)
Purchase of subsidiary undertakings including borrowings assumed	12	(721)	(1,516)
Sale of tangible fixed assets		70	129
Net cash outflow from investing activities		(4,200)	(2,378)
Net cash inflow/(outflow) before financing		518	(681)
Financing	29(b)		
Issue of shares (net of expenses)		—	7,624
Receipt of long term deposit		—	550
Receipts of long term financing loans		—	3,275
Repayment of long term financing loans		—	(8,486)
Redemption of minorities		—	(2,125)
Net cash inflow from financing		—	838
Increase in cash and cash equivalents	29(c)	518	157

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 prepared as if the Company had been incorporated prior to 1st March 1995.

Where on the acquisition of a business all of the specific criteria set out in the Financial Reporting Standard 6 for the combination to fall within the definition of a merger are met, merger accounting has been applied. Any difference between the nominal value of the shares issued and the nominal value of the shares acquired is transferred to other reserves. This basis has been applied to the mergers of Wilmington Publishing Limited, Waterlow Information Services Limited and Limerent Limited with the Company.

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 written off directly to reserves in the year of acquisition.

Shares in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the Group's share of the profit before taxation and attributable taxation of the associated undertakings based on audited financial statements for the financial year. In the consolidated balance sheet, the investment in associated undertakings is shown as the aggregate of the Group's share of the fair value on acquisition of the net assets, excluding goodwill, and the Group's share of post acquisition profits. This accounting policy was adopted for Quest Magazines Limited during the period when it was an associated undertaking.

c) Turnover

Turnover represents the invoiced value of goods sold and services provided during the year, stated net of Value Added Tax.

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 in order to write off each asset over its estimated useful life.

Freehold buildings	2% per annum
Short leasehold properties	over the term of the lease
Motor vehicles	25%-50% per annum
Computer equipment	25%-40% per annum
Fixtures and fittings	10%-35% per annum

e) Publishing rights

Publishing rights, titles and benefits are stated at fair value on acquisition and are carried forward in the balance sheet.

No amortisation charge is made to the value of the publishing rights, titles and benefits unless there is a permanent diminution in value. The carrying values of the publishing rights are subject to annual review. Any permanent diminution in value is charged to the profit and loss account.

The accounting policy in respect of the costs of maintaining the integrity of the circulation lists has been changed. The change is fully explained in the Financial Review on page 8. No adjustment is required to either this or the prior year's figures.

f) 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.

g) 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 year's profit or loss from ordinary activities.

h) Taxation

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

i) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which are not expected to continue for the foreseeable future.

j) Pension scheme arrangements

The pension scheme arrangements of the Group comprise externally managed funds. Payments made to the funds and charged annually in these financial statements are current service contributions based on actuarial advice. The funds are actuarially valued every three years using the projected unit method.

Notes to the Accounts

2. Segmental information

	1997 £'000	1996 £'000
Turnover:		
Magazine publishing division	22,021	16,414
Information services division	9,540	8,772
	31,561	25,186

	1997 £'000	1996 £'000
Profit before taxation:		
Magazine publishing division	2,552	1,413
Information services division	1,615	1,300
	4,167	2,713

	1997 £'000	1996 £'000
Net assets:		
Magazine publishing division	10,602	9,355
Information services division	5,014	4,223
	15,616	13,578

The Magazine publishing division is the equivalent of the Wilmington division as detailed in the Annual Report for the year ended 29th February 1996. The Information services division is the equivalent of the Waterlow division as detailed in the same.

3. Turnover

The geographical analysis of turnover is as follows:

	1997 £'000	1996 £'000
United Kingdom	24,836	19,829
Overseas	6,725	5,357
	31,561	25,186

4. Operating expenses

	1997 £'000	1996 £'000
Selling and distribution	10,494	9,694
Administration	5,225	3,931
	15,719	13,625

The figures for continuing operations include the following amounts relating to acquisitions:

	1997 £'000	1996 £'000
Cost of sales	264	790
Operating expenses:		
Selling and distribution	264	56
Administration	154	30
	418	86

Notes to the Accounts

5. Operating profit

Operating profit is stated after charging:

	1997 £'000	1996 £'000
Depreciation:		
Owned fixed assets	908	822
Leased fixed assets	—	7
Provision for diminution in value of intangible assets	7	3
(Profit) on sale of fixed assets	(14)	(67)
Rentals under operating leases:		
Machinery	26	27
Other operating leases	150	170
Auditors' remuneration:		
Audit fees	49	43
Other services	7	54

Included in the above, under the heading of other services, the auditors received fees in 1996 of £40,000 which were charged to Cost of merger. In addition, Hacker Young, London, in 1996 received fees of £124,000 in respect of the issue and listing of shares.

6. Staff costs

Employee costs (including Directors) were as follows:

	1997 £'000	1996 £'000
Wages and salaries	9,335	6,910
Social security costs	855	681
Pension costs	98	70
	10,288	7,661

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

	1997 Number	1996 Number
Selling and distribution	279	245
Production	97	70
Administration	85	75
	461	390

Notes to the Accounts

7. Directors' emoluments

	1997 £'000	1996 £'000
Payments to third parties for the services of Directors	—	101
Salaries (including benefits in kind)	761	484
Pension contributions	—	—
Directors' emoluments	761	585
Chairmen	32	11
Highest paid Director	203	145

The emoluments or fees of the other Directors fell within the following ranges:

	1997 Number	1996 Number
£0 –£5,000	—	1
£5,001 –£10,000	1	—
£85,001 –£90,000	—	1
£105,001 –£110,000	—	2
£115,001 –£120,000	1	1
£120,001 –£125,000	1	—
£140,001 –£145,000	2	—

The executive Directors each waived their rights to permanent health insurance, life assurance and pension contributions.

8. Interest payable and similar charges

	1997 £'000	1996 £'000
On loans and overdrafts wholly repayable under 5 years	—	305
Convertible loan stock	—	227
Other interest	5	22
	5	554

9. Interest receivable and similar income

	1997 £'000	1996 £'000
Bank interest	60	60

10. Taxation

	1997 £'000	1996 £'000
The tax charge comprises:		
UK corporation tax at current rates	1,426	899
Adjustment to previous years	(48)	6
Associated undertakings	—	52
Deferred tax	—	(32)
	1,378	925

Notes to the Accounts

11. Results of Wilmington Group plc

Of the results for the year a profit of £2,368,000 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.

12. Acquisitions

The results of the acquisitions of two titles and associated activities from Reed Business Publishing (August 1996), the acquisition of Production and Casting Report Limited (September 1996), the purchase of Laserlog, the music information division of Trade Service Information Limited (February 1997), the acquisition of Decision Publishing Limited (February 1997), the rights to publish European Cosmetic Markets and related titles (February 1997), the acquisition of the minority interest in Retail Entertainment Data Publishing Limited (September 1996) and the purchase of Rate Update (March 1996) were as follows:

	£'000
Turnover	916
Cost of sales	(264)
Gross profit	652
Operating expenses	(418)
Operating profit	234

Assets and liabilities acquired:	Book value £'000	Fair value adjustments £'000	Fair value £'000
a) Subsidiary undertakings acquired:			
Publishing rights	796	90	886
Debtors	7	—	7
Creditors due within one year	(61)	—	(61)
Minority interest	(111)		(111)
	631	90	
Consideration			721
Satisfied by:			
Cash			721
b) Businesses acquired:			
Publishing rights	2,270	—	2,270
Tangible fixed assets	49	—	49
Creditors due within one year	(408)	—	(408)
	1,911	—	
Consideration			1,911
Satisfied by:			
Cash			1,911

Notes to the Accounts

13. Earnings per ordinary share

	1997	1996
The calculation of earnings per share is based on profit after taxation and minority interests of	£2,778,000	£1,767,000
and on the average number of ordinary shares in issue during the year of	71,329,635	56,837,439
Earnings per ordinary share	3.89p	3.11p

The average number of ordinary shares for the year ended 29th February 1996 is based upon the total number of shares that were issued to acquire Wilmington Publishing Limited, Waterlow Information Services Limited, Limerent Limited and the remaining 50% of Quest Magazines Limited, together with the issue of new shares on listing in December 1995.

14. Intangible assets

	1997 £'000	1996 £'000
Opening balance	9,332	6,837
Additions (note 12(b))	2,270	170
Acquisitions (note 12(a))	886	2,328
Provisions for diminution in value	(7)	(3)
Closing balance	12,481	9,332

15. Tangible assets

	Freehold property £'000	Short leasehold property £'000	Fixtures & fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1st March 1996	1,968	128	1,060	1,902	1,245	6,303
Additions	363	26	186	454	250	1,279
Disposals	—	—	(8)	(75)	(126)	(209)
At 28th February 1997	2,331	154	1,238	2,281	1,369	7,373
Depreciation						
At 1st March 1996	97	23	703	1,162	422	2,407
Charge for year	32	18	155	411	292	908
Disposals	—	—	(7)	(62)	(82)	(151)
At 28th February 1997	129	41	851	1,511	632	3,164
Net book value						
At 28th February 1997	2,202	113	387	770	737	4,209
At 29th February 1996	1,871	105	357	740	823	3,896

Notes to the Accounts

16. Investments

	Shares in subsidiary undertakings £'000
Cost at 1st March 1996	4,120
Transfer from subsidiary undertaking	530
At 28th February 1997	4,650

At 28th February 1997 the principal subsidiary undertakings, all of which only have ordinary issued share capital and all of which were incorporated in and principally operated in England and Wales, were as follows:

Name of company	Business	% owned
Waterlow Information Services Limited	Provision of reference information	100
Retail Entertainment Data Publishing Limited	Provision of reference information	100
Production and Casting Report Limited	Provision of reference information	85
Wilmington Publishing Limited	Publication of trade and technical journals	100
ETP Limited	Publication of trade and technical journals	75
Quest Magazines Limited	Publication of trade and consumer journals	100
Adline Publishing Limited	Publication of trade and technical journals	56
WDIS Limited	Database management and publishing support services	100
Halsbury Publishing Limited	Publication of trade and technical journals	75
Limerent Limited	Holding Company	100
Dewberry Boyes Limited	Publication of trade and technical journals	75
Decision Publishing Ltd	Publication of trade and technical journals	86

Adline Publishing Limited is 75% owned by ETP Limited which is 75% owned by Wilmington Publishing Limited.

17. Stock and work in progress

	1997 £'000	1996 £'000
Raw materials	231	415
Work in progress	619	507
Books held for sale	38	138
	888	1,060

18. Debtors

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors	6,398	5,315	—	—
Other debtors	384	159	282	38
Amounts due from subsidiary undertakings	—	—	5,980	6,311
Dividends receivable from subsidiary undertakings	—	—	2,345	—
Prepayments and accrued income	302	309	3	3
	7,084	5,783	8,610	6,352

Included in other debtors is £214,000 representing ACT recoverable which will be recovered after more than one year.

19. Creditors: amounts falling due within one year

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bank overdrafts	—	225	—	—
Trade creditors	2,123	1,748	—	—
Corporation tax payable	1,402	850	7	9
Other creditors including taxation and social security	1,308	1,026	267	—
Subscriptions and fees in advance	1,836	976	—	—
Accruals	2,023	1,705	64	169
Amounts due to subsidiary undertakings	—	—	530	—
Dividends payable	862	178	856	178
	9,554	6,708	1,724	356

20. Provisions for liabilities and charges

The Group potential liability for deferred taxation and the amounts provided are as follows:

	1997 Provided £'000	1997 Full potential liability £'000	1996 Provided £'000	1996 Full potential liability £'000
Publishing rights fair value adjustment	—	516	—	451
Accelerated capital allowances	—	(77)	—	—
Gain deferred by rollover relief	—	—	—	30
	—	439	—	481

The Company had no full potential deferred tax liability at 28th February 1997 (1996 £NIL).

21. Called up share capital

	1997 £'000	1996 £'000
Authorised		
99,000,000 ordinary shares of 5p each	4,950	4,950
Allotted, called up and fully paid ordinary shares of 5p each 71,329,635 (1996: 71,329,635)	3,567	3,567

Notes to the Accounts

22. Share options

Details of Directors' share options are set out in the Report of the Remuneration Committee. Other employees of the Group hold options to subscribe for ordinary shares under the Wilmington Group plc 1995 Unapproved Share Option Scheme as follows:

Year of grant	Subscription price per share	Period within which options exercisable	No. of shares for which options outstanding at 28th February 1997
1995	50	1998–2002	663,500
1996	95	1999–2003	619,000

Since 28th February 1997 options over 8,000 ordinary shares were granted to an employee exercisable at 123p between 2000 and 2004.

The Wilmington Group plc Savings Related Share Option Scheme was adopted by the Company on 22nd November 1995 and approved by the Inland Revenue on 25th October 1996. No consideration is payable for the grant of an option. During the year the Company granted a first tranche of options over 370,598 ordinary shares to employees of the Group, the details of which are as follows:

Year of grant	Subscription price per share	Period within which options exercisable	No. of shares for which options outstanding at 28th February 1997
1996	78.4	2000–2002	364,583

23. Reconciliation of movements in shareholders' funds

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Profit for the financial year	2,778	1,767	2,368	262
Dividends	(856)	(178)	(856)	(178)
	1,922	1,589	1,512	84
Issue of shares	—	7,624	—	10,122
Opening shareholders' funds	13,578	4,365	10,206	—
Closing shareholders' funds	15,500	13,578	11,718	10,206
Attributable to equity interests	15,500	13,578	11,718	10,206

24. Profit and loss account

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Opening balance	2,507	1,032	84	—
Profit for the financial year	2,778	1,767	2,368	262
Transfer to other reserves	—	(114)	—	—
Dividends	(856)	(178)	(856)	(178)
Closing balance	4,429	2,507	1,596	84

Notes to the Accounts

25. Contingent liabilities

Group

The Group has entered into agreements with the minority shareholders 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. Any amounts payable will be significantly less than the increase in value in the Group's total investments in the subsidiaries resulting from the relevant level of profitability.

At 28th February 1997 none of the options were exercisable.

In December 1995 the Company entered into an agreement with Zonespeedy Limited whereby it would pay an additional consideration, based upon the future profits of Dewberry Boyes Limited, for the purchase from that company of Dewberry Boyes Limited. The maximum payable under this agreement is £300,000.

Company

The Company has entered into guarantees with the Group's bankers in respect of the overdraft facilities extended to certain of the Company's subsidiaries. At 28th February 1997 the amounts drawn on these overdrafts amounted to £296,000 (1996: £225,000).

26. Commitments

a) The Group had capital commitments at 28th February 1997 contracted but not provided for of £49,000 (1996: £15,000).

b) Annual commitments payable under non-cancellable operating leases at 28th February 1997 were as follows:

	Property £'000	Other operating leases £'000
One year	68	—
Between two and five years	35	8
After five years	51	—
	154	8

27. 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. However, the following other services were provided during the year for which appropriate charges, as set out below, were made:

Provision of finance at commercial rates of interest	£46,000
Circulation management services	£81,118

The Company has taken advantage of the exemption from including details of related party transactions between it and subsidiaries which are controlled as to 90 per cent or more within the Group.

28. Pension and similar obligations

Wilmington Publishing Limited operates a defined benefit scheme for employees who were, at 6th March 1992 members of the Maxwell pension schemes. The benefits under the Wilmington Publishing Limited Pension Scheme accrue from 6th March 1992 and are based on final salary. The contribution rate is determined by a professionally qualified independent Actuary and the principal actuarial assumptions adopted are that, over the long-term, the annual rate of return on new investments would be 2.5% higher than the annual increase in total pensionable remuneration and 4.5% higher than the annual increase in future pensions in the course of payment. There are no variations from the regular cost to be allocated over the average remaining working lives of current employees. The Actuary values the scheme every three years. The last actuarial valuation was carried out as at 31st March 1995.

Notes to the Accounts

The independent Actuary reported that the market value of the assets was 122% of the benefits which had been accrued to members, after allowing for expected future increases in earnings, and that the contribution rate currently being paid by Wilmington Publishing Limited is sufficient to meet the cost of the benefits expected to arise in respect of future service. The assets are held separately in a trustee administered fund and managed by an independent firm of investment managers.

The Group contributes to defined contribution pension arrangements of a limited number of other employees. Apart from this no pension benefits are provided to any other employees of the Group.

29. Notes to the consolidated cash flow statements

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

	1997 £'000	1996 £'000
Operating profit	4,112	3,103
Cost of merger	—	(47)
Depreciation and amortisation of fixed assets	915	832
(Profit) on sale of tangible fixed assets	(14)	(67)
Decrease/(increase) in stocks	172	(411)
(Increase)/decrease in debtors	(1,268)	481
Increase/(decrease) in creditors	1,750	(808)
Net cash inflow from operating activities	5,667	3,083

(b) Analysis of changes in financing during the year:

	Share capital and other reserves £'000	Minority interests £'000
Balance at 1st March 1996	11,071	—
Share of net assets	—	111
Transfer from profit and loss account	—	5
Balance at 28th February 1997	11,071	116

(c) Analysis of changes in cash and cash equivalents:

	Cash £'000	Bank overdrafts £'000	Net £'000
Balance at 1st March 1996	215	(225)	(10)
Net cash inflow	293	225	518
Balance at 28th February 1997	508	—	508

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting of Wilmington Group plc will be held at No. 20 Red Lion Court, London, EC4A 3HE on 14th July 1997 at 4pm for the following purposes:

Ordinary Business

1. To receive and consider the Report and Accounts for the year ended 28th February 1997.

2. To approve a final dividend of 1.20p per ordinary share.

3. To re-appoint Hacker Young as auditors and authorise the Directors to fix their remuneration.

Special Business

4. To consider and, if thought fit, pass the following Resolution, which will be proposed as an Ordinary Resolution:

   That the Directors be generally and unconditionally authorised in accordance with 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 £1,188,827 such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 1998 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 expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired (such authority to be in substitution for any and all authorities previously conferred on the Directors for the purposes of Section 80 of the Act but without prejudice to any allotment, offer or agreement entered into prior to the passing of this Resolution).

5. 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 4, the Directors be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by Resolution 4 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment for the purpose of, or in connection with, an offer (by any person) of equity securities to the holders of issued ordinary shares where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, subject to such exclusions and 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 howsoever; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a)) of equity securities up to an aggregate nominal amount of £178,324

such power to expire (unless previously revoked, varied or renewed) at the conclusion of the Annual General Meeting of the Company to be held in 1998 or, if earlier, the date being 15 months from the date of the passing of this Resolution save that the Company may before such expiry make an offer or agreement that 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 up to the maximum amount permitted hereby as if the power conferred hereby had not expired.

By Order of the Board
Ahmed Zahedieh
Secretary

Registered Office:
Paulton House
8 Shepherdess Walk
London N1 7LB
11th June 1997

Notes:

A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.

The completion and despatch of the form of proxy will not prevent you from attending the Annual General Meeting and voting in person if you wish to do so.

Forms of proxy to be valid must reach the Registrar's office not less than 48 hours before the appointed time of the holding of the Meeting.

It is proposed to pay the final dividend, if approved, on 15th July 1997 to shareholders registered on 27th June 1997.

The Register of Directors' Interests together with copies of the current service agreements between the Company and its Directors may be inspected at the Registered Office during usual business hours on any weekday except Saturday, and will be available for inspection at the place of the Meeting for a period of 15 minutes before and during that Meeting.

Five Year Financial Summary

Years Ended 28th and 29th February	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Consolidated Profit and Loss Accounts					
Turnover	31,561	25,186	23,185	20,842	20,354
Cost of sales	(11,730)	(8,458)	(7,971)	(7,577)	(8,403)
Gross profit	19,831	16,728	15,214	13,265	11,951
Operating expenses	(15,719)	(13,625)	(12,698)	(11,508)	(11,326)
Operating profit	4,112	3,103	2,516	1,757	625
Cost of merger	—	(47)	—	—	—
Income from interests in associated companies	—	151	9	—	1
Profit before interest and taxation	4,112	3,207	2,525	1,757	626
Net interest payable and similar charges	55	(494)	(552)	(453)	(363)
Profit on ordinary activities before taxation	4,167	2,713	1,973	1,304	263
Taxation	(1,378)	(925)	(618)	(358)	(130)
Profit on ordinary activities after taxation	2,789	1,788	1,355	946	133
Minority interests	(11)	(21)	(255)	(255)	(238)
Profit for the financial year	2,778	1,767	1,100	691	(105)
Transfer to other reserves	—	(114)	(428)	(134)	—
Profit attributable to shareholders	2,778	1,653	672	557	(105)
Dividends	(856)	(178)	—	—	—
Retained profit for the year	1,922	1,475	672	557	(105)
Earnings per ordinary share (pence)	3.89	3.11	2.13	1.34	(0.20)
Consolidated Balance Sheets					
Intangible fixed assets	12,481	9,332	6,837	6,840	6,293
Tangible fixed assets	4,209	3,896	3,831	3,616	2,540
Investments	—	—	545	—	1
Long term cash deposit	—	—	550	—	—
Net current assets/(liabilities)	(1,074)	350	(1,417)	(306)	413
Creditors due after one year	—	—	(3,698)	(4,661)	(4,438)
Provisions for liabilities and charges	—	—	(32)	(38)	—
Minority interest : non equity	—	—	(2,251)	(2,208)	(2,165)
Net assets	15,616	13,578	4,365	3,243	2,644
Called up share capital	3,567	3,567	2,597	2,573	2,573
Share premium account	6,555	6,555	—	—	—
Other reserves	949	949	736	310	176
Profit and loss account	4,429	2,507	1,032	360	(105)
Shareholders' funds	15,500	13,578	4,365	3,243	2,644
Minority interests	116	—	—	—	—
	15,616	13,578	4,365	3,243	2,644

The above has been based on information extracted from the Company's accounts and the Company's prospectus.

It has been prepared on a merger basis as if the Group had always existed.