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WILMINGTON GROUP plc

Annual Report & Accounts 1999

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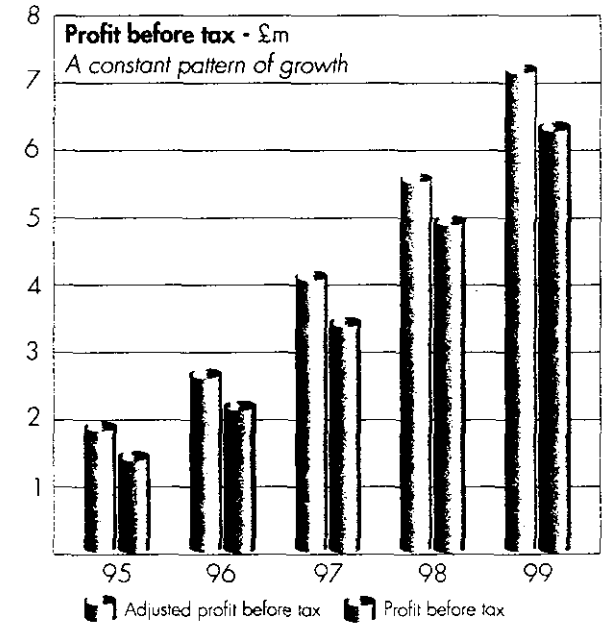
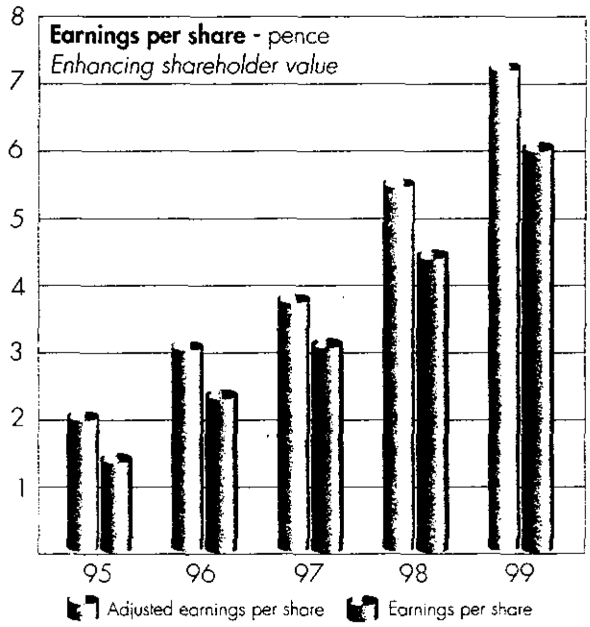
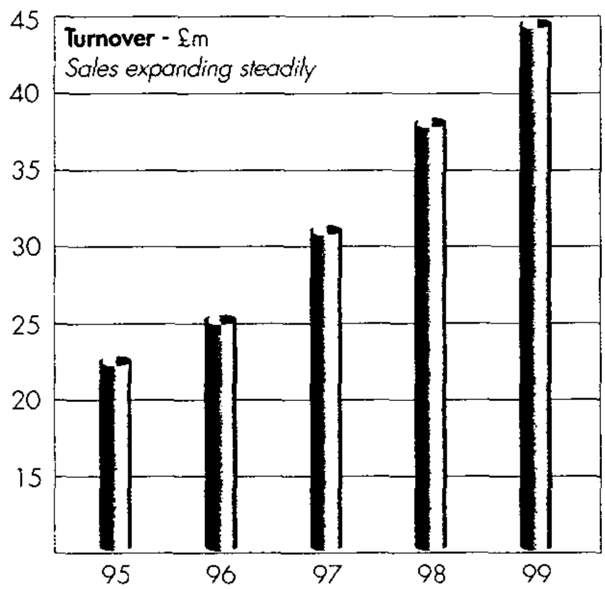
Financial Highlights

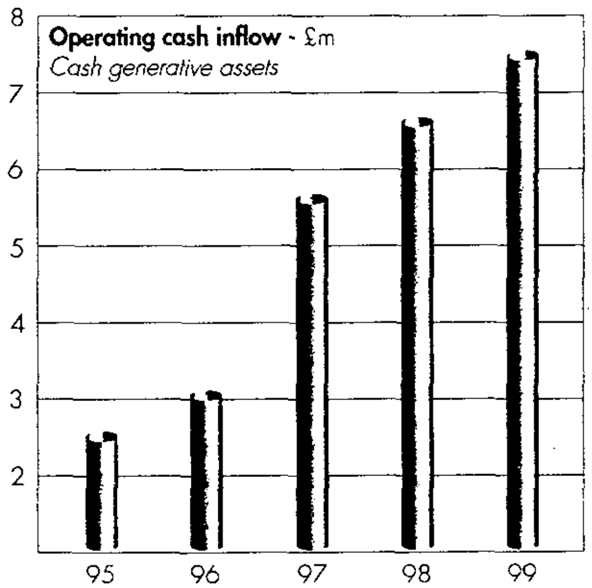
Group revenues and earnings per share continue to grow

	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m
Turnover	23.2	25.2	31.6	38.0	44.6
Profit before tax and amortisation of goodwill and intangible assets ("Adjusted profit before tax")	2.0	2.7	4.2	5.7	7.3
Profit before tax	1.6	2.3	3.7	5.0	6.4
Operating cash inflow	2.6	3.1	5.7	6.8	7.6
Earnings per share	1.46p	2.45p	3.19p	4.60p	6.08p
Adjusted earnings per share	2.13p	3.11p	3.89p	5.58p	7.26p









The above has been based on information extracted from the Company's accounts and the Company's prospectus. The above has been prepared on a merger basis as if the Group had always existed.

Officers and Advisers

Directors

Dennis Rooke - *Independent Non-Executive Chairman*
Dennis Rooke, aged 53, joined the board in November 1995. He has over 26 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 consultant to Sakura Bank. Dennis Rooke is the Chairman of the Group's Audit and Remuneration Committees.

Brian D Gilbert - *Chief Executive*
Brian Gilbert, aged 55, has worked in the publishing and information industries for over 31 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 45, has worked in the publishing and information industries for over 18 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 is currently Managing Director of the Group's Information Services Division.

Nicholas J Miller - *Director*
Nicholas Miller, aged 41, has worked in both business and consumer publishing for nearly 20 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 is currently Managing Director of the Group's Magazine Publishing Division.

R Basil Brookes - *Finance Director*
Basil Brookes, aged 41, qualified as a Chartered Accountant with Coopers & Lybrand. He joined MCC and was appointed Group Finance Director in November 1990. He has worked in the media industry for over 12 years and joined the board of Wilmington Publishing in September 1992 as Finance Director.

Ahmed Zahedieh - *Director and Company Secretary*
Ahmed Zahedieh, aged 48, 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.

Head Office

Head Office and Registered Office:	Paulton House 8 Shepherdess Walk London N1 7LB 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 Street London EC1V 4QJ
	WestLB Panmure Limited New Broad Street House 35 New Broad Street London EC2M 1SQ
Registered Auditors	Pannell Kerr Foster New Garden House 78 Hatton Garden London EC1N 8JA
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	Lloyds TSB Registrars Scotland 117 Dundas Street Edinburgh EH3 5ED

Corporate Calendar

Annual General Meeting	22nd June 1999
Payment of Final Dividend	24th June 1999
Announcement of Interim Results	November 1999
Announcement of Final Results	May 2000

Chairman's Statement

I am delighted to announce the results of Wilmington Group plc for the year ended 28th February 1999.

This year saw the introduction of a new UK financial reporting standard FRS 10 ("Goodwill and Intangible Assets"). In accordance with its provisions we now amortise goodwill and intangible assets over a period of up to 20 years with retrospective application. The reported results therefore include a non cash amortisation charge of £867,000 for the year (1998: £712,000).

Profit before tax for the year to 28th February 1999 increased by 28.7 per cent. to £6,444,000 from £5,007,000 for the preceding year. Profit before tax and amortisation of goodwill and intangible assets ("adjusted profit") increased by 27.8 per cent. to £7,311,000 from £5,719,000.

Our "Financial Highlights" confirm the extent to which we are successful in servicing our markets with essential information. Over the past 3 years we have grown turnover to £44,642,000 from £25,186,000 an increase of 77 per cent.; in the same period profits before tax have grown by 176 per cent. to £6,444,000 from £2,335,000. Adjusted profits rose by 169 per cent. to £7,311,000 from £2,713,000. This expansion has been entirely financed by cash generated from the business, notwithstanding which the Group had positive cash balances at the year end.

In the year under review, turnover rose from £38,015,000 to £44,642,000, an increase of 17.4 per cent. Earnings per share grew from 4.60p to 6.08p a rise of 32.2 per cent. Adjusted earnings per share, which is calculated before the amortisation of goodwill and intangible assets, rose by 30.1 per cent. to 7.26p from 5.58p. Adjusted operating profit margins increased 1.5 per cent. to 16.5 per cent. The consistent positive cash characteristics of the business generated an operating cash flow of £7,574,000 (1998: £6,780,000).

Wilmington has maintained its excellent record of developing profits from the ownership of media and communications assets that generate long-term revenue streams.

We have concentrated on investment in products whose content will produce strong positions in evolving business markets. Our portfolio demonstrates the significant presence we have in a range of important markets including Legal and Professional; Architecture, Construction and Design; Drinks, Catering and Luxury Goods and Power and Energy.

I have previously underlined the resilience of our business. This derives from the strength of its markets and the range of its revenue streams which include advertising, subscriptions, copy sales and database rental. In addition 18 per cent. of our revenue is from overseas.

This resilience, and the company's future growth potential, have been further enhanced by the development of increasing revenues from electronic and, in particular, Internet products. Over 10 per cent. of the Group's sales now arise from products delivered electronically.

During the year to 28th February 1999 we have concentrated on expansion of existing businesses and all our revenue and profit increases have derived from assets that were held at the beginning of the year.

We have improved our position in most of our markets through product expansion and launch. Much of our growth has arisen from providing a more comprehensive range of products to our customers. This has been made all the easier by the growing electronic publishing expertise in which we have invested heavily.

We are confident that our management philosophy applied to our existing assets can provide the base from which we can continue our impressive record of growth.

We also have a record of making strategic acquisitions and we will continue to seek out new opportunities which fit our corporate strategy. We are currently proposing to shareholders that we acquire Central Law Group, a major provider of post qualification training in Great Britain. This company also produces publications and organises conferences for lawyers. The acquisition will build on and extend the revenues that we generate from the supply of information to professional markets.

I cannot let an opportunity pass to praise the management of the company. Their commitment to Wilmington's objectives is the single most important contributor to the value created for our shareholders. It is at the core of our success.

Your Board remains committed to the best practice in Corporate Governance as is consistent with the Company's size and detailed in the Directors' Report.

I should like to thank Brian Gilbert, our Chief Executive, and the other executive Directors for an excellent performance throughout the year. Our enthusiasm for the year ahead is undiminished and the Board is delighted to propose a final dividend of 1.73p per ordinary share for the year to 28th February 1999. This is an increase of 20 per cent. on the 1998 figure of 1.44p.

It only remains for me to thank all employees of the Group for their endeavours and achievements.

Dennis Rooke

Dennis Rooke

Chairman

21st May 1999

Chief Executive's Review

Description of the Group

Last year I expressed confidence that Wilmington Group plc would continue its profitable development from long-term revenue streams arising from media and information assets.

Our financial highlights underline the success we have had in growing our business and, in particular, its earnings over the last 12 months. I remain enthusiastic about our future.

The company owns key brands in professional publishing and information marketplaces. These comprise a selection of leading brands in vertical markets (such as legal, power and energy and interior design) and a number of important products in broader sectors (such as automotive, catering and entertainment).

We continue to service these markets through two divisions: Information Services and Magazine Publishing. We remain committed to the ownership of the intellectual property rights and control of all our principal publications and products. Revenues originate from advertising, subscriptions and copy sales, data sales and list rentals, events and professional service fees.

The majority of income derives from traditional hard copy publications. However, the company has focused on the continued extension of its brands beyond the traditional areas into new areas such as electronic publishing which now accounts for 10 per cent. of Group revenues. The company is launching numerous income-generating electronic initiatives and has an agreement with Uunet to launch a specialist business Internet service provider under the name *ConnectingBusiness.com*.

The Company has 1.1 million detailed reader records in its magazine database and access to numerous professional communities where it is the information provider of choice. Usage of the Internet as a business to business medium will increasingly provide the Company with an opportunity to leverage these existing relationships by providing appropriate "portal" content for its markets.

The company has always seen major opportunities for, and has had at the heart of its strategy, the development of events to capitalise on the relationships it has with its key vertical marketplaces. The proposed acquisition of Central Law Group ("CLG") together with its experienced management team is a major step forward in this direction.

My greatest satisfaction derives from the achievements of the Wilmington management team. I am proud to be surrounded by enthusiastic, talented and hard working colleagues who embrace our entrepreneurial culture and seek out and develop the opportunities that are essential for the Group to grow. At the very core of our philosophy is the creation of a structure within which our managers can manage autonomously. Wherever possible, these managers are motivated by equity participation.

In this review I shall identify the key events in the year, describe the organisation of the Group and comment on its performance. I will conclude with a brief review of the year ahead and restate my confidence that our past performance can be repeated in the future.

Key events

The philosophy at Wilmington has always been to manage our businesses effectively. This has been underlined by the fact that all our profit and sales growth in the last 12 months has been generated from development of assets that were owned at the beginning of the year. These achievements emphasise not only the skills of our managers and the quality of our assets but also our single-minded determination to build a progressive and healthy business.

As well as managing existing businesses we have been active in our search to acquire complementary assets. In February 1999 we bought the business of CaritasData Ltd. This extends the Group's position in the provision of information on UK Charities. CaritasData has created a database to monitor the financial status of the leading charities. This is currently sold as The Baring Asset Management Top 3000 Charities, The Top 1000 Charities in Scotland and The Top 10000 Charities CD-ROM. We are expecting this acquisition, when placed alongside our existing products, to provide significant editorial and marketing synergies.

On 20th May 1999, we announced that subject to shareholder approval we have agreed to acquire 80.6 per cent. of CLG. This business was founded in 1987 and is a major provider of post qualification legal training in the UK. CLG also produces publications and organises conferences for lawyers.

Wilmington is already a leading provider of information to the legal marketplace through its Waterlow brand. We believe that the acquisition of CLG will further strengthen our position in the provision of information to the professions.

CLG has grown steadily over the last 10 years. For the year ended 31st July 1998 CLG achieved a profit on ordinary activities before tax of £2.630 million on sales of £10.933 million. The business generates strong cash flow and has minimal working capital requirements.

The current management team of CLG will retain a significant minority stake in their business and remain responsible for its day to day administration and growth. This expansion should arise from CLG's existing markets together with a host of new opportunities including the leverage of both Wilmington's position in other professional marketplaces and its electronic publishing expertise.

In January 1999, we undertook a reorganisation of our Information Service activities which resulted in a divisional change of name from *Waterlow Information Services to Wilmington Business Information*. The purpose of this was to align the division closer to its sister company *Wilmington Publishing* and to remove any confusion that arose between divisions that do and do not need to use the Waterlow branding. Of course the Waterlow branding will continue to be actively utilised in professional markets.

I feel it is appropriate each year to re-emphasise that Wilmington is a people business and our ability to attract and retain the best staff is critical. Working in a culture of success according to well-defined principles is essential but so is the motivation that arises from equity participation, options and rewards based on results. These types of incentive are used extensively throughout the group and are fundamental to retaining staff.

Managers are rewarded if they grow the profits of their businesses and this gives rise to a regular stream of new products. If we remain sensitive to our customers' needs we will both respond to and anticipate their information requirements. More details of our launch activity is dealt with later in my report.

For some time the group has been taking the necessary steps to ensure that its Information Technology systems will deal with issues associated with the year 2000. We have focused hard on this issue to ensure that year 2000 conformity requirements will be met in good time in respect of our own systems and products.

Product and market developments

Information Services

Our *Information Services Division*, now operating as Wilmington Business Information is active in three markets - *legal and professional, international company information* and entertainment.

The businesses which are all based in Central London concentrate on the creation of databases which produce a range of publications and electronic products. In addition the division capitalises on the relationships it has established with customers to deliver a range of complementary events and services for its professional markets.

We aim for our databases to comprise excellent, current information, to be innovative in the ways that this data is packaged and delivered to clients and to be unrelenting in our search for customers. The division is organised to encourage and reward long-term, entrepreneurial activity. A culture which stimulates growth and success is reinforced by rigorous management information systems and controls.

Its activities in legal and professional markets are organised as follows:

- The major assets of *Waterlow Professional Publishing* are a series of legal databases from which we produce a series of annuals, including The Waterlow Solicitors & Barristers Directory, value-added data, direct marketing lists and electronic products. The portfolio was significantly strengthened by the acquisition in the previous year of Charity Choice and Scottish Charity Choice. The first editions of these titles to be produced by us, for which the circulation is primarily the UK legal profession, were released in the year at a level of profit that exceeded expectations.

  Our Internet directory of solicitors and barristers has gone from strength to strength with increasing support from advertisers. We are also satisfied with the performance of Waterlow Signature, the European on-line trademark service for intellectual property specialists.

- *Waterlow Specialist Information Publishing* produces the various titles acquired from Macmillan Publishers in December 1997. These include the membership directories for The Royal Institution of Chartered Surveyors and The Institute of Chartered Accountants in England and Wales. These are also both available on web sites.

  Its other assets include The Multimedia and CD-ROM Directory, published in hard copy and electronic format and derived from the world's largest database of companies and products in this industry, a range of financial directories, including The Stock Exchange Yearbook and Who's Who in the City, and a series of environmental titles.

  I have been particularly pleased with the contribution at all levels of this business in its first full 12 months as part of Wilmington.

- *Waterlow Legal and Company Services* remains one of the UK's leading legal service operations. With a client base of over 15,000 it provides company information, training, incorporation and technical services to solicitors and accountancy practices. It continues to trade profitably and to generate strong cash flow for the group.

- *CaritasData* was acquired in February 1999 and no publications were released in the period under review. As mentioned above CaritasData has created a database to monitor the financial status of the leading charities. We are expecting this acquisition to provide significant editorial and marketing synergies as a result of our already material presence in this market.

- *Abacus Software* builds electronic information services and was acquired in 1997 as part of our strategy to develop quality electronic publishing products. Abacus's clients include publishers, local authorities and professional bodies.

  By continuing to serve these external clients as well as facilitating the development of electronic products within the Group, Abacus can significantly enhance our profitability. We are already benefiting from the alliance of Wilmington's publishing assets and Abacus's technical expertise particularly in the development of Internet projects.

Our activities in the provision of international company information are as follows:

- *International Company Profile* (ICP) provides world-wide company reports for the credit information and insurance industries. The database now includes reports on over 200,000 companies. We have invested heavily in delivering this information electronically and the majority of reports are now delivered in this way. Record numbers of reports were produced in the period but this growth was, to some extent, restricted by difficulties in the Asian economy.

Our activities in the entertainment market are organised as follows:

- *RED* publishes purchasing information for music retailers in electronic and hard copy format, including the well-established MusicMaster Catalogue. The unit continues to benefit from focused management and a well controlled cost base. An increasing proportion of its sales are from the wholesale of its data electronically to radio stations and on-line record shops.

- PCR publishes an eponymous weekly newsletter for the film, TV and theatre industry. It is the market leader in its segment of the entertainment industry providing its subscribers with timely access to current events. Recent marketing initiatives have proved to be very successful with subscriber numbers at an all time high.

Magazine Publishing

Our *Magazine Publishing* division comprises Wilmington Publishing Limited ("WPL") and its subsidiaries.

Operating out of offices in Central London, Kent, Essex, Middlesex and the West Midlands, WPL serves six core markets with some 50 monthly magazines complemented by almost 100 related services and products. These are both profitable and increase our market presence in the sectors they serve. The units within this division reflect our strategy which is based upon quality editorial content, an entrepreneurial and motivated publishing culture and precise and effective circulation marketing.

Its portfolio reflects the Group strategy to own leading brands in vertical markets and important products in broader sectors.

I am delighted with the record results achieved by magazine publishing last year. The breadth of our portfolio and its strength in depth has, once again, more than compensated for the cyclical characteristics of certain individual markets.

- *Wilmington Publishing's* Kent-based units, produce business to business magazines and annuals, and increasingly provide information services, products and events for a number of UK and International markets. The major market sectors where we have a significant presence are construction, luxury goods, healthcare services, industrial technology and power and energy. Our internal management structure is designed to ensure that we maintain close contact with the markets we serve. It also allows us to replicate successful initiatives, where appropriate, across market sectors.

  We have remained flexible and have adjusted to market conditions and, as a result, we were able to increase profits overall. We have continued to develop and launch events, conferences, market reports and supplements from the core magazine products and have built subscription income levels across the product portfolio.

- *ETP*, based in Chelmsford and Birmingham, is a specialist magazine and annuals publisher for the UK interior design market. The company had another year of outstanding performance that resulted in a significant increase in profits. ETP is the clear leader in its field and, as a result, has been able to launch and profit from a number of supplementary products. ETP's subsidiary, Adline also had another very successful year in terms of both revenue and profitability.

- *Dewberry Boyes* publishes three leading UK catering magazines, The Restaurant Business, Cost Sector Catering and, since February 1998, The Pub Business Magazine. The company's performance for the year was excellent, both in terms of financial results and also in terms of increased market penetration. Dewberry Boyes continues to be a prime example of a publishing house becoming an integral part of an industry through close ties with the market it serves. This is another instance where we are continuing to build new revenue streams from market reports and events.

- *Wilmington Quest* has a very strong presence in the drinks and travel retail markets, which are its nucleus. In 1998, therefore, it had to contend with the uncertainty surrounding the European Duty Free market. We are in the course of adjusting the product portfolio to ensure that we meet the new expectations of this market. In addition to its magazine portfolio, Wilmington Quest has a number of events, exhibitions and ancillary products that build on the intellectual property rights inherent in the magazines. The International Wine Challenge, which is run each year, continued to grow and is the world's largest blind wine tasting, attracting some 9,000 entries internationally.

- *Wilmington Automotive* publishes three magazines and organises events for the fleet vehicle market. Through its product portfolio, it offers a comprehensive range of titles and related services to all car fleet owners and managers in the UK. The second half of the financial year saw a fall in advertising revenues across the entire market. As a result, we have redesigned and rationalised our products in order to maximise our market share from an acceptable cost base whilst ensuring we emerge stronger when the advertising volumes return.

- *WDIS* is our subsidiary that provides centralised circulation and database management services. It allows business units to utilise modern circulation software and distribution systems. The economies of scale generated by this central function provide demographically efficient circulations, distributed, controlled and audited at the lowest cost. Additionally, the quality of our databases, allied to the wide-ranging search criteria offered by our sophisticated software, allows the generation of significant list rental and related revenue streams. All of our software, and that provided by suppliers, we believe to be fully year 2000 compliant. The quality of the product provided by WDIS is such that its services are utilised by a number of other major publishing companies. Over the last four years, WDIS has grown substantially with a commensurate increase in profits.

The year ahead

The progress of Wilmington Group since flotation gives me enormous pride and satisfaction. As I review the growth of the company, the quality of its people, the value of its assets and its financial performance I recognise what great achievements we have made.

Chief Executive's Review *continued*

But really these should only be a stepping stone to even greater accomplishments. I believe we have the base from which we can continue to develop shareholder value and that the opportunities and resources needed for this are available. The strength of our balance sheet and the cash generative nature of our business gives us considerable borrowing power. This will enable us to take advantage of the many opportunities that continue to be generated by the publishing and information markets for new investment in traditional and electronic media.

We aim to continue to build in long-term revenue streams through investment in brands and content that serve important business markets. Ownership of our products in key markets is the defining characteristic of our Group. We will not be limited however to acquiring and exploiting assets in our traditional media of hard copy and database publishing. This is underlined by our proposed launch of Wilmington as an Internet service provider to businesses and the proposal before our shareholders to acquire Central Law Group.

The new financial year has opened with trading patterns that are in line with expectations and I am confident 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, my fellow executive directors, our business managers and our many employees for all their hard work, enthusiasm and success.

Brian Gilbert

Chief Executive

21st May 1999

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 the consolidated accounts of the Company and its subsidiary undertakings prepared using consistently applied accounting policies except that Financial Reporting Standard 10 "Goodwill and Intangible Assets" has been adopted. Goodwill and intangible assets are capitalised and amortised through the profit and loss account over their estimated useful lives not exceeding 20 years with retrospective application. In prior years, acquired goodwill was written off direct to reserves on acquisition whereas intangible assets were capitalised and not amortised, subject to impairment review. Prior year figures have been restated accordingly.

Turnover

Group turnover rose from £38,015,000 to £44,642,000, an increase of 17.4 per cent. Of this increase, £4,548,000 related to businesses acquired during the prior year. The underlying growth rate amongst existing business was 5.8 per cent.

Revenues from non-advertising sources (including, for example, subscriptions and information services) represented approximately 42.5 per cent. of revenue (1998: 43.0 per cent.).

The increase in volume of overseas revenues was countered, to some extent, by the increased strength of sterling during the year. The net effect was that overseas sales were £7,867,000, representing a 4.1 per cent. rise on the 1998 figure of £7,557,000

Operating profit

Operating profit before amortisation of goodwill and intangible assets increased from £5,707,000 to £7,381,000, an increase of 29.3 per cent. After taking account of the full year impact of acquisitions made part way through the prior year, operating profits on existing businesses increased by approximately 16.9 per cent. After the amortisation of goodwill and intangible assets under FRS 10, operating profit increased by 30.4 per cent. from £4,995,000 to £6,514,000.

Profit before tax

Profit before tax rose from £5,007,000 to £6,444,000, an increase of 28.7 per cent. This reflects the 30.4 per cent. increase in operating profit countered by an increase in net interest payable.

Taxation

The corporation tax charge of £1,866,000 represents 29.0 per cent. of the Group's profit before tax (1998: 31.9 per cent.). The reduction in the effective tax rate arises mainly from the release of an over provision in respect of prior years.

Minority interests

Minority interests charged against the year's profit have increased significantly from £129,000 to £239,000 due to the excellent performances of some of our subsidiaries with minority interests (including PCR, Dewberry Boyes, ETP and Waterlow Specialist Information Publishing).

Earnings per share

Earnings per share have grown by 32.2 per cent. to 6.08p from 4.60p. This is calculated on the weighted average number of shares in issue of 71,352,502 (1998: 71,329,635). Adjusted earnings per share, which is calculated before amortisation of goodwill and intangible fixed assets rose by 30.1 per cent. from 5.58p to 7.26p.

Gearing and cashflow

Once again, the Group's operating cashflow exceeded operating profits, reflecting the cash generative nature of our assets. At the balance sheet date the Group had net cash of £581,000.

During the year there was a £7,574,000 operating cash inflow. After £976,000 replacement capital expenditure and the payment of corporation tax and equity dividends totalling £2,562,000 there was a free cashflow of £4,036,000.

The Group invested £94,000 on the acquisition of CaritasData Limited and assumed borrowings of £550,000. £274,000 was spent in acquiring the minority interests in Adline Publishing Limited and Decision Publishing Limited and £764,000 in continuing refurbishment of long-leasehold premises to accommodate acquisitions made in the prior years and provide some further space for expansion in the future. The final phase of the refurbishment work on these premises which is estimated to be some £300,000 will be spent in the financial year ending February 2000.

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
21st May 1999

Directors' Report

For the year ended 28th February 1999

The Directors present their report and the audited accounts for the year ended 28th February 1999.

Business review

The Group's principal activity is the provision of information to business markets through magazines, directories, electronic products, events and other media. The performance of the business is reviewed in the Chairman's Statement, Chief Executive's Review, and the Financial Review. The Group's acquisition during the year is 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 £3,104,000 will be added to reserves.

The Directors recommend a final dividend of 1.73p per ordinary share which, if approved by shareholders, will be paid on 24th June 1999 to shareholders on the register on 7th June 1999.

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.

Tables for Directors' Report

Table (i) Directors' interests in Ordinary Shares

Name	At 1 March 1998 Number	Beneficial Movement in year Number	At 28 Feb 1999 Number	Percentage	Non-beneficial Number	Non-beneficial Percentage	Options Number	Options Percentage
B D Gilbert	9,762,907	135,000	9,897,907	13.85	–	–	–	–
R A Conwell	5,276,356	–	5,276,356	7.38	–	–	–	–
N J Miller	1,780,241	15,000	1,795,241	2.51	199,992	0.28	100,000	0.14
R B Brookes	907,223	30,000	937,223	1.31	–	–	100,000	0.14
A Zahedieh	2,763,805	–	2,763,805	3.87	–	–	–	–
D Rooke	360,000	(180,000)	180,000	0.25	–	–	–	–

Other than as shown above, there were no changes in the interests of the directors in the share capital of the Company during the year.

Table (ii) Substantial shareholdings

	Number	Percentage
Stanmore Corporation S.A.	6,338,092	8.9
Funds managed by Aberdeen Asset Managers Limited	3,433,810	4.8
M F Jackson, N C Jackson and Clay and Partners Pension Trustees Limited	2,927,234	4.1
Haymarket Magazines Limited	2,592,234	3.6

Directors' interests

(a) The interests of the Directors and their immediate families in the share capital of the Company as at 28th February 1999 are detailed in table (i) on page 10. There have been no changes in the Directors' interests between 28th February and 21st May 1999.

(b) Options to subscribe for or acquire shares in the Company held by Directors as at 28th February 1999 are detailed in table (i) on page 10. There have been no changes to the options referred to above between 28th February and 21st May 1999.

(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.

Retirement of Directors

In accordance with the Articles of Association of the Company, one third of the Directors, other than Directors who are exempt from retirement by virtue of the Articles, are required to retire at the Annual General Meeting. Mr. Dennis Rooke is the only Director who is not so exempted and accordingly he will retire and submit himself for re-election at the Annual General Meeting.

However the Combined Code requires that all directors should be obliged to submit themselves for re-election at regular intervals and at least every three years. In order to comply with the spirit of these provisions Mr. Brian Gilbert and Mr. Basil Brookes will retire and submit themselves for re-election at the Annual General Meeting. Each of the retiring Directors have the recommendation of the Board.

At the Annual General Meeting amendments to the Articles of Association will be proposed to ensure they are consistent in all respects with the requirements of the Combined Code with respect to retirement of Directors. These are referred to later in this Report.

Substantial shareholdings

As at 7th May 1999, 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 detailed in table (ii) on page 10.

Creditor payment policy

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

The estimated average time taken to pay suppliers was 46 days (1998: 50 days).

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 60 members of staff who are shareholders and operates an Inland Revenue approved Savings-Related Share Option Scheme which has 58 members.

Changes in share capital

127,435 shares have been issued during the year in respect of share options exercised by members of staff.

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 £8,725 (1998: £3,496) during the year. No political donations were made during the year (1998: £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.

Computers and the year 2000

The Company has made significant progress to ensure that all systems that use digital technology will not be adversely affected by the change to the year 2000. In the last 12 months we have extended our compliance activities to include embedded systems that are used within the Group in addition to the previously reported compliance activities that related to internal computing systems and external suppliers.

We are confident that we have made adequate resources available and have taken all reasonable steps to ensure that the business meets the compliance criteria defined within BSI document PD2000 1:1998. However, we cannot guarantee that external interfaces will not have an impact on the business.

Additional compliance costs are not expected to be material.

The Combined Code

The Directors consider that the Company has complied throughout the period with all of the provisions of the Combined Code (the Code) except for the requirement for three non-executive Directors under paragraphs A3.1 and D3.1 of the Code and that all Directors should submit themselves for re-election at least every three years. The present composition of the Board, together with biographical notes on each of the Directors, is set out on page 2.

The Company has one Non-Executive Director, Mr Dennis Rooke. The Board is 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 whilst paragraph D3.1 of the Code requires the Audit Committee to consist of at least three Non-Executive Directors. Mr Brian Gilbert is also a member of the Audit Committee.

The Board consists of the Non Executive Chairman and the five Executive Directors. The Board meets monthly and reserves for its consideration a number of matters including 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.

The Board has established Audit and Remuneration Committees. The Audit Committee which comprises Mr. Dennis Rooke and Mr. Brian Gilbert meets at least twice a year with the Company's external auditors. The Committee considers the financial reports to shareholders and monitors and reviews the internal financial control systems of the Group.

The Remuneration Committee is described in the Remuneration Report.

It is proposed that the Articles of Association be amended to impose an obligation on all Directors to submit themselves for re-election as required by the Combined Code. These proposals are referred to earlier in this Report.

Internal financial control

The Directors are responsible for and have reviewed the effectiveness of the Group's system of internal financial control. In accordance with the London Stock Exchange's letter to listed companies of 10th December 1998 "The Combined Code: Internal Controls Provision", the Directors have restricted their statement on internal controls to internal financial controls. 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, but 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 1999/2000 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 or 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 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.

Annual General Meeting

The formal notice of the Annual General Meeting is given on pages 33 to 34 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 £1,190,951 which currently amounts to 23,819,020 ordinary shares of 5p each, such authority to expire at the conclusion of the Annual General Meeting to be held in 2000. 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 and the issue of shares arising as a result of the acquisition of Central Law Group. 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 2nd July 1998 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, to renew the power on similar terms for a further period expiring at the conclusion of the Annual General Meeting to be held in 2000, 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 £178,642 which currently amounts to 3,572,840 ordinary shares of 5p each. This represents approximately 5 per cent. of the current issued share capital of the Company.

Article 83 of the Articles of Association of the Company specifies that Directors appointed as Executive Directors are exempt from retirement by rotation. This is in contravention of the Combined Code which requires all Directors to submit themselves for re-election at least every three years. The Directors consider that it would be appropriate that the Articles of Association be brought into line with the requirements of the Combined Code. Accordingly, Resolution 9 will be proposed as a special resolution at the Annual General Meeting to amend Article 83 of the Articles of Association to remove the exemption from retirement by rotation in favour of Executive Directors and to make consequential amendments to other articles.

Auditors

The auditors, Pannell Kerr Forster, who have been appointed to fill a casual vacancy, will be re-appointed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

By Order of the Board
Ahmed Zahedieh
Secretary

21st May 1999

Remuneration Report

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 included in the share option schemes.

Executive Directors

Remuneration policy

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 executive Directors other than the Chief Executive 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

Bonus targets are set for the executive Directors based on 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 the pension and permanent health insurance 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 1999, 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. The share price at 28th February 1999 was 197.5p and the price varied in the range 125p to 204.5p during the year.

There have been no changes to the options referred to above between 28th February and 21st May 1999.

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-transferrable options to acquire shares in Wilmington Group plc at a discount of up to 20 per cent. on prevailing market prices at the time of the grant.

	Salary and Fees		Bonus		Benefits in Kind		Totals	
	1999	1998	1999	1998	1999	1998	1999	1998
	£	£	£	£	£	£	£	£
D Rooke	14,167	12,000	—	—	—	—	14,167	12,000
B D Gilbert	150,000	150,000	37,500	59,250	19,356	17,194	206,856	226,444
R A Conwell	106,000	106,000	26,500	41,870	12,251	11,473	144,751	159,343
N J Miller	106,000	106,000	26,500	41,870	15,916	8,991	148,416	156,861
R B Brookes	90,000	90,000	22,500	35,550	14,225	10,902	126,725	136,452
A Zahedieh	90,000	90,000	22,500	35,550	6,264	5,119	118,764	130,669
	556,167	554,000	135,500	214,090	68,012	53,679	759,679	821,769

Dennis Rooke

By Order of the Board
Dennis Rooke, *Chairman of The Remuneration Committee,*
Non-Executive Chairman
21st May 1999

Auditors' Report

PANNELL
KERR
FORSTER
CHARTERED ACCOUNTANTS

Report by the auditors to the shareholders of Wilmington Group plc

We have audited the financial statements on pages 18 to 32 which have been prepared under the historical cost convention and the accounting policies set out on page 21.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 13 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company and Group 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 is not disclosed.

We review whether the statement on page 12 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the amounts and disclosures in the financial statements. 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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall 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 1999 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster.
Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants
Registered Auditors

London

21st May 1999

WILMINGTON GROUP plc

Accounts 1999

Consolidated Profit and Loss Account

For the year ended 28th February 1999

	Notes	1999 £'000	1998 £'000 (As restated)
Turnover	2 and 3	44,642	38,015
Cost of sales		(13,789)	(12,333)
Gross profit		30,853	25,682
Operating expenses	4	(23,472)	(19,975)
Amortisation of goodwill and intangible assets	5	(867)	(712)
Total operating expenses		(24,339)	(20,687)
Operating profit	5	6,514	4,995
Interest payable and similar charges	8	(74)	(45)
Interest receivable and similar income	9	4	57
Profit on ordinary activities before taxation		6,444	5,007
Taxation	10	(1,866)	(1,595)
Profit on ordinary activities after taxation		4,578	3,412
Minority interests		(239)	(129)
Profit for the financial year and attributable to shareholders	11	4,339	3,283
Dividend proposed	11	(1,235)	(1,027)
Retained profit for the year		3,104	2,256
Earnings per ordinary share	13	6.08p	4.60p
Diluted earnings per ordinary share	13	6.02p	4.57p
Adjusted earnings per ordinary share	13	7.26p	5.58p

All amounts relate to continuing operations

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 28th February 1999

	1999 £'000	1998 £'000
Profit for the year	4,578	3,412
Prior year adjustment	(2,160)	-
Total gains and losses recognised since last annual report	2,418	3,412

The prior year adjustment relates to the change in accounting policy in respect of the capitalisation of goodwill previously written off and the amortisation of goodwill and intangible assets following the adoption of FRS 10. £712,000 of the adjustment represents the amortisation of goodwill and intangible assets in the year ended 28th February 1998.

The accompanying notes are an integral part of these accounts.

Balance Sheets

As at 28th February 1999

		Group		Company	
		1999	1998	1999	1998
	Notes	£'000	£'000 (As restated)	£'000	£'000
Fixed assets					
Goodwill and intangible assets	14	15,162	14,958	–	–
Tangible assets	15	6,066	5,415	1,671	984
Investments	16	–	–	4,820	4,713
		21,228	20,373	6,491	5,697
Current assets					
Stock and work in progress	17	1,240	1,195	–	–
Debtors	18	9,351	8,752	12,039	12,298
Cash at bank and in hand		1,131	677	–	–
		11,722	10,624	12,039	12,298
Creditors: Amounts falling due within one year	19	(13,331)	(13,989)	(3,136)	(3,487)
Net current (liabilities)/assets		(1,609)	(3,365)	8,903	8,811
Total assets less current liabilities		19,619	17,008	15,394	14,508
Creditors: Amounts falling due after more than one year	20	–	(800)	–	(800)
Net assets		19,619	16,208	15,394	13,708
Capital and reserves					
Called-up share capital	22	3,573	3,567	3,573	3,567
Share premium account	24	6,612	6,555	6,612	6,555
Other reserves	25	949	949	–	–
Profit and loss account	26	8,019	4,915	5,209	3,586
Equity Shareholders' funds	27	19,153	15,986	15,394	13,708
Minority interests		466	222	–	–
		19,619	16,208	15,394	13,708

Approved on behalf of the Board on 21st May 1999

Brian D Gilbert
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 28th February 1999

	Notes	1999 £'000	1998 £'000 (As restated)
Net cash inflow from operating activities	32(a)	7,574	6,780
Returns on investments and servicing of finance			
Interest received		4	57
Interest paid		(74)	(45)
Dividend paid to minority shareholders in subsidiary undertaking		(30)	(16)
Net cash outflow		(100)	(4)
Taxation			
Tax paid		(1,535)	(1,197)
Capital expenditure and financial investment			
Purchase of goodwill and intangible fixed assets	14	(271)	(4,967)
Purchase of tangible fixed assets	15	(1,740)	(2,227)
Sale of tangible fixed assets		125	86
Net cash outflow		(1,886)	(7,108)
Acquisitions and disposals			
Purchase of subsidiary undertakings	12	(94)	–
Equity dividends paid		(1,027)	(856)
Cash inflow/(outflow) before financing		2,932	(2,385)
Financing			
Issue of shares	22	63	–
Issue of ordinary shares in subsidiary undertaking		–	13
(Repayment)/receipt of secured bank loan repayable 1998-2003		(1,000)	1,000
		(937)	1,013
Increase/(decrease) in cash in the year	32(b)	1,995	(1,372)
Reconciliation of net cash flow to movement in net cash/(debt)	32(b)		
Increase/(decrease) in cash in the year		1,995	(1,372)
Cash outflow/(inflow) from decrease/(increase) in net debt		1,000	(1,000)
Change in net cash/(debt) resulting from cash flow		2,995	(2,372)
Arising on acquisition		(550)	–
Net (debt)/cash brought forward		(1,864)	508
Net cash/(debt) carried forward		581	(1,864)

The accompanying notes are an integral part of these 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 the 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 1(e)).

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 cent. per annum
Leasehold properties	over the term of the lease to a maximum of 50 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.

This represents a change in accounting policy from prior years following the adoption of FRS 10 "Goodwill and Intangible Assets". In prior years, acquired goodwill was written off direct to reserves on acquisition whereas intangible assets were capitalised and not amortised, subject to impairment review. FRS 10 has been applied retrospectively and prior year figures amended accordingly.

The effect of the adoption of FRS 10 is that net assets at 28th February 1999 have been reduced by £3,027,000 (28th February 1998 - £2,160,000) in respect of capitalisation of prior goodwill less cumulative amortisation of goodwill and intangible assets and the profit before tax for the year ended 28th February 1999 has been reduced by £867,000 (year ended 28th February 1998 - £712,000) in respect of the amortisation charges.

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, to the extent that it is probable that a liability will crystallise.

j) Operating leases

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

k) 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.

2. Segmental information

	1999 £'000	1998 £'000
Turnover:		
Magazine publishing division	30,164	26,302
Information services division	14,478	11,713
	44,642	38,015

	1999 £'000	1998 £'000 (As restated)
Profit before taxation:		
Magazine publishing division	3,605	2,699
Information services division	2,839	2,308
	6,444	5,007

	1999 £'000	1998 £'000 (As restated)
Net assets:		
Magazine publishing division	12,856	11,299
Information services division	6,763	4,909
	19,619	16,208

3. Turnover

The geographical analysis of turnover is as follows:

	1999 £'000	1998 £'000
United Kingdom	36,775	30,458
Overseas	7,867	7,557
	44,642	38,015

4. Operating expenses

	1999 £'000	1998 £'000 (As restated)
Distribution and selling costs	17,508	14,260
Administrative expenses	5,964	5,715
	23,472	19,975

For the year ended 28th February 1999 the Group has reclassified certain costs, previously treated as cost of sales, as operating expenses. In order to show the results on a comparable basis the figures for the year ended 28th February 1998 have been restated to this basis.

5. Operating profit

Operating profit is stated after charging:

	1999 £'000	1998 £'000 (As restated)
Depreciation:		
Owned fixed assets	1,100	947
Amortisation of goodwill and intangible assets	867	712
(Profit) on sale of fixed assets	(82)	(12)
Rentals under operating leases:		
Machinery	22	32
Other operating leases	69	107
Auditors' remuneration:		
Audit fees	77	74
Other services	2	4

6. Staff costs

Employee costs (including Directors) were as follows:

	1999 £'000	1998 £'000
Wages and salaries	13,486	11,133
Social security costs	1,202	1,053
Pension costs	113	105
	14,801	12,291

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

	1999 Number	1998 Number
Selling and distribution	386	332
Production	130	114
Administration	102	99
	618	545

7. Directors' emoluments

	1999 £'000	1998 £'000
Salaries (including benefits in kind)	760	822
Pension contributions	–	–
Directors' emoluments	760	822
Highest paid Director	207	226

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

8. Interest payable and similar charges

	1999 £'000	1998 £'000
On loans and overdrafts wholly repayable under 5 years	74	45

9. Interest receivable and similar income

	1999 £'000	1998 £'000
Bank interest	4	57

10. Taxation

	1999 £'000	1998 £'000
The tax charge comprises:		
UK corporation tax at current rates	2,097	1,712
Adjustment to previous years	(231)	(117)
	1,866	1,595

11. Results of Wilmington Group plc

Of the results for the year, a profit of £2,858,000 (1998: £3,017,000) 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.

A dividend of 1.73p (1998: 1.44p) per ordinary share is proposed.

12. Acquisition

The assets and liabilities acquired on the purchase of 75 per cent. of the share capital of CaritasData Limited in February 1999 were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	54	—	54
Stock and work in progress	52	—	52
Debtors	196	—	196
Creditors due within one year	(427)	—	(427)
Bank overdraft	(483)	—	(483)
Bank loan	(67)	—	(67)
Goodwill and intangible assets	—	800	800
	(675)	800	125
Less: minority interest			(31)
Consideration			94
Satisfied by:			
Cash			94

CaritasData Limited made a loss for the period from 30th March 1998 to 28th February 1999 of £450,000 (period from 23rd September 1996 to 29th March 1998 - loss of £274,000). None of these results are included in the Group's profit for the year ended 28th February 1999.

13. Earnings per ordinary share

	1999	1998
The calculation of earnings per share is based on profit after taxation and minority interests of	£4,339,000	£3,283,000
and on the average number of ordinary shares in issue during the year of	71,352,502	71,329,635
and on the diluted average number of ordinary shares during the year of	72,103,772	71,879,613
Earnings per ordinary share	6.08p	4.60p
Diluted earnings per ordinary share	6.02p	4.57p
Adjusted earnings per ordinary share	7.26p	5.58p

In order to show the results on a comparable basis to prior years before adoption of FRS 10, an adjusted earnings per ordinary share has been calculated using an adjusted profit after taxation and minority interest but before amortisation of goodwill and intangible assets of £5,181,000 (1998 - £3,978,000).

14. Goodwill and intangible assets

Cost	Group £'000
At 1st March 1998 as previously reported	17,118
Capitalisation of goodwill previously written off	422
At 1st March 1998 as restated	17,540
Additions	271
Acquisitions (note 12)	800
At 28th February 1999	18,611
Amortisation	
At 1st March 1998 as previously reported	—
Cumulative amortisation of goodwill and intangible assets	2,582
At 1st March 1998 as restated	2,582
Charge for year	867
At 28th February 1999	3,449
Net book value	
At 28th February 1999	15,162
At 28th February 1998 as restated	14,958

15. Tangible assets

Group	Freehold property £'000	Leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1st March 1998	2,339	1,155	1,327	2,881	1,694	9,396
Additions	2	776	113	434	415	1,740
Acquisitions (note 12)	—	—	54	—	—	54
Disposals	—	—	—	(1)	(433)	(434)
At 28th February 1999	2,341	1,931	1,494	3,314	1,676	10,756
Depreciation						
At 1st March 1998	165	76	960	1,950	830	3,981
Charge for year	38	99	101	492	370	1,100
Disposals	—	—	—	—	(391)	(391)
At 28th February 1999	203	175	1,061	2,442	809	4,690
Net book value						
At 28th February 1999	2,138	1,756	433	872	867	6,066
At 28th February 1998	2,174	1,079	367	931	864	5,415

15. Tangible assets continued

Company

	Leasehold property £'000	Computer equipment £'000	Total £'000
Cost			
At 1st March 1998	996	6	1,002
Additions	764	2	766
Disposals	–	–	–
At 28th February 1999	1,760	8	1,768
Depreciation			
At 1st March 1998	16	2	18
Charge for year	79	–	79
Disposals	–	–	–
At 28th February 1999	95	2	97
Net book value			
At 28th February 1999	1,665	6	1,671
At 28th February 1998	980	4	984

16. Investments

	Shares in subsidiary undertakings £'000
Cost at 1st March 1998	4,713
Additions	107
At 28th February 1999	4,820

At 28th February 1999 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	Percentage owned
Wilmington Business Information 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
Waterlow Specialist Information Publishing Limited	Provision of reference information	75
CaritasData Limited	Provision of reference information	75
Wilmington Publishing Limited	Publication of trade and technical journals	100
ETP Limited	Publication of trade and technical journals	75
Adline Publishing Limited	Publication of trade and technical journals	81
WDIS Limited	Database management and publishing support services	100
Dewberry Boyes Limited	Publication of trade and technical journals	75
Decision Publishing Limited	Publication of trade and technical journals	100
Abacus Software Limited	Electronic Publishing Services	75

Adline Publishing Limited is 25 per cent. owned by Wilmington Publishing Limited and 75 per cent. owned by ETP Limited which is 75 per cent. owned by Wilmington Publishing Limited. Wilmington Business Information Limited owns 85 per cent. of Production and Casting Report Limited, 75 per cent. of Wilmington Specialist Information Publishing Limited and 75 per cent. of CaritasData Limited.

17. Stock and work in progress

	Group	
	1999	1998
	£'000	£'000
Raw materials	198	247
Work in progress	1,006	916
Books held for sale	36	32
	1,240	1,195

18. Debtors

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	8,413	7,722	–	–
Other debtors	504	572	297	318
Amounts due from subsidiary undertakings	–	–	9,038	9,054
Dividends receivable from subsidiary undertakings	–	–	2,700	2,917
Prepayments and accrued income	434	458	4	9
	9,351	8,752	12,039	12,298

Amounts due from subsidiary undertakings include £2,333,000 (1998: £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.

19. Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank overdrafts	483	1,541	1,206	1,222
Bank loans (note 20)	67	200	–	200
Trade creditors	3,026	3,201	–	–
Corporation tax payable	2,131	1,800	–	–
Other creditors	553	564	51	303
Other taxes and social security	855	741	–	–
Subscriptions and fees in advance	2,327	2,553	–	–
Accruals	2,640	2,344	114	205
Amounts due to subsidiary undertakings	–	–	530	530
Dividends payable	1,249	1,045	1,235	1,027
	13,331	13,989	3,136	3,487

The Group overdraft at 28th February 1999, arising on the acquisition of CaritasData Limited, is unsecured and was repaid in March 1999. The other bank overdrafts, which are the subject of a Group set off arrangement, are secured by a fixed and floating charge over the Group's assets. Interest is charged on the overdraft at 1.25 per cent. above Barclays Bank Base Rate.

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

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank loan	–	800	–	800

The bank loan totalling £1,000,000 at 28th February 1998 was repaid during the year. The bank loan of £67,000 at 28th February 1999 arising on the acquisition of CaritasData Limited was repaid in March 1999.

21. Provisions for liabilities and charges

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

	1999 Provided £'000	1999 Full potential liability £'000	1998 Provided £'000	1998 Full potential liability £'000 As restated
Liabilities on chargeable gains	–	191	–	194
Timing differences arising from capital allowances and amortisation of intangible assets	–	593	–	457
	–	784	–	651

The Company had no potential deferred tax liability at 28th February 1999 (1998: £nil).

22. Called-up share capital

	1999 £'000	1998 £'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 71,457,070 (1998: 71,329,635)	3,573	3,567

During the year 127,435 ordinary shares with a nominal value of £6,372 were issued for a cash consideration of £63,927.

23. Share options

Details of Directors' share options are set out in the Remuneration Report. 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 1999
1995	50p	1998-2002	400,300
1996	95p	1999-2003	486,000
1997	123p	2000-2004	8,000
1997	111.5p	2000-2004	25,000
1998	142p	2001-2005	361,000
1998	181.5p	2001-2005	55,000
1998	137.5p	2001-2005	45,000

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. Options under this Scheme 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 1999
1996	78.4	2000-2002	300,425

Notes to the Accounts *continued*

24. Share premium account

	Group and Company 1999 £'000
Opening balance	6,555
Issue of shares under share option scheme	57
Closing balance	6,612

25. Other reserves

	Group 1999 £'000
Opening balance previously reported	619
Goodwill now capitalised as goodwill and intangible assets	330
Restated opening balance and closing balance	949

26. Profit and loss account

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Opening balance previously reported	7,380	4,429	3,586	1,596
Goodwill previously written off	92	92	–	–
Cumulative amortisation of goodwill and intangible assets less minority interest	(2,557)	(1,862)	–	–
Restated opening balance	4,915	2,659	3,586	1,596
Profit for the financial year	4,339	3,283	2,858	3,017
Dividends	(1,235)	(1,027)	(1,235)	(1,027)
Closing balance	8,019	4,915	5,209	3,586

27. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	1999 £'000	1998 £'000 (As restated)	1999 £'000	1998 £'000
Profit for the financial year	4,339	3,283	2,858	3,017
Dividends	(1,235)	(1,027)	(1,235)	(1,027)
	3,104	2,256	1,623	1,990
Issue of shares	63	–	63	–
Opening shareholders' funds as restated	15,986	13,730	13,708	11,718
Closing shareholders' funds	19,153	15,986	15,394	13,708
Attributable to equity interests	19,153	15,986	15,394	13,708

28. 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. In the directors' opinion 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.

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 Feburary 1999 the amounts drawn on these overdrafts amounted to £58,000 (1998: £215,000).

29. Commitments

a) The Group had capital commitments at 28th February 1999 contracted but not provided for of £178,000 (1998: £215,000).

At 28th February 1999 notice that one of the options (referred to in note 27) was being exercised had been received. The Group is contracted to purchase the outstanding 15 per cent. of Production and Casting Report Limited for a cash consideration based on a multiple of the average annual profit before tax for the two years ending on 28th February 1999. No provision has been made in the accounts for these amounts.

b) Annual commitments payable under non-cancellable operating leases at 28th February 1999 were as follows:

	Property		Other operating leases	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
One year	5	–	–	–
Between two and five years	12	36	1	–
After five years	57	65	–	–
	74	101	1	–

30. 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	£50,000
Circulation management services	£164,000

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.

During the year, Wilmington Publishing Limited acquired the remaining 14 per cent. of the share capital of Decision Publishing Limited from Clive Frusher, a director of that company, and his wife. The total consideration for the purchase was £160,000, of which £95,000 was paid during the year. The balance of the consideration is due to be paid in January 2000 and has been included in creditors: amounts falling due within one year under accruals.

31. Pension and similar obligations

Wilmington Publishing Limited operates a defined benefit scheme for a limited number of employees. Total membership of the Scheme at 28th February 1999 was 35. 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 2.1 per cent. higher than the annual increase in total pensionable remuneration and 4.1 per cent. 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.

Notes to the Accounts *continued*

31. Pension and similar obligations *continued*

The Actuary values the scheme every three years. The last actuarial valuation was carried out as at 31st March 1998. The independent Actuary reported that the market value of the assets was £499,000 which represented 102 per cent. 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.

32. Notes to the consolidated cash flow statement

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

	1999 £'000	1998 £'000 (As Restated)
Operating profit	6,514	4,995
Depreciation of tangible fixed assets	1,100	947
Amortisation of goodwill and intangible assets	867	712
(Profit) on sale of tangible fixed assets	(82)	(12)
Decrease/(increase) in stock and work in progress	7	(307)
(Increase) in debtors	(403)	(1,668)
(Decrease)/increase in creditors	(429)	2,113
Net cash inflow from operating activities	7,574	6,780

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

	At 1st March 1998 £'000	Cashflow £'000	Arising on acquisition £'000	At 28th February 1999 £'000
Cash at bank and in hand	677	454	–	1,131
Bank overdraft	(1,541)	1,541	(483)	(483)
	(864)	1,995	(483)	648
Loan due after 1 year	(800)	800	–	–
Loan due within 1 year	(200)	200	(67)	(67)
	(1,864)	2,995	(550)	581

33. Post balance sheet event

On 20th May 1999 the Company announced it had entered into a conditional agreement to acquire 80.6 per cent. of the issued share capital of Central Law Group Limited ("CLG") for an initial consideration which will be calculated by reference to 80.6 per cent. of a multiple of 15 times the adjusted consolidated post tax profit of CLG for the year ending 31st July 1999. The initial consideration will be satisifed as to 93.1 per cent. in cash and as to 6.9 per cent. in new ordinary shares. The cash element will be funded by a new revolving credit facility of up to £25 million provided by Barclays Capital. Additional consideration is payable to the vendors equal to the proceeds, net of tax, of any deferred consideration received by CLG in respect of an investment which it sold in January 1999.

The Company has also entered into conditional option agreements under which it has the right to acquire, and the CLG vendors have the right to require the Company to acquire, the remaining shares in CLG which will be outstanding following the acquisition.

The agreements are conditional on approval by shareholders of the Company.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of Wilmington Group plc will be held at the offices of WestLB Panmure Limited New Broad Street House, 35 New Broad Street, London EC2M 1SQ on 22nd June 1999 at 4.00 pm for the following purposes:

Ordinary Business

1. To receive and consider the Report and Accounts for the year ended 28th February 1999.

2. To approve a final dividend of 1.73p per ordinary share.

3. To re-appoint Pannell Kerr Forster as auditors and authorise the Directors to fix their remuneration.

4. To re-elect Mr. Dennis Rooke, who retires by rotation, as a Director.

5. To re-elect Mr. Brian Gilbert as a Director.

6. To re-elect Mr. Basil Brookes as a Director.

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 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 £1,190,951 such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in 2000 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).

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 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 £178,642

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 2000 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.

9. To consider and, if thought fit, pass the following Resolution which will be proposed as a Special Resolution:

   That the Articles of Association of the Company are hereby amended in the following respects:

(a) by deleting the words "while holding that office, be exempt from retirement by rotation and shall not be taken into account in determining the number of Directors to retire in each year, but shall" and the words "Any person who, on ceasing to hold office or employment by virtue of which he is termed an Executive Director remains in office as a Director, shall retire from that office at the next following Annual General Meeting and shall then be eligible for reappointment, but shall not be taken into account in determining the Directors to retire by rotation at such meeting under these Articles" in Article 83 and

(b) by deleting the words "(other then Directors exempt from retirement by rotation under the Articles)" in Article 94.

By Order of the Board
Ahmed Zahedieh
Secretary
21st May 1999

Registered Office:
Paulton House
8 Shepherdess Walk
London N1 7LB

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.

Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, 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 6.00 pm on 20th June 1999.

Short biographies of each of the Directors seeking re-election are contained on page 2 of the Annual Report.

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 24th June 1999 to shareholders registered on 7th June 1999.

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.

Seven Year Financial Summary

Years ended 28th or 29th February

	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Consolidated Profit and Loss Accounts							
Turnover	44,642	38,015	31,561	25,186	23,185	20,842	20,354
Cost of sales	(13,789)	(12,333)	(10,110)	(8,458)	(7,971)	(7,577)	(8,403)
Gross profit	30,853	25,682	21,451	16,728	15,214	13,265	11,951
Operating expenses	(23,472)	(19,975)	(17,339)	(13,625)	(12,698)	(11,508)	(11,326)
Operating profit	7,381	5,707	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 and amortisation of goodwill and intangible assets	7,381	5,707	4,112	3,207	2,525	1,757	626
Amortisation of goodwill and intangible assets	(867)	(712)	(510)	(378)	(347)	(324)	(311)
Profit before interest and taxation	6,514	4,995	3,602	2,829	2,178	1,433	315
Net interest receivable/(payable)	(70)	12	55	(494)	(552)	(453)	(363)
Profit on ordinary activities before taxation	6,444	5,007	3,657	2,335	1,626	980	(48)
Taxation	(1,866)	(1,595)	(1,378)	(925)	(618)	(358)	(130)
Profit on ordinary activities after taxation	4,578	3,412	2,279	1,410	1,008	622	(178)
Minority interests	(239)	(129)	(4)	(20)	(255)	(255)	(238)
Profit for the financial year	4,339	3,283	2,275	1,390	753	367	(416)
Transfer to other reserves	–	–	–	(114)	(428)	(134)	–
Profit attributable to shareholders	4,339	3,283	2,275	1,276	325	233	(416)
Dividends	(1,235)	(1,027)	(856)	(178)	–	–	–
Retained profit for the year	3,104	2,256	1,419	1,098	325	233	(416)
Earnings per ordinary share (pence)	6.08	4.60	3.19	2.45	1.46	0.71	(0.79)
Diluted earnings per ordinary share (pence)	6.02	4.57	3.17	2.44	1.46	0.71	(0.79)
Adjusted earnings per ordinary share (pence)	7.26	5.58	3.89	3.11	2.13	1.34	(0.20)
Consolidated Balance sheets							
Goodwill and intangible fixed assets	15,162	14,958	10,704	8,065	5,947	6,297	5,982
Tangible fixed assets	6,066	5,415	4,209	3,896	3,831	3,616	2,540
Investments	–	–	–	–	545	–	1
Long term cash deposit	–	–	–	–	550	–	–
Net current (liabilities)/assets	(1,609)	(3,365)	(1,074)	350	(1,417)	(306)	413
Creditors due after one year	–	(800)	–	–	(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	19,619	16,208	13,839	12,311	3,475	2,700	2,333
Called-up share capital	3,573	3,567	3,567	3,567	2,597	2,573	2,573
Share premium account	6,612	6,555	6,555	6,555	–	–	–
Other reserves	949	949	949	949	736	310	176
Profit and loss account	8,019	4,915	2,659	1,240	142	(183)	(416)
Equity Shareholders' funds	19,153	15,986	13,730	12,311	3,475	2,700	2,333
Minority interests	466	222	109	–	–	–	–
	19,619	16,208	13,839	12,311	3,475	2,700	2,333

The above has been based on information extracted from the Company's accounts and the Company's prospectus. All figures have been restated to reflect the adoption of FRS10.

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

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Directors and Advisers

DIRECTORS

M R Hornstein	Non-Executive Chairman and Chairman of the Audit and Remuneration Committee
D Craig-Wood	Non-Executive, member of the Audit and Remuneration Committee and Senior Independent Director
D Gestetner	Non-Executive and member of the Audit and Remuneration Committee
A W Morcombe	Group Chief Executive
M G McLaren	Group Finance Director

NON-EXECUTIVE DIRECTORS

Rodney Hornstein joined Alphameric plc in 1990 as Chief Executive Officer, moving to the role of Non-Executive Chairman in April 1996. Previously, he held senior sales and management positions with IBM, ICL and GEC and was Chairman and Managing Director of Gestetner International.

Douglas Craig-Wood was a founder of Computeraid where he worked until 1972. He was Managing Director of Alphameric Solutions Limited from its acquisition in 1975 until 1983 and Executive Chairman of Alphameric plc from 1983 until 1990, at which time he became a Non-Executive Director.

David Gestetner was appointed a Non-Executive Director of Alphameric plc in 1994. He joined the Gestetner Group in 1960, becoming a Director in 1967, Group Managing Director in 1982 and serving as joint Chairman for over 15 years.

ADVISERS

Registered Auditors

PricewaterhouseCoopers
Chartered Accountants
9 Greyfriars Road
Reading
RG1 1JG

Solicitors

Nabarro Nathanson
Lacon House
Theobald's Road
London
W1X 8RW

Registrars and Transfer Office

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Bankers

HSBC plc
22 Victoria Street
London
SW1H 0NJ

Financial Advisers

KPMG Corporate Finance
8 Salisbury Square
London
EC4Y 8BB

Financial Public Relations

Buchanan Communications Limited
107 Cheapside
London
EC2V 6DT

Stockbrokers

Investec Henderson Crosthwaite Securities
2 Gresham Street
London
EC2V 7QP

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 30 November 1999.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group, following the acquisition of Online Group Holdings plc on 14 January 2000, comprise the provision of:

Turnkey databroadcast and display solutions;

Integrated electronic point of sale (EPoS) systems comprising hardware, software and support services;

Estate management solutions to the hospitality and leisure market comprising hardware, software and support services;

Third party and contract logistics solutions to the warehousing and transportation markets;

Software solutions for bonded warehouse and Customs and Excise applications;

Audio visual equipment to a wide variety of markets;

Recruitment services focused exclusively on the provision of senior human resources staff to major organisations;

Installation, configuration, training and maintenance services in support of the systems and applications that the Group offers and on a third party basis.

The Group enjoyed a successful year producing a profit before taxation of £3.1 million on revenues of £25.3 million (8 months ended 30 November 1998 : profit before taxation of £0.9 million on revenues of £11.5 million).

Your Directors believe that the Alphameric plc Group of Companies is well placed to exploit the significant opportunities being offered in the markets where we operate.

POST BALANCE SHEET EVENTS

On 21 December 1999, an Extraordinary General Meeting approved the issue of 17,857,143 Ordinary 2.5p Alphameric plc Shares at a price of £1.12 per share which raised £18.8 million net of expenses. The funds raised have been applied, in part, to the acquisition of Online Group Holdings plc as referred to below and to provide additional working capital for the Group. The balance of the funds raised of approximately £12 million will be used should the Group's acquisition policy identify further suitable opportunities.

On 14 January 2000, the Group acquired the entire issued share capital of Online Group Holdings plc for an initial consideration of £4 million in cash and 3,303,572 Ordinary 2.5p Alphameric plc Shares which had a value of £6.3 million. The agreement also provides for possible additional payments up to a maximum of £6.55 million, conditional on the earnings performance of Online over the two years to 30 November 2001. The Online Group specialises in the provision of logistics management packages and Intranet and Extranet services.

DIVIDENDS

The Directors recommend the payment of a final dividend of 0.5p per share amounting to £402,000 (8 months ended 30 November 1998 : £nil).

DIRECTORS

The Directors of the Company during the year and to the date of this report were:

D Craig-Wood

D Gestetner

M R Hornstein

M G McLaren

A W Morcombe

Directors' Report (continued)

Details of the Non-Executive Directors and the Senior Independent Director are given in the list of Directors and Advisers (page 8).

In accordance with the Company's Articles of Association, Mr M R Hornstein and Mr M G McLaren retire by rotation and being eligible, offer themselves for re-election. Biographical details of Mr M R Hornstein are given in the list of Directors and Advisers. Mr M G McLaren, aged 38, has been employed by the Group since 1990. He was appointed Finance Director in April 1995.

DIRECTORS' INTERESTS

Details of the Directors' share options are set out in note 19 to the financial statements.

The beneficial interests of the Directors, including family interests, in the shares of Alphameric plc at the relevant dates were as follows:

	2 February 2000	**30 November 1999**	**30 November 1998**
	Ordinary 2.5p Shares	**Ordinary 2.5p Shares**	**Ordinary 2.5p Shares**
D Craig-Wood	84,693	84,008	84,008
D Gestetner	65,984	58,653	46,923
M R Hornstein	264,145	264,145	130,583
M G McLaren	-	-	-
A W Morcombe	3,216,936	3,216,936	3,816,936

Apart from the interests disclosed above and in note 19 to the financial statements, no Director was interested at any time in the year in the share capital of the Company or other Group Companies.

AUTHORITIES TO ALLOT / PURCHASE SHARES

An Ordinary Resolution will be put to Shareholders at the Annual General Meeting to renew the Directors' authority to allot relevant securities in respect of an aggregate nominal amount of £662,893 representing approximately 33% of the issued Ordinary Share Capital of the Company.

A Special Resolution will also be proposed to disapply the statutory pre-emption provisions of section 89 of the Companies Act 1985 in respect of any rights issue and, for cash issues, up to an aggregate nominal amount of £100,438 being 5% of the issued Ordinary Share Capital of the Company. Each of these authorities will expire at the conclusion of the next Annual General Meeting, or 15 months from the date of the passing of the relevant resolution, whichever is the earlier. The Directors have no present intention of exercising such authority.

The Directors will also be seeking to renew the Company's authority to purchase its own shares. The authority to purchase such shares given in March 1999 expires at the Annual General Meeting and the Directors propose that it should be renewed in the terms of the resolution in respect of up to 8,035,074 shares (representing 10% of the issued Ordinary Share Capital of the Company at 31 January 2000) for a further year to expire at the Annual General Meeting to be held in 2001. Your Directors consider it would be beneficial for them to continue to have authority to do so within the terms of the resolution, in order that they remain able to respond flexibly and in the best interests of the Company to changes in market conditions.

SUBSTANTIAL SHAREHOLDINGS

As at 2 February 2000, the under-mentioned had notified the Company that they were interested in 3% or more of the Company's issued Ordinary Share Capital:

Britel Fund Nominees Limited	3,065,798
Chase Nominees Limited	2,550,171
HSBC Global Custody Nominee (UK) Limited	2,617,875
A W Morcombe Esq.	3,216,936
RBSTB Nominees Limited	9,375,002
State Street Nominees Limited	4,389,800
Vidacos Nominees Limited	5,766,600

Directors' Report (continued)

RESEARCH AND DEVELOPMENT

The Group continues to undertake research and development projects aimed at the ongoing improvement of its product range.

CHARITABLE DONATIONS

During the year, the Group made donations of £13,342 to charities registered in the United Kingdom.

YEAR 2000

The Alphameric plc Group undertook a controlled programme for Year 2000 compliance for business critical systems. The Group wide Year 2000 programme involved a combination of modifying and testing systems so that they would function correctly in and beyond the Year 2000. Where it was appropriate, we replaced software that was approaching the end of its useful life or which we were unable to bring to the required levels of compliance.

Subsequent to the transition to the Year 2000, we have reviewed our systems and monitored feedback from our major customers and suppliers. As far as we are aware, none of our internal systems have been affected by any date change issues, nor have any of our customers or suppliers indicated any operational difficulties.

In view of the potential for future date related issues to arise, we continue to monitor our key internal systems, the degree of our reliance on key suppliers and feedback from our customers.

The costs directly associated with Year 2000 compliance in the year to 30 November 1999 are difficult to accurately quantify but were not in total in excess of £75,000 (8 months ended 30 November 1998 : £50,000) including internal costs. The total cost to the Group of Year 2000 compliance did not exceed £150,000 including internal costs and capital expenditure incurred to eliminate the need to test and modify existing systems.

CREDITOR PAYMENT POLICY

The Group's policy concerning the payment of creditors is to pay in accordance with the contractual and other legal obligations as advised to and agreed with the creditors prior to any transactions taking place.

The Company's average creditor payment period at 30 November 1999 was 100 days (30 November 1998 : 77 days).

AUDITORS

A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors will be put to the forthcoming Annual General Meeting.

By Order of the Board

S A Ollis BA ACCA
Company Secretary
2 February 2000

Corporate Governance

STATEMENT OF COMPLIANCE

The Board supports the highest standards in Corporate Governance and is pleased to confirm that throughout the year, the Company has complied with the Principles and Provisions of the Code of Best Practice set out in Section 1 of the Combined Code except that Mr M R Hornstein, Mr D Gestetner and Mr D Craig-Wood have not been appointed for a specified term. In the Board's opinion, these minor exceptions have been made in the best interests of the Company.

The Code requires Directors, at least annually, to conduct a review of the effectiveness of the Group's system of internal controls. As permitted by the London Stock Exchange, the Directors have complied with this Provision by reporting on internal financial controls pursuant to the Rutteman Guidance.

The Board is mindful of the Turnbull guidance for Directors on the Combined Code in respect of internal controls and is in the process of considering the guidance with a view to amending existing procedures and introducing new procedures when appropriate. It is the Board's intention for the Company to be fully compliant with the guidance in due course.

APPLICATION OF THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board is accountable to the Company's Shareholders for good Corporate Governance. The statement set out below describes how the Principles of the Combined Code are applied by the Company. Further details in connection with the Directors' remuneration, is given in the Report of the Remuneration Committee.

THE BOARD

The Board meets formally for regular business at least six times a year. It is responsible for policy and strategy of the Group and has a Schedule of Matters, which are specifically reserved for its decision.

BOARD BALANCE

The Board comprises a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. The Non-Executive Directors bring a wide range of experience to the Board's debates and are independent of the Group and ceased in the year to participate in share options or pension arrangements.

BOARD COMMITTEES

The Executive Committee comprises the Executive Directors and meets on a regular basis. It deals with all major decisions of the Group not requiring full Board discussion or approval by other Board Committees.

The Audit Committee comprises the Chairman and the Non-Executive Directors. It meets at least twice a year and assists the Board in ensuring that the Group's published financial statements give a true and fair view. It also reviews the findings of the external auditors and reviews key accounting policies and judgements.

The Remuneration Committee comprises the Chairman and the Non-Executive Directors. It meets at least twice a year and is responsible for making recommendations to the Board on remuneration policy for Senior Executives and all Executive Directors and for setting salaries, incentive payments and the granting of share options. Details are given in the Remuneration Committee Report.

SUPPLY OF BOARD INFORMATION

All Members of the Board are provided with financial and operational reports on a monthly basis. Supplementary reports are also included with the Board papers where the Board is required to make decisions on specific issues. Board papers are distributed at least five days in advance of Meetings.

APPOINTMENTS TO THE BOARD AND RE-ELECTION

Appointments to the Board require the Board's authorisation. All Directors are required to submit themselves for re-election at least every three years.

Corporate Governance (continued)

RELATIONS WITH SHAREHOLDERS

The Company regularly communicates with its institutional Shareholders and encourages communication with private investors through the Annual General Meeting.

GOING CONCERN

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

INTERNAL FINANCIAL CONTROLS

The Board of Directors is responsible for the Group's system of internal financial controls. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The key features of the system which has been established are as follows:

Control Environment

The Group's control environment is the responsibility of the Group's Directors and Managers at all levels. The Group's organisational structure has clear lines of responsibility and operating and financial responsibility for Subsidiary Companies is delegated to local boards.

Identification of Business Risks

A specific exercise has been undertaken to review and assess the risks facing each of the Group's businesses and to enhance the systems which manage the key risks so identified. All Subsidiaries are required to assess key risks and related control and monitoring procedures. The Board of Directors monitors this process.

Major Corporate Information Systems

The Group operates a comprehensive budgeting and financial reporting system. Management accounts are prepared on a monthly basis and actual performance is compared with budget as a matter of routine. Variances are thoroughly investigated and revisions to forecasts are made every quarter. Cashflow projections are prepared every quarter and cover a minimum period of twelve months to ensure that the Group has adequate funds and resources for the foreseeable future.

Main Control Procedures

Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements. The Board has an established procedure for authorisation of capital expenditure.

Monitoring Systems by the Board

A review of the effectiveness of the Group's internal financial controls is conducted on an annual basis by Executive Management and the output of this assessment is reviewed by the Board of Directors.

Statement of Directors' Responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new Accounting Standards in the year, as explained on page 21 under note 1 'Accounting Policies'. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 November 1999. The Directors also confirm that applicable Accounting Standards have been followed and that the statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records that 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 are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Remuneration Committee

The Remuneration Committee comprises the following Non-Executive Directors:

M R Hornstein (Chairman of the Board and of the Remuneration Committee)

D Craig-Wood

D Gestetner

The Company's Remuneration Committee decides the remuneration policy that applies to Executive Directors and the Group's other Senior Management. In setting the policy, and to comply with the Principles set out in Section 1 of the Combined Code and with the Provisions in Schedule A to this Code, it considers a number of factors including:

(a) The basic salaries and benefits available to Executive Directors of comparable companies;

(b) The need to attract and retain Directors of an appropriate calibre;

(c) The need to ensure Executive Directors' commitment to the continued success of the Group by the means of incentive schemes.

No Director is involved in deciding their own remuneration.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Chairman of the Board, Mr M R Hornstein, participated in a share option scheme operated by the Company and his remuneration is determined by the Board. He has a rolling service contract with the Company which may be terminated by not less than three months' written notice.

The other Non-Executive Directors each receive a fee for their services, which is agreed by the Board following recommendation by the Chairman with the assistance of independent advice concerning comparable organisations and appointments. They do not receive any pension or other benefit from the Company, nor do they participate in any of the bonus or incentive schemes or share option schemes and they do not have service contracts with the Company.

In accordance with the Company's Articles of Association, Mr M R Hornstein and Mr M G McLaren retire by rotation and offer themselves for re-election.

Report of the Remuneration Committee (continued)

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors is to:

(a) Have regard to the Director's experience and the nature and complexity of his work in order to pay a competitive salary that attracts and retains management of the highest quality;

(b) Link individual remuneration packages to the Group's long term performance through the award of share options and incentive schemes;

(c) Provide employment related benefits including the provision of a company car, life assurance, medical insurance and insurance relating to the Director's duties.

Salaries and Benefits

The Remuneration Committee meets at least twice a year in order to consider and set the annual salaries for Executive Directors, having regard to personal performance and independently compiled salary survey information.

Performance Related Incentive Plan

Annual Bonus

The Remuneration Committee sets annual performance related incentives for the Executive Directors based on over-performance against the Group budget as approved by the full Board.

Share Options

The Remuneration Committee is responsible for granting share options as long term incentives to Executive Directors as considered appropriate.

The Company currently has two Executive Share Option Schemes.

Under the 1997 Executive Share Option Scheme, the award of shares is linked to the Group's financial performance over a period of at least three financial years exceeding the growth in the RPI by at least 4%. In addition, prior to any exercise of the options, the share price must be at least 200% of the value when the option was granted.

Since the year end, the 1999 Senior Executive Share Option Scheme has been approved. Options can be granted to the most Senior Executives in the Group. Exercise of the options is subject to whether there has been a material increase in the value of the shares in the Company and/or a sustained and significant improvement in the Group's financial performance since the grant of the option concerned.

No options have been granted during the year or to the date of this report under the 1997 Executive Share Option Scheme or the 1999 Executive Share Option Scheme.

Contracts of Service

All of the Executive Directors have contracts of service which can be terminated by the Company and by the Director with a notice period of one year.

The Committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances, taking care to ensure that poor performance is not rewarded.

In respect of the service contract of Mr M G McLaren, who is offering himself for re-election, there is an unexpired term of 12 months.

Report of the Remuneration Committee (continued)

DIRECTORS' REMUNERATION

Executive Directors

	12 months ended November 1999					8 months ended November 1998	
	Basic salary/fees £'000	Benefits £'000	Payments under incentive plan £'000	Pension £'000	Total £'000	Total (including pensions) £'000	Pension £'000
A W Morcombe	129	13	97	-	239	151	-
M G McLaren	95	11	70	-	176	109	-
	224	**24**	**167**	**-**	**415**	**260**	**-**

Non-Executive Directors

	12 months ended November 1999					8 months ended November 1998	
	Basic salary/fees £'000	Benefits £'000	Payments under incentive plan £'000	Pension £'000	Total £'000	Total (including pensions) £'000	Pension £'000
D Craig-Wood	10	-	-	-	10	7	-
D Gestetner	10	-	-	-	10	7	-
M R Hornstein	40	-	-	-	40	27	-
H J Lee	-	-	-	-	-	1	-
V Craig-Wood - former Director	-	-	-	17	17	11	11
	60	**-**	**-**	**17**	**77**	**53**	**11**

Benefits in kind include the provision of a company car, telephone and private health insurance.

Details of the Directors' interests in the shares of the Company are set out in the Directors' Report on page 10 of the financial statements.

Details of the Directors' share options are set out in note 19 to the financial statements. The gain made by Mr M R Hornstein from the exercise of share options during the year amounted to £51,000. The gain is calculated as at the exercise date, although the shares may have been retained. The market price of the Company's shares at the date of exercise was 38p.

No Director waived emoluments in respect of the year ended 30 November 1999 or the 8 months ended 30 November 1998.

Mr H J Lee resigned on 17 August 1998.

By Order of the Board

S A Ollis BA ACCA
Company Secretary
2 February 2000

Auditors' Report to the Members of Alphameric plc

We have audited the financial statements on pages 18 to 34 including the additional disclosures on pages 14 to 16 relating to the remuneration of Directors specified for our review by the London Stock Exchange.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 14, the financial statements. Our responsibilities, as independent Auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statements on pages 12 and 13 reflect the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its internal controls.

Basis of Audit 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 the 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 of whether the accounting policies are appropriate to the Company'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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 November 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading
2 February 2000

Consolidated Profit and Loss Account

	Note	12 months ended November 1999 £'000	8 months ended November 1998 £'000
Turnover	1,2	25,330	11,460
Cost of sales		(16,474)	(7,540)
Gross profit		8,856	3,920
Administrative expenses		(5,805)	(3,036)
Operating profit		3,051	884
Interest receivable and similar income		68	137
Interest payable and similar charges	5	(69)	(121)
Profit on ordinary activities before taxation	5	3,050	900
Tax on profit on ordinary activities	6	(885)	(259)
Profit for the financial year/period	20	2,165	641
Dividends	7	(402)	-
Retained profit for the financial year/period		1,763	641
Earnings per ordinary 2.5p share	9		
Basic		3.67p	1.23p
Diluted		3.62p	1.20p

The Group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the periods stated above, and their historical cost equivalents.

The above results are entirely from continuing operations.

Consolidated Balance Sheet

	Note	1999 £'000	1998 £'000 (restated)
Fixed assets			
Tangible assets	10	4,116	2,156
Current assets			
Stocks	12	2,779	1,850
Debtors	13	12,321	4,588
Cash at bank and in hand		-	2,229
		15,100	8,667
Creditors (amounts falling due within one year)	14	(12,277)	(5,716)
Net current assets		2,823	2,951
Total assets less current liabilities		6,939	5,107
Creditors (amounts falling due after more than one year)	15	(500)	(500)
Net assets		**6,439**	**4,607**
Capital and reserves			
Called up share capital	18	1,480	1,461
Contingent shares to be issued	25	450	450
Share premium account	20	6,898	6,685
Profit and loss account deficit	20	(2,389)	(3,989)
Total equity shareholders' funds	21	**6,439**	**4,607**

The financial statements on pages 18 to 34 were approved by the Board of Directors on 2 February 2000 and were signed on its behalf by:

A W Morcombe
Director

M G McLaren
Director

Consolidated Cashflow Statement

	Note	12 months ended November 1999 £'000	8 months ended November 1998 £'000
Net cash (outflow)/inflow from operating activities	23	(167)	1,447
Returns on investments and servicing of finance			
Interest paid		(69)	(121)
Interest received		68	137
		(1)	16
Taxation			
UK corporation tax paid		(324)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,618)	(241)
Disposal of tangible fixed assets		3	27
		(2,615)	(214)
Acquisitions and disposals			
Purchase of subsidiaries		-	(4,430)
Net cash acquired with subsidiary undertakings		-	168
		-	(4,262)
Net cash outflow before management of liquid resources and financing		(3,107)	(3,013)
Financing			
Cash received from issue of share capital		228	4,025
Repayments of capital element of finance leases		-	(6)
Decrease in borrowings	23	(609)	(378)
Net decrease in factoring advances		-	(831)
Net cash (outflow)/inflow from financing		(381)	2,810
Decrease in cash in the year/period	23	(3,488)	(203)

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below together with an explanation of where changes have been made to previous policies on the adoption of new Accounting Standards in the year.

Adoption of New Accounting Policies

With effect from 1 December 1998, the Group adopted the following new Accounting Standards:

FRS 10 'Goodwill and intangible assets' has been adopted and the Group has taken advantage of the transitional provisions and not reinstated previous goodwill eliminated against reserves. Consequently, the balance on the goodwill reserve shown in the financial statements for the 8 months ended 30 November 1998 has been eliminated against the profit and loss account reserve under the transitional arrangements in FRS 10.

FRS 11 'Impairment of fixed assets' and FRS 12 'Provisions, contingent liabilities and contingent assets' came into effect for these financial statements, but has not resulted in any changes in presentation or restatement.

FRS 13 'Derivatives and other financial instruments: disclosures' has been adopted and the required disclosures have been provided in accordance with the Standard.

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its Subsidiary Undertakings made up to 30 November 1999. The results of Subsidiaries acquired are included in the consolidated profit and loss account from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation.

On the acquisition of a Subsidiary, all of the Subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the Subsidiary, are reflected in the post acquisition profit and loss account.

Turnover

Turnover represents the amount receivable for goods and services provided to customers during the year, excluding value added tax. Revenue on long term contracts, involving the supply of hardware and software, is recognised in proportion to the completion of the contract, once the contract outcome can be foreseen with reasonable certainty.

Revenue in respect of software licences is recognised:

On the issue of the licence in the case of perpetual licence fees;
On an equal monthly basis in respect of annual licence fees;
From the commissioning of the site in equal monthly amounts, where an annual site licence is required for each location at which software is installed.

Revenue in respect of software maintenance fees is recognised in equal monthly amounts over the period of the maintenance agreement.

Pension

A Subsidiary Company in the Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the scheme.

Tangible Fixed Assets

Tangible fixed assets are stated at cost including any incidental costs of acquisition, less depreciation.
Depreciation is provided on a straight line basis so as to write off the cost of each tangible asset over its estimated useful life as follows:

Information Systems, Office Equipment, Vehicles, etc.	1 - 5 years
Plant and Machinery	5 - 8 years
Leasehold Land and Buildings	10 - 50 years

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. As required by FRS 10, goodwill arising from acquisitions before 1 December 1998, which was previously written off to a separate reserve as a matter of accounting policy, has been set against retained profits. The changes have been treated as a prior year adjustment (see note above). This goodwill will be charged to the profit and loss account on subsequent disposal of the business. Future goodwill will be included as a fixed asset and amortised over the appropriate period.

Development Expenditure

Expenditure on research and development is written off in the year incurred, except where such expenditure is recoverable from third parties or where there is an identifiable and commercially viable product. In the latter case, such expenditure is carried forward and amortised over the period expected to benefit.

Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost, which includes factory overheads, and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long Term Contracts

Turnover on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long term contract balances.

Finance and Operating Leases

Rentals paid under operating leases are charged to the profit and loss account as incurred.

In accordance with the requirements of SSAP 21, assets held under finance leases that give rights approximating to ownership are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital outstanding. Depreciation on the relevant assets is charged to the profit and loss account, based on the shorter of the lease terms and the useful lives of equivalent owned assets.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction, unless matching forward exchange contracts are entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date, unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. All exchange differences are dealt with through the profit and loss account as they arise.

Related Party Transactions

The Company has taken advantage of the exemption available under FRS 8 not to disclose intra-group transactions.

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Financial Instruments

The Group's financial instruments comprise cash, bank borrowings and various items such as trade debtors, trade creditors etc. that arise from its operations. The main purpose of these financial instruments is to raise cash for the Group's operations.

The Group does not enter into derivative transactions other than, where necessary, forward foreign currency contracts, the purpose of which is to manage the currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. 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 in note 16. The policies have remained unchanged since 1 December 1998.

2.TURNOVER ANALYSIS AND SEGMENTAL INFORMATION

All of the Group's turnover, operating profit and net assets arose in the United Kingdom.

In the opinion of the Directors, all of the Group's operations comprise one class of business.

Exports from the United Kingdom to continental Europe totalled £948,000 (8 months ended 30 November 1998 : £490,000) and to the rest of the World £904,000 (8 months ended 30 November 1998 : £1,391,000).

3.DIRECTORS' EMOLUMENTS

Detailed disclosure of the Directors' individual remuneration, which forms part of these financial statements, is given in the Report of the Remuneration Committee on pages 14 to 16 and of their share options in note 19 to the financial statements.

	12 months ended November 1999 £'000	8 months ended November 1998 £'000
Aggregate emoluments	492	302
Aggregate gain made on the exercise of share options	51	-
Emoluments payable to the highest paid Director are as follows :		
Aggregate emoluments	239	151

During the year, Mr M R Hornstein exercised 680,917 of his share options and 366,648 lapsed. Save for the above, no amounts were received under long term incentive schemes, no contributions were made to money purchase schemes and no retirement benefits accrued to any of the Directors (8 months ended 30 November 1998 : £nil).

4.EMPLOYEE INFORMATION

The average monthly number of employees (including Executive Directors) during the year was 239 (8 months ended 30 November 1998 : 203), all of whom were employed in the United Kingdom.

	12 months ended November 1999 £'000	8 months ended November 1998 £'000
Staff costs		
Wages and salaries	5,560	2,816
Social security costs	548	272
Pension costs	11	7
	6,119	3,095

Notes to the Financial Statements (continued)

5.PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

		12 months ended November 1999 £'000	8 months ended November 1998 £'000
Depreciation and amortisation	- owned assets	527	336
	- leased assets	-	5
Loss on disposal of tangible fixed assets		3	-
Research and development costs		1,518	620
Auditors' remuneration	- Group audit (incl. Company)	70	75
	- Company audit	18	24
	- fees for other professional services	33	169
Factoring administration charges		44	35
Interest payable on bank loans and overdrafts		69	121
Operating lease rentals	- hire of plant and machinery	507	201
	- other assets	241	147

6.TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	12 months ended November 1999 £'000	8 months ended November 1998 £'000
United Kingdom corporation tax at 30.3% (1998 : 31%)	842	259
Adjustments to prior year	43	-
	885	259

7.DIVIDENDS

No dividends were declared or paid during the year (8 months ended 30 November 1998 : £nil). A final dividend of 0.5p per share is proposed for the year, amounting to £402,000 (8 months ended 30 November 1998 : £nil), in respect of the total shares in issue at 30 November 1999 (59,190,025) and those shares issued on 21 December 1999 and 14 January 2000 (17,857,143 and 3,303,572 respectively).

8.PROFIT AND LOSS ACCOUNT

Alphameric plc has not presented its own profit and loss account as permitted by section 230(1) of the Companies Act 1985. The profit for the financial year dealt with in the financial statements of the Holding Company was £1,412,000 (8 months ended 30 November 1998 : loss £63,000).

9.EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares in issue during the year.

Notes to the Financial Statements (continued)

9.EARNINGS PER SHARE (continued)

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. The Group's two categories of potentially dilutive Ordinary Shares are:

Share options granted to Directors and employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the year;

Contingent consideration on an acquisition. The contingent shares are determined by future results of an acquired Company exceeding contracted profit levels for the years ending 30 November 1999 and 30 November 2000. The contracted level for 1999 has been achieved and the relevant contingent shares have been included in the diluted EPS calculation.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	12 months ended November 1999			8 months ended November 1998		
	Earnings £'000	Weighted average number of shares millions	Per-share amount pence	Earnings £'000	Weighted average number of shares millions	Per-share amount pence
Basic EPS						
Profit attributable to shareholders	2,165	59.0	3.67	641	52.1	1.23
Effect of dilutive securities						
Options	-	0.5	(0.03)	-	0.4	(0.01)
Contingent shares	-	0.3	(0.02)	-	1.1	(0.02)
Diluted EPS	**2,165**	**59.8**	**3.62**	**641**	**53.6**	**1.20**

10.TANGIBLE FIXED ASSETS

(a)Group

	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Information Systems, Office Equipment, Vehicles, etc. £'000	Total £'000
Cost				
At 1 December 1998	1,772	1,647	2,267	5,686
Adjustment to fair value	(125)	-	-	(125)
Additions	22	263	2,333	2,618
Disposals	-	(23)	(8)	(31)
At 30 November 1999	1,669	1,887	4,592	8,148
Accumulated depreciation				
At 1 December 1998	295	1,601	1,634	3,530
Charge for the year	47	48	432	527
Disposals	-	(23)	(2)	(25)
At 30 November 1999	342	1,626	2,064	4,032
Net book value				
At 30 November 1999	**1,327**	**261**	**2,528**	**4,116**
At 30 November 1998	1,477	46	633	2,156

The adjustment to fair value is detailed in note 26.

Notes to the Financial Statements (continued)

10. TANGIBLE FIXED ASSETS (continued)

(b) Company

	Leasehold Land and Buildings £'000	Information Systems, Office Equipment, Vehicles, etc. £'000	Total £'000
Cost			
At 1 December 1998	1,385	128	1,513
Additions	22	16	38
Disposals	-	(3)	(3)
At 30 November 1999	1,407	141	1,548
Accumulated depreciation			
At 1 December 1998	274	120	394
Charge for the year	27	7	34
Disposals	-	-	-
At 30 November 1999	301	127	428
Net book value			
At 30 November 1999	**1,106**	**14**	**1,120**
At 30 November 1998	1,111	8	1,119

11. INVESTMENTS

Company

	Shares in Group Undertakings		
	Cost £'000	Provision £'000	Net book value £'000
At 1 December 1998	11,204	(250)	10,954
Revaluation	-	(35)	(35)
At 30 November 1999	**11,204**	**(285)**	**10,919**

It is the Company's policy to value its investments in Subsidiary Undertakings at the lower of cost and their continuing value to the Group.

The Group comprises the following principal Subsidiary Undertakings in which the issued Ordinary Share Capital is 100% owned with 25% of the issued Ordinary Share Capital of Alphameric Broadcast Solutions Limited being held by a wholly owned intermediate Holding Company. Each of these Subsidiary Undertakings is registered in, and operates in, England.

Name of subsidiary	Proportion of nominal value of issued shares held by the Group	Principal activities
Alphameric Broadcast Solutions Limited	100%	Provision of databroadcast and multimedia solutions to business
Alphameric Solutions Limited	100%	Custom retail and electronic equipment production
Alphameric 100 Limited	100%	Provision of integrated EPoS hardware and software solutions
Red Onion Limited	100%	Provision of video, audio and data communication equipment

A full list of Subsidiary Undertakings at 30 November 1999, will be annexed to the next annual return.

Notes to the Financial Statements (continued)

12. STOCKS

Group

	1999 £'000	1998 £'000
Raw materials and consumables	985	682
Work in progress	282	173
Finished goods and goods for resale	1,512	995
	2,779	1,850

13. DEBTORS

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Trade debtors	11,123	3,984	14	16
Amounts owed by group undertakings	-	-	2,258	2,850
Other debtors	176	-	16	-
Prepayments and accrued income	1,022	604	240	121
	12,321	4,588	2,528	2,987

Included in trade debtors, is £606,000 (30 November 1998 : £nil) due after more than one year.

14. CREDITORS (amounts falling due within one year)

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Bank overdraft (see note below)	1,259	-	-	682
Loans (see note below)	-	609	-	161
Trade creditors	5,312	2,008	406	242
Corporation tax	976	415	-	-
Other taxation and social security	869	339	14	10
Accruals and deferred income	3,459	2,345	361	599
Dividends payable	402	-	402	-
	12,277	5,716	1,183	1,694

The Group's principal bankers, HSBC plc, have a fixed and floating charge over the assets of the Group.

Alphameric Solutions Limited, a wholly owned Subsidiary of the Group, has a non-recourse factoring agreement for certain of its receivables with HSBC Invoice Financing Limited. The factored balance at 30 November 1999 was £nil (30 November 1998 : £nil). The terms of the agreement are such that the Company may receive cash advances of up to 80% of approved debts at any time. Discounting charges are payable monthly and are calculated on a daily basis on any proceeds drawn down by the Company. HSBC Invoice Financing Limited pay all approved debts no later than 120 days after their due date.

All drawings under the factoring agreement are secured by a charge on the receivables factored.

Further details of the Group's borrowing facilities are provided in note 16 to these accounts.

Notes to the Financial Statements (continued)

15. CREDITORS (amounts falling due after more than one year)

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Deferred consideration for acquisition (see note 25)	500	500	500	500

16. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are as follows:

Interest Rate Risk

The Group manages the financing of its operations through a mixture of Shareholders' funds, including retained profits, and bank borrowings. The bank facilities of the Group comprise an overdraft facility of £3 million and a three-year revolving capital asset purchase facility of £1.45 million. Both of these facilities are repayable on demand and carry interest at base rate plus 1.5%.

In addition, the Group has access to a factoring facility with a third party factoring organisation that makes available up to 80% of trade debtor balances within its Subsidiary, Alphameric Solutions Limited. The facility can be terminated with one month's notice and carries interest at base rate plus 1.25%. The factoring facility has not been used in the year under review nor to the date of this report.

Liquidity Risk

The Group only requires borrowings to fund short term requirements. This short term flexibility is achieved by overdraft facilities, factoring facilities and the revolving capital asset purchase facility.

Currency Risk

The majority of the Group's revenues are made in Sterling and involve no currency risk. The Group did not enter into any forward currency contracts during the financial year nor has it done so to the date of this report, as it was considered that the risk to the Group from currency movements was minimal.

The Group reviews its currency exposure on a continual basis and will enter into hedges if considered necessary.

At the end of the financial year, the Group had no material currency exposure.

Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from these disclosures as permitted by FRS 13 as, in the opinion of the Directors, they contain no material financial risks for the Group. Details of debtors and creditors due after more than one year are given in notes 13 and 15 respectively.

Interest Rate Profile of Financial Assets

Sterling cash deposits are placed on the money market at floating bank deposit interest rates for periods up to 3 months. Cash in excess of short term working capital requirements is deposited for fixed longer terms. At the beginning of the year, the Group had cash deposits of £2,229,000.

Interest Rate Profile of Financial Liabilities

At 30 November 1999, the Group had a variable rate overdraft of £1,259,000 repayable on demand.

Fair Values

At 30 November 1999, the fair value of monetary assets and liabilities was not materially different from their book values.

As this is the first year of FRS 13, comparative figures have only been provided where practicable.

Notes to the Financial Statements (continued)

17. DEFERRED TAXATION

There is no actual or potential liability to deferred taxation. There is no recognised deferred tax asset and the Group has an unrecognised deferred tax asset of £147,000 (30 November 1998 : £218,000). The Group has tax losses available to be carried forward.

18. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised :		
82,000,000 (30 November 1998 : 82,000,000) Ordinary Shares of 2.5p each	2,050	2,050
Allotted, called up and fully paid :		
59,190,025 (30 November 1998 : 58,443,635) Ordinary Shares of 2.5p each	1,480	1,461

During the year, 746,390 shares were allotted pursuant to the exercise of options under the Company's option schemes.

Under a Shareholders' authority dated 25 March 1999, the Company was empowered to make purchases of its own shares subject to a maximum number of 5,844,363 Ordinary Shares of 2.5p each and a price of between 2.5p and 105% of the market price. This authority, which has not been exercised during the year, is subject to review at each Annual General Meeting.

19. OPTIONS IN SHARES OF ALPHAMERIC PLC

At 30 November 1999, the following options to subscribe for 2.5p Ordinary Shares in the Company were outstanding:

	Number of options 30 November 1999	Number of options exercised or lapsed in the year	Number of options 30 November 1998	Market price at date of exercise	Exercise price	Period of option
Directors:						
M R Hornstein	-	1,047,565	1,047,565	38p	30p	1993 to 1999
M G McLaren	65,473	-	65,473	-	8p	1995 to 2002
	130,946	-	130,946	-	19p	1995 to 2002
Other senior employees:	65,473	-	65,473	-	8p	1995 to 2002
	-	65,473	65,473	92p	36p	1996 to 2003
	65,473	-	65,473	-	43p	1996 to 2003
	155,092	-	155,092	-	45p	1996 to 2003
	123,144	-	123,144	-	39p	1998 to 2005
	123,144	-	123,144	-	39p	2000 to 2005

No options have been granted during the year.

The market price of the Company's shares at the end of the financial year was 140p and the range of market prices during the year was between 38p and 140p.

The options are all performance related, details for which are given in the Report of the Remuneration Committee.

Details of Directors' share options exercised and lapsed are given in note 3.

Notes to the Financial Statements (continued)

20. RESERVES

Group

	Share Premium Account £'000	Merger Relief Reserve £'000	Profit & Loss Account £'000 (restated)	Goodwill £'000 (restated)
At 1 December 1998, as previously stated	6,685	-	1,603	(5,592)
Elimination of goodwill reserve	-	-	(5,592)	5,592
At 1 December 1998, as restated	6,685	-	(3,989)	-
Profit for the year	-	-	2,165	-
Dividends	-	-	(402)	-
Goodwill on adjusted fair values written off (see note 26)	-	-	(163)	-
Premium on shares issued	213	-	-	-
At 30 November 1999	**6,898**	-	**(2,389)**	-

Elimination of Goodwill Reserve

The profit and loss account reserve at 1 December 1998 has been restated to eliminate the balance on the goodwill reserve at 30 November 1998 and 31 March 1998 in accordance with the provisions of FRS 10 'Goodwill and intangible assets'. This amount comprises goodwill previously eliminated to reserves (other than that charged to the merger reserve) as the Directors consider it would be impracticable to apply the provisions of FRS 10 retrospectively.

Company

	Share Premium Account £'000	Merger Relief Reserve £'000	Profit & Loss Account £'000
At 1 December 1998	6,685	4,279	(9)
Profit for the year	-	-	1,412
Dividends	-	-	(402)
Premium on shares issued	213	-	-
At 30 November 1999	**6,898**	**4,279**	**1,001**

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Profit/(loss) for the financial year/period	2,165	641	1,412	(63)
Dividends	(402)	-	(402)	-
New share capital issued	19	373	19	373
Share capital to be issued	-	450	-	450
Share premium arising on share issues	213	3,753	213	3,753
Merger relief reserve arising on acquisition	-	1,524	-	1,524
Issue costs written off to share premium	-	(38)	-	(38)
Goodwill on acquisition transferred to reserves				
- Merger relief reserve	-	(1,524)	-	-
- Goodwill reserve	-	(5,222)	-	-
- Profit and loss reserve	(163)	-	-	-
Net change in shareholders' funds	1,832	(43)	1,242	5,999
Opening shareholders' funds	4,607	4,650	12,866	6,867
Closing shareholders' funds	**6,439**	**4,607**	**14,108**	**12,866**

Notes to the Financial Statements (continued)

22. GOODWILL

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £10,034,000 (30 November 1998 : £9,871,000).

Of the total goodwill written off against reserves £4,279,000 (30 November 1998 : £4,279,000) has been written off against the merger reserve. The remaining goodwill of £5,592,000, which had been written off to a separate goodwill reserve, has now been eliminated against the profit and loss reserve (see note 20). This goodwill will be charged in the profit and loss account on the subsequent disposal of the related businesses. This change in accounting policy had no effect on the current year's results.

23. NOTES TO THE CASHFLOW STATEMENT

	12 months ended November 1999 £'000	8 months ended November 1998 £'000
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:		
Operating profit	3,051	884
Depreciation on tangible fixed assets	527	341
Loss on disposal of tangible fixed assets	3	-
(Increase)/decrease in stocks	(929)	213
(Increase)/decrease in debtors	(7,733)	442
Increase/(decrease) in creditors	4,914	(433)
Net cash (outflow)/inflow from operating activities	**(167)**	**1,447**

	1999 £'000	1998 £'000
Reconciliation of net cash flow to movement in net (debt)/funds:		
Decrease in cash in the year	(3,488)	(203)
Cash outflow from change in debt	609	284
Cash outflow from change in factoring advances	-	831
Change in net (debt)/funds resulting from cash flows	(2,879)	912
Net funds at 1 December 1998	1,620	708
Net (debt)/funds at 30 November 1999	**(1,259)**	**1,620**

	1 December 1998 £'000	Cash Flow £'000	30 November 1999 £'000
Analysis of net (debt)/funds:			
Cash at bank and in hand	2,229	(3,488)	(1,259)
Debt due within one year	(609)	609	-
Total	**1,620**	**(2,879)**	**(1,259)**

Notes to the Financial Statements (continued)

24. POST BALANCE SHEET EVENTS

On 21 December 1999, an Extraordinary General Meeting approved the issue of 17,857,143 Ordinary 2.5p Alphameric plc Shares at a price of £1.12 per share which raised £18.8 million net of expenses. The funds raised have been applied, in part, to the acquisition of Online Group Holdings plc as referred to below and to provide additional working capital for the Group. The balance of the funds raised of approximately £12 million will be used should the Group's acquisition policy identify further suitable opportunities.

On 14 January 2000, the Group acquired the entire issued share capital of Online Group Holdings plc for an initial consideration of £4 million in cash and 3,303,572 Ordinary 2.5p Alphameric plc Shares which had a value of £6.3 million. The agreement also provides for possible additional payments up to a maximum of £6.55 million, conditional on the earnings performance of Online over the two years to 30 November 2001. The Online Group specialises in the provision of logistics management packages and Intranet and Extranet services.

25. CONTINGENT CONSIDERATION

The contingent shares of £450,000 and deferred cash consideration of £500,000 are in respect of the acquisition of Red Onion Limited in 1998 and are subject to Red Onion Limited exceeding contracted profit levels for the years ended 30 November 1999 and 30 November 2000. The maximum consideration has been provided for in these financial statements.

26. ADJUSTMENTS TO FAIR VALUES

In respect of the acquisition in the 8 months ended 30 November 1998 of Computer 100 Limited, the provisional fair value adjustments to tangible fixed assets and to accruals have been revised by the Directors. These adjustments reflect their assessment of the reduction in value of leasehold property improvements (£125,000) and the alignment of accounting policies in respect of deferred revenue requiring an increase in deferred revenue (£38,000).

27. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following related party transactions which were carried out on an arm's length basis:

a) Alphameric Broadcast Solutions Limited employed the technical services of Mr N Craig-Wood. Mr N Craig-Wood is the son of Mr D Craig-Wood, a Non-Executive Director of Alphameric plc. The value of services rendered during the year was £2,775 (8 months ended 30 November 1998 : £36,465) with a balance outstanding and included in trade creditors at the year end of £3,261 (30 November 1998 : £7,773, included in accruals).

b) Red Onion Limited sold goods worth £3,137 (14 months ended 30 November 1998 : £1,527) and purchased goods worth £21 (14 months ended 30 November 1998 : £3,847) to and from Bowden Electrical Supplies Limited. A Director of this Company is a son of Mr R W L Bowden, a Director of Red Onion Limited. At the year end, Bowden Electrical Supplies Limited owed the Company £293 (30 November 1998 : £294).

Sales worth £1,227 (14 months ended 30 November 1998 : £nil) were made to Sedgefield Racecourse, of which Mr R W L Bowden is a Director. At the year end, Sedgefield Racecourse owed the Company £163 (30 November 1998 : £nil).

Sales worth £45,806 (14 months ended 30 November 1998 : £nil) were made to Racecourse Technical Services, of which Mr R W L Bowden is a Director. At the year end, Racecourse Technical Services owed the Company £7,003 (30 November 1998 : £nil).

Red Onion Limited paid £nil (14 months ended 30 November 1998 : £342) in respect of audit fees for the Red Onion (Self Administered) Pension Plan.

Notes to the Financial Statements (continued)

28. FINANCIAL COMMITMENTS

At 30 November 1999, the Group had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Property				
Expiring in over five years	**352**	**230**	-	1
Other				
Expiring within one year	41	59	-	-
Expiring between one and five years	356	270	12	14
	397	**329**	**12**	**14**

29. PENSION SCHEME

A Subsidiary Company of the Group operates a defined contribution scheme.

The pension cost for the year was £11,000 (14 months ended 30 November 1998 : £7,000), representing the actual contributions made in the year.

Company Balance Sheet

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	10	1,120	1,119
Investments	11	10,919	10,954
		12,039	12,073
Current assets			
Debtors	13	2,528	2,987
Cash at bank and in hand		1,224	-
		3,752	2,987
Creditors (amounts falling due within one year)	14	(1,183)	(1,694)
Net current assets		2,569	1,293
Total assets less current liabilities		14,608	13,366
Creditors (amounts falling due after more than one year)	15	(500)	(500)
Net assets		**14,108**	**12,866**
Capital and reserves			
Called up share capital	18	1,480	1,461
Contingent shares to be issued	25	450	450
Share premium account	20	6,898	6,685
Other non-distributable reserves	20	4,279	4,279
Profit and loss account	20	1,001	(9)
Total equity shareholders' funds	21	**14,108**	**12,866**

The financial statements on pages 18 to 34 were approved by the Board of Directors on 2 February 2000 and were signed on its behalf by:

A W Morcombe
Director

M G McLaren
Director

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Nabarro Nathanson, Lacon House, Theobald's Road, WC1X 8RW on 30 March 2000 at 12.00 noon for the following purposes:

1. To receive and adopt the Reports of the Directors and the Auditors and the financial statements for the year ended 30 November 1999.

2. To declare a final dividend.

3. To re-elect Mr M R Hornstein as a Director of the Company.

4. To re-elect Mr M G McLaren as a Director of the Company.

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.

To transact any other business of an Annual General Meeting and as special business to consider the following Resolutions, Resolution 6 being proposed as an Ordinary Resolution and Resolutions 7 and 8 as Special Resolutions.

6. That for the purposes of section 80 of the Companies Act 1985 ('the Act') the Directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80 of the Act) up to an aggregate nominal amount of £662,893 provided that this authority shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months from the date of the passing of this Resolution, except that the Company may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired, this authority to replace any existing like authority which is hereby revoked with immediate effect.

7. That, subject to the passing of the preceding Resolution, the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 ('the Act') to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred upon them by the preceding Resolution (as varied from time to time by the Company in General Meeting) as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT such power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of the holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the numbers of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of or requirements of any recognised regulatory body in any territory or otherwise; and

(b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £100,438 and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the date of the passing of this Resolution unless renewed or extended prior to or at such Meeting except that the Company may before the expiry of any power contained in this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8. That the Company, be and is hereby generally and unconditionally authorised, in accordance with Article 9 of its Articles of Association and Chapter VII of the Companies Act 1985 ('the Act') to make market purchases (within the meaning of section 163 of the Act) on the London Stock Exchange Limited ('London Stock Exchange') of Ordinary Shares of 2.5p each of the Company, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be so acquired is 8,035,074;

(b) the minimum price which may be paid for such shares is 2.5p per share (exclusive of expenses);

(c) the maximum price which may be paid for such shares is in respect of a share contracted to be purchased on any day, an amount equal to 105% of the average of the middle market quotations of the Ordinary Shares of the Company derived from the Daily Official List of the London Stock Exchange during the period of five business days immediately preceding the day on which the shares are contracted to be purchased (exclusive of expenses);

(continued over)

Notice of Annual General Meeting (continued)

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and

(e) the Company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own shares in pursuance of any such contract.

By Order of the Board

S A Ollis BA ACCA
Company Secretary
3 March 2000

Registered Office:
Bishopsgate House
Broadford Park
Shalford
Guildford
Surrey
GU4 8ED

Notes:

1. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Company.

2. A form of proxy is provided. To be valid, proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) at the office of the Company's Registrars:

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0JQ

not less than 48 hours before the time fixed for the Meeting. Completion of a form of proxy does not preclude a Member from subsequently attending or voting at such Meeting.

3. As permitted by Regulation 34 of the Uncertified Securities Regulations 1995, only those persons whose names are entered on the Register of Members of the Company at the close of business on 29 March 2000 shall be permitted to attend the Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

4. There will be available for inspection at the Registered Office during normal business hours from the date of this Notice to the date of the Annual General Meeting, and at the place of the Meeting, for 15 minutes prior to and during the Meeting, the following:

(a) the Register of Directors' interests in shares of the Company;

(b) copies of the Directors' contracts of service.

Alphameric

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