Wilmington

# Wilmington Group plc

## Annual Report and Financial Statements 2011

Wilmington
POTENTIAL DELIVERED

## During the year, we have undertaken a review of the Wilmington brand.

**Working with a leading brand consultancy we researched the awareness, together with the perceived values and culture of Wilmington across a broad stakeholder group. The findings enabled us to develop and start to implement an on-going strategy to strengthen the Wilmington brand with all stakeholders. Initial results indicate a growing sense of shared values and vision within the Group along with a growing awareness of the new Wilmington brand outside.**

### Vision

- To be a successful, growing and profitable business that provides excellent returns and sustainable value for our shareholders, clients, partners and employees.
- To build high value, high margin business with strong barriers to entry and scalability in long term markets.
- To be seen as a clear leader in our markets
- To have the best team by becoming an employer of choice and aspiration

### Statement of intent

Wilmington aims to be the best company at helping professionals and their organisations realise their potential.

It does this by sharing ideas and successes across the group, harnessing shared services and focussing on customers' needs.

Wilmington has an entrepreneurial and creative culture, so initiatives can be realised quickly

### Potential delivered

Employees: Your potential and that of the business will be realised by harnessing the potential of the Group.

Customers: Wilmington's information, training and knowledge helps organisations and their people realise their potential.

Investors: Wilmington has the potential to deliver long-term shareholder value

**Pro-active  Adaptable  Collaborative  High quality  Professional**

# Financial Highlights

| | 2011 £000 | 2010 £000 | Change % |
|---|---|---|---|
| Revenue | **83,779** | 78,404 | 6.9 |
| Adjusted EBITA (Note 3) | **14,942** | 14,437 | 3.5 |
| Adjusted Profit before Tax (Note 3) | **13,402** | 13,112 | 2.2 |
| Profit before Tax (Note 3) | **6,077** | 7,329 | (17.1) |
| Cash generated from operations (Note 31) | **15,811** | 15,537 | 1.8 |
| Adjusted Earnings per Share (Note 10) | **11.79p** | 10.59p | 11.3 |
| Interim and proposed final dividend per share (Note 9) | **7.00p** | 7.00p | 0.0 |
| Cash conversion (Note 31) | **111%** | 110% | |


**Discover more online...**
**www.wilmington.co.uk**

# Publishing & Information

## This division provides intelligence, information, solutions, databases, directories, magazines and services for key professional markets.

**The Publishing & Information division key brands include:**

**Axco Insurance Information Services (Axco)**
The leading provider of international market, compliance and regulatory information for the global insurance industry.

**Pendragon**
Produce Perspective, the leading electronic information service for the UK pensions industry. The service is updated daily and includes the full and up-to-date text of all legislation and regulatory texts relevant to the industry.

**Binley's**
The UK's leading provider of healthcare professional information to pharmaceutical companies and the public sector. Its extensive portfolio includes healthcare databases, mailing lists, directories, mapping tools, NHS learning programmes and an all encompassing mailing, fulfilment and e-communications service.

**Agence de Presse Médicale (APM)**
Publish electronic information services providing real time news on French and international healthcare markets.

**Smee & Ford**
The leading provider of legacy information services to charities. Publisher of Mortascreen, the leading mortality suppression database to the direct marketing community and HALO, the leading deceased identity fraud prevention database to the financial services industry.

**International Company Profile (ICP)**
A leading provider of financial information on companies based in emerging markets worldwide.

**Wilmington Business Intelligence**
combines a number of our information businesses for professional markets including:

**Waterlow**
Legal and professional databases in print and online alongside professional services for accountants and solicitors.

**Solicitors Journal**
Printed and online legal magazines and databases.

**Charity Choice**
The UK's leading charity contacts database in print and online.

**CaritasData**
The most comprehensive and detailed databases and analysis on the UK charitable sector, provided in print and online.

**AP Information Services**
The leading databases of UK and international pension funds, published in print and online.

**WME**
The leading providers of information on the international and TV production



**Divisional revenue analysis by source**

| | 2011 % | 2010 % |
|---|---|---|
| Professional Education & Events | 1 | 3 |
| Magazine Advertising | 3 | 3 |
| Directory Advertising | 15 | 19 |
| Subscription & Information Sales | 81 | 75 |

**Wilmington was one of the early pioneers of electronic publishing and now has 15 years' experience of digital publishing. As a consequence of the Group's organic investments in and acquisition strategy towards digital publishing, in 2010/11 digital income represented 72% of our Publishing & Information revenues in 2010/11 (as compared to 45% in 2005/6).**

This continuing structural transformation towards a fully digital business involves the redevelopment of websites, online technology, mobile applications, databases and content management technology.

# Training & Events

## This division is a specialist provider of professional training services, both in person and online, for the Legal, Banking and Finance and Accountancy markets.

**The Training and Events division key brands include:**

**Central Law Training (CLT)**
The UK's leading provider of post qualification legal training for solicitors, barristers and other legal professionals. Its legal courses and conferences qualify for Continuing Professional Development from key professional bodies.

**CLT Scotland**
Scotland's principal provider of post qualification legal training. All of CLT Scotland's legal conferences and seminars are presented in association with the University of Strathclyde.

**CLT International**
The leading provider of trust, compliance and anti money laundering training. The division works in association with the Society of Trust and Estate Practitioners (STEP).

**International Compliance Training**
The exclusive training provider of qualifications from the International Compliance Association (ICA). The ICA offers programmes in Anti Money Laundering, Compliance and Financial Crime Prevention.

**Mercia**
A key provider of training and support services to the accountancy profession. Courses cover a range of technical areas from core accountancy to specialist tax. Technical support services include a comprehensive range of practical manuals and file reviews.

**Bond Solon**
The UK's leading legal training consultancy for non-lawyers. They are the market leaders in providing innovative, relevant and experiential courses. Bond Solon has won several awards including a Highly Commended National Training Award.

**Quorum Training**
Provides training to finance professionals, the public sector and in practice. Training covers all major aspects of accounting, finance, treasury, taxation, VAT, internal audit, corporate governance, risk management and business law.

**Matchett Group**
Provides customised financial skills training in banking and related sectors and business, management, leadership, professional and personal skills training to clients across Europe, the Americas and Asia.

**La Touche Training**
Ireland's leading legal skills training company. Since 1995 the company has provided experiential, skill based training to non-lawyers on the legal aspects of their work.



**Divisional revenue analysis by market**

| | 2011 % | 2010 % |
|---|---|---|
| Law for Non-Lawyers | 15 | 18 |
| Accountancy & Tax | 24 | 23 |
| Banking | 13 | 9 |
| Trust & Compliance | 19 | 19 |
| Legal CPD | 29 | 31 |

**Our training businesses have generally performed well over the last year.**

There have been excellent performances in the accountancy market from Mercia and in the investment banking market from Matchett. The performance of these businesses since acquisition reinforce our successful track record of developing businesses once we have acquired them to help derive shareholder value.

# Focussing on long term sustainable revenues

## We have remodelled the Group by acquisition and by organic investment and have created a robust business which has maintained attractive returns for investors.

I am pleased to report Wilmington's results for the year ended 30 June 2011. During the year the Group has made progress in many of its markets and has delivered Adjusted EBITA 3.5% ahead of the prior year with Adjusted Earnings per Share growth of 11.3%. This is after expensing incremental investment spend of £1.6m in new product developments and includes a nine month EBITA contribution from Axco of £1.5m.

This is the last occasion on which I shall report on the Company's progress. An important part of my role as Chairman has been to ensure that the Nomination Committee has kept succession issues at the forefront of its agenda. A year ago I asked the Committee to give consideration to my own length of service on the Board, and my personal preference to step down when I reached 70 in November 2011. We are therefore in the process of appointing my successor who will take over early in the New Year.

When I became a Non-Executive Director of Wilmington Group plc in 2001 it had a very different strategic direction. It was primarily a publisher of trade magazines together with a predominantly print based directory information business and had recently acquired Central Law Training, a legal training company.

The strategy which the Board adopted when I became Chairman in 2005 has transformed the focus of the Company. Wilmington has disposed of its highly cyclical trade magazine portfolio and concentrated instead on generating long term, sustainable profits by fulfilling the information and training needs of professional business markets, both in the UK and progressively in overseas markets. We have been an early mover in the now rapidly growing market for digital subscriptions based products which continues to develop. We have remodelled the Group by acquisition and by organic investment and have created a robust business which has maintained attractive returns for investors.

The professional business sectors we serve now include accounting, banking, charities, financial compliance, healthcare, insurance, law and pensions, all sectors which have the potential for sustainable profit growth. As a result of the changed business mix, the Group has built solid positions in a number of dependable markets, with greater revenue resilience and less cyclical volatility. Dependency on advertising has significantly reduced, with high quality subscription and information sales now accounting for 57% of Group revenues.

Wilmington was one of the early pioneers of electronic publishing and now has 15 years' experience of digital publishing.
As a consequence of the Group's organic investments in and acquisition strategy towards digital publishing, in 2010/11 digital income represented 72% of our Publishing & Information revenues in 2010/11 (as compared to 45% in 2005/6).
For information/data businesses the opportunities resulting from the digital revolution have been positive. We are able to offer greater functionality with richer, more comprehensive and more valuable content to our clients. Consequently we are generating much better margins from our electronic/online activities than from the legacy print products and building long term, high value and defensible revenue streams. Many print products have already migrated to digital and we intend to migrate the majority of our remaining print product to an electronic/online environment within the new few years. Accordingly we have closed 16 print titles in July 2011, absorbing most of their content into new digital products whilst reducing the overhead base of the relevant divisions.

In most of our professional training markets we have maintained or grown profits. The legal market is the exception where the extent of the economic downturn has been longer and more pronounced than anticipated. It is a matter of disappointment to the Board, as it must be to shareholders, that some strategies we employed to combat the downturn in the legal training market have proved less effective than might reasonably have been expected based on previous experience.

**David Summers OBE**
Chairman

The Group's strategic priorities have included directing organic and acquisition investment towards international businesses. Wilmington now generates 26% of its revenues outside the UK, with offices in Sydney, Hong Kong, Singapore, Dubai, Dublin, Paris, New York and Chicago. We anticipa te that Group revenues will become progressively more international over the next few years.

Learn more at www.wilmington.co.uk

View our 2011 results presentation at:
www.wilmington.co.uk/wilmingtonresults/

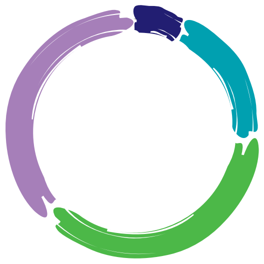
We had previously reduced operating costs in the legal training business but since the year end we have commenced a major restructuring of the business to better reflect the current market conditions and the future training requirements of the legal marketplace.

The Group's strategic priorities have included directing organic and acquisition investment towards international businesses. Wilmington now generates 26% of its revenues outside the UK, with offices in Sydney, Hong Kong, Singapore, Dubai, Dublin, Paris, New York and Chicago. We anticipate that Group revenues will become progressively more international over the next few years.

In the five year period ended 30 June 2011, the Group has paid £27.6m in dividends and also bought back 1.9m Wilmington shares at a cost of £4.0m. During the same period, the Group has spent £46.1m on acquisitions and undertaken heavy investment in new organic developments. We have delivered good levels of return from those investments. At 30 June 2011 the Group's net debt was £40.0m (2006: £13.2m). I believe this represents a sensible balance between providing a cash return to shareholders and investing in the future of the business.

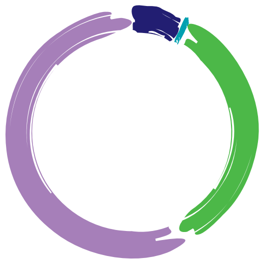
A significant part of this investment was the acquisition of Axco Insurance Information Services ("Axco") in September 2010 for £21.3m. Axco digitally provides high level data to the international insurance industry, with 52% of revenues coming from North America and a further 26% from outside the UK. In the 9 months to 30 June 2011 Axco has performed well, very much in line with our expectations.

# Chairman's Statement



**Improved Revenue Mix**
**Financial Year 2006**

- 7% Directory Advertising
- 19% Magazine Advertising
- 37% Professional Education & Events
- 37% Subscription & Information Sales



**Improved Revenue Mix**
**Financial Year 2011**

- 7% Directory Advertising
- 1% Magazine Advertising
- 35% Professional Education & Events
- 57% Subscription & Information Sales

In November 2010 the Group acquired the remaining 17.3% of Mercia Group for £2.6m, thus making it a wholly owned subsidiary. In addition, the Group acquired a further 5% shareholding in its subsidiary Beechwood House Publishing ("Beechwood") for a cash consideration of £1.2m. Subsequent to the balance sheet date, the remaining 10% of Beechwood was acquired in exchange for 1,289,156 new Wilmington Ordinary shares resulting in Beechwood becoming wholly owned by the Group.

During the year ended 30 June 2011 the Group has invested heavily in organic development expensing £1.6m in new product development in relation to the flexible legal practice course, the overseas expansion of our training businesses in banking and finance and in deeper content and enhanced functionality for a number of our information products.

**Financial Performance**
Revenue in the twelve months to 30 June 2011 increased by 6.9% to £83.8m (2010: £78.4m). On a like-for-like basis, excluding the acquisition of Axco, revenue increased by 0.6%.

Adjusted EBITA increased by 3.5% to £14.9m (2010: £14.4m). This increase includes a nine month profit contribution from Axco of £1.5m and is stated after new product development expense of £1.6m. Statutory EBITA reduced by 3.4% to £13.6m (2010: £14.1m) due to the increase in non-recurring costs.

Adjusted Profit before Tax increased by 2.2% to £13.4m (2010: £13.1m). Profit before tax decreased by 17.1% to £6.1m reflecting the increase in amortisation following the acquisition of Axco and the non-recurring items which relate to merger and acquisition activity, together with an increase in the provision for share based payments. Crucially, our operating cash flow continues to be strong with a cash conversion rate of 111% (2010: 110%) of operating profit into operating cash flow.

Adjusted Earnings per Share increased by 11.3% to 11.79 pence (2010: 10.59 pence). Basic earnings per share were 5.20 pence (2010: 5.38 pence).

At 30 June 2011 the net bank debt of the group was £40.0m (2010: £16.8m). This increase reflects the cash spent on acquisitions of £25.8m (including non-recurring costs expensed in the Income Statement) and demonstrates that, absent acquisitions, the cash flow of the business is strong.

We were pleased to announce in June 2011 that we had concluded the refinancing of our bank facilities, which were due to mature in March 2012, with a new £65 million facility which is committed until February 2016.

**Dividend**
The Board is recommending that the dividend for the year is maintained at the same level as the prior year. The Board proposes a final dividend of 3.5 pence per share payable on 17 November 2011 to shareholders on the register on 21 October 2011. Taken together with the interim dividend of 3.5 pence per share this makes a total dividend for the year of 7.0 pence per share (2010: 7.0 pence per share). The dividend is covered 1.7 times by Adjusted Earnings Per Share (2010: 1.5 times).

**Board Changes**
In addition to my own position there are other significant Board and senior management changes taking place. Basil Brookes, the Finance Director, has indicated that he intends to retire from the Group in the second half of 2012. Basil has been a Director of Wilmington since its flotation in 1995 and has provided excellent advice to the Group since then. He has made a major contribution to the development of the business and can justifiably be proud of his achievements.

The current level of development activity is unprecedented in the history of the Group and I believe that these investments will deliver strong levels of growth in the medium term.



Stephen Broome, the Chief Operating Officer of Wilmington Training & Events, is also retiring from the Group after 21 years with Central Law Training. I thank him for his contribution and wish him well in his retirement.

We are in the process of strengthening the Non-Executive membership of the plc Board.

Neil Smith, who was previously Chief Operating Officer for the Publishing & Information division, has been appointed Group Chief Operating Officer. He will assume Stephen Broome's reports and will facilitate greater collaboration across the Group and co-ordinate the operational management in order to enhance efficiency in the business.

In addition, a number of Executive Board appointments have already been made. Alison Moss has been recruited as the Group's HR Director and will co-ordinate employment activities across the Group. Linda Wake, who was previously the Finance Director of the Publishing & Information division, has been promoted to Group Director of Operational Finance. She will manage the Group's internal financial reporting and processing.

**Outlook**

The Group has shown resilience during the recent economic downturn, transitioning its activities to sustainable professional business markets and operating increasingly internationally. The Group has continued to invest in exciting new developments in subscription based digital publishing and professional training. We are also investing in the development of the International Compliance Training business to meet the significant demand for anti-money laundering and compliance training programmes.

We are in the process of changing the structure of Central Law Training to ensure that its activities and operational management are more closely aligned with current legal training market conditions and future legal training opportunities. The publishing businesses are developing new products and operating platforms to complete the move to a fully online/electronic publishing based business. These developments will help secure medium term growth but in the short term require investment, the costs of which will generally be expensed as incurred, while income will be recognised over the duration of the subscription.

The current level of development activity is unprecedented in the history of the Group and I believe that these investments will deliver strong levels of growth in the medium term.

While generally the economic environment continues to be very tough, with few signs of sustained improvement in the global economy, Wilmington's business is robust. I anticipate that it will continue to deliver good levels of profitability and, once markets recover and the returns on our many exciting developments are realised, I believe it will deliver excellent returns for its shareholders.

Finally, I should like to thank my colleagues for their support during my tenure of office. I have been fortunate to have chaired a Board which has worked effectively and harmoniously in pursuit of shareholders' interests.

**David Summers OBE**
Chairman
20 September 2011

# A sound platform for growth

## Our strong subscriptions based businesses reflect our investment strategy to develop and acquire businesses with high repeat revenues and strong, cash generative income streams.

**Business Objectives and Strategy**
Wilmington's key strategy is to increase shareholder value by delivering sustainable and growing profits from servicing the information and training requirements of professional business markets. We believe that professional markets provide a good environment for growth and will deliver long term benefits for the Group.

Our strong subscriptions based businesses reflect our investment strategy to develop and acquire businesses with high repeat revenues and strong, cash generative income streams. In the long term, we anticipate that tighter regulatory control and more complex legislation will increase demand for professional information and training, both in the UK and abroad.

**Backdrop to the current trading environment**
In the years leading up to the banking crisis in 2008, Wilmington had an excellent growth record which was delivered when we implemented a strategy designed to focus on professional markets and exit trade markets.

From 2009 onwards the business has faced the following major challenges:

- A very significant deterioration in the UK legal market which had previously represented in excess of 40% of Group revenues. The impact of this has been most pronounced in the highly operationally geared legal training market.
- Significant volatility in the banking sector.
- Structural change in the publishing businesses resulting in the need to invest in the development of higher value online information products whilst managing the decline of our legacy print products.

We have sought to address these challenges in the following ways:

- Reducing our cost base, particularly in the legal training business where we maintained core capability in anticipation of some market recovery.
- Development of highly focussed interactive webinars, usually on niche topics, delivered to clients without the need for travel time and costs.
- Investment in deeper content and better functionality in our Publishing & Information businesses with increasing focus on subscription revenues, some of which will replace legacy print businesses.
- Continuing to acquire content rich, high value information businesses with digital delivery, subscriptions based and, where possible, exposure to overseas markets.

At the same time we have continued to invest to grow our businesses organically particularly through overseas expansion of our training businesses in banking and finance and by the development of a flexible legal practice course in response to regulatory changes and the changing higher education market.

**Training & Events**

| | **2011 £m** | 2010 £m |
|---|---|---|
| Revenue | **43.6** | 43.0 |
| Profit Contribution (see note 2) | **6.5** | 6.6 |

Our training businesses have generally performed well over the last year, save for the legal training business where market conditions continue to be challenging and where the downturn has been tougher and more pronounced than anticipated.

**Charles Brady**
Chief Executive

An exciting development has been the launch of the flexible Legal Practice Course in collaboration with the University of West of England ("UWE"). This course enables graduates to undertake the solicitor's qualification examinations in a cost effective way that can accommodate family and job commitments through its flexibility.

Central Law Training is the leading provider of post qualification legal training for UK lawyers. It also provides specialist courses for professionals in Commerce & Industry, mandatory accreditation programmes and the New York Bar course.

Whilst the number of face-to-face training delegates has continued to show a decline, we believe that we have grown our market share and have developed a market leading Webinar position with increasing numbers of firms booking packages based around specialist departmental needs. Whilst this tends to lead to a lower unit price it increases the margins considerably compared to face-to-face training.

An exciting development has been the launch of the flexible Legal Practice Course in collaboration with the University of West of England ("UWE"). This course enables graduates to undertake the solicitor's qualification examinations in a cost effective way that can accommodate family and job commitments through its flexibility. The course was launched in September 2010 with 116 enrolments with three weekend study centres across England. The bookings for the 2011 intake are encouraging with study centres available in an increased number of locations.

CLT Scotland, working closely with the University of Strathclyde, is the leading provider of post qualification courses for lawyers in Scotland. It also provides paralegal training which is recognised as fulfilling the academic requirements for the Scottish Law Society's Registered Paralegal status. The performance of CLT Scotland has been very creditable and in a difficult market there has been some recovery in revenues and profits compared to the prior year.

Chief Executive's
Business Review

# Global Expansion

## The Group has transitioned its activities to sustainable professional business markets operating increasingly internationally.

The Compliance, Anti Money Laundering and Financial Crime Prevention certificated education and training programmes have seen major global expansion in the last year, particularly in Asia and the Middle East.

**Major developments include:**

- a substantial government contract in Malaysia to provide a national Anti Money Laundering (AML) strategy has been awarded and an invitation to do the same for the compliance field has been received;
- a partnership in Australia with Australian Financial Markets Authority (AFMA) offering a joint Diploma in AML;
- expansion of programmes in Hong Kong into the AML area; including the granting of a new licence;
- a new contract with the Singapore government for a further three years;
- significant contracts with regulators have been signed in Saudi Arabia, Oman, Dubai and Bahrain.

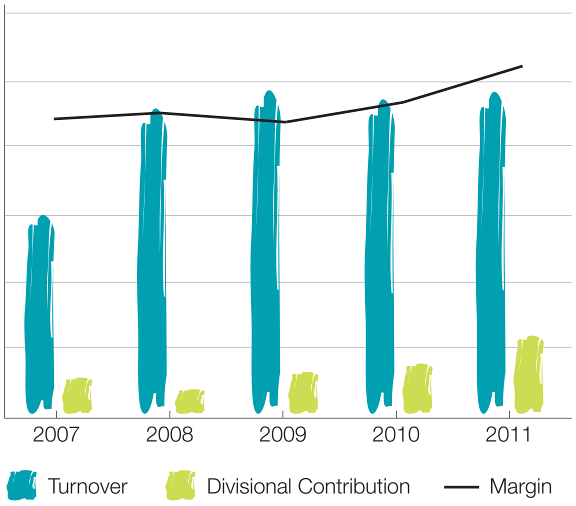
The programmes launched in Russia have been successful and we have now launched in Kazakhstan and Romania.

CLT International continues to invest significantly into new material, including Cybercrime, Risk Management, Wealth Management and International Taxation.

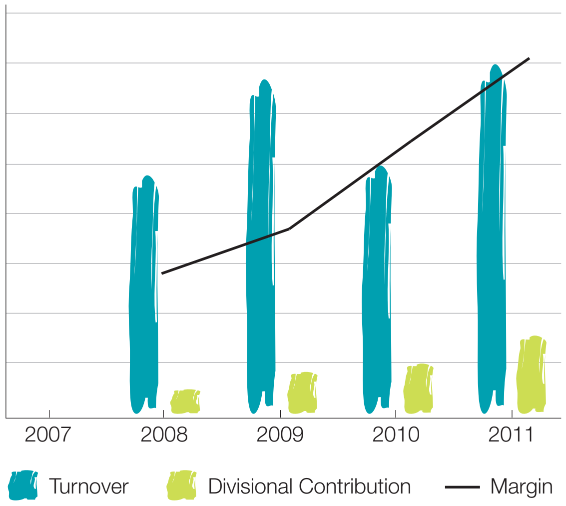
Substantial work has been completed to have the International Compliance Association (which is sponsored by the Group) accredited as an independent awarding body with Ofqual.

# Chief Executive's
## Business Review

**Mercia Group**




**Matchett Group**




Elsewhere in the Training & Events business there have been excellent performances in the accountancy market from Mercia and in the investment banking market from Matchett. Both of these businesses were acquired before the banking crisis and we have since grown their revenues, profits and margins. The performance of these businesses since acquisition reinforce our successful track record of developing businesses once we have acquired them to help derive shareholder value.

Mercia is the leading provider of technical, marketing and training support to the accountancy profession. It produced record revenue and profits for yet another year. This is a truly outstanding performance.

Matchett Group is a leading provider of graduate entrant training to investment banks in London, New York and Hong Kong. Its revenues substantially recovered the ground lost during the depths of the banking crisis which impacted on financial years ended June 2009 and particularly June 2010. Managing the cost base through such volatile markets has not been easy and the team deserve huge credit for the way in which the business firstly remained profitable in the downturn and now is showing increasing returns. This business has seen good growth in revenue in its major centres, particularly the US and the Far East where there has been considerable investment during the year to prepare for the seasonally busy summer programmes.

CLT International is the leading provider of trust, compliance and anti-money laundering training. It operates internationally and has grown organically over the past 10 years. This growth requires investment, which is expensed as incurred, and in the year under review has seen considerable investment in new programmes in Malaysia, Australia and Russia. The Singapore compliance programme has continued to perform well and further progress has been made in the Middle East. We have recently won a contract to provide one client with training in 16 jurisdictions with interest being shown by a number of other organisations for similar multi-location programmes.

Bond Solon is the market leader in the UK for the provision of expert and professional witness training programmes. Most professional witnesses are employed in the public sector and accordingly this part of Bond Solon's business has seen some weakness with revenues and profits showing year-on-year decline. The focus has been to grow revenues from its private sector clients and the team have responded well to this challenge with some exciting product innovation and tight cost control.

### Publishing & Information

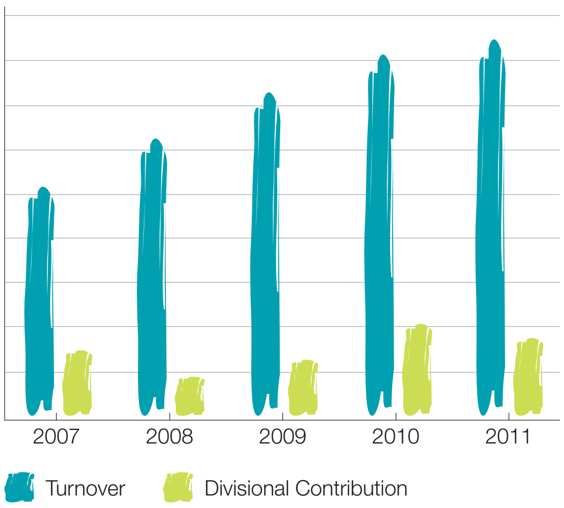
| | **2011 £m** | 2010 £m |
|---|---|---|
| Revenue | **40.2** | 35.4 |
| Profit Contribution (see note 2) | **10.6** | 10.3 |

This division provides intelligence, information, solutions, databases, directories, magazines and services to the accountancy, banking and finance, charity, healthcare, insurance, legal, media and pensions sectors.

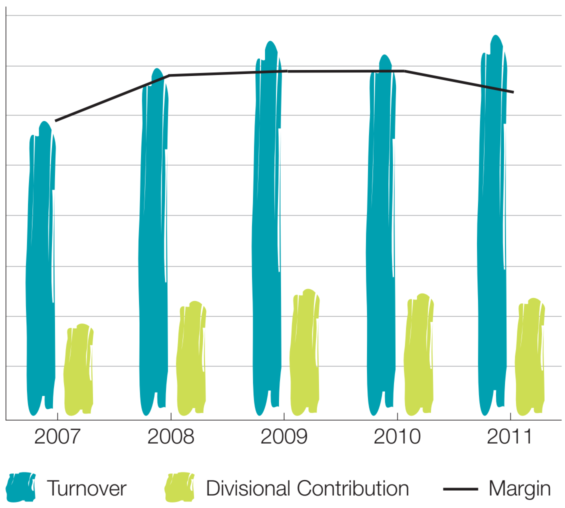
Our Publishing & Information businesses have had to deal with significant structural challenges along with weakness in some or our core professional markets, particularly legal. In general they have performed well and shown resilience. The revenues and profits include a nine month contribution from Axco which was acquired in September 2010.

Many of the businesses we have developed, and all of those which we have acquired in recent years, have been wholly digital. Overall the Publishing & Information business generated 72% of revenues from digital delivery in the year. Our digital businesses have proved extremely resilient during the economic downturn.

**Trusts & Compliance - CLT International**




**APM/ Beechwood/ Pendragon**




As previously reported we are accelerating our already good progress with the digital evolution of the products in those businesses which were historically print based and are investing in improved technology and deeper content to mitigate their declining legacy print products.

Wilmington Business Intelligence ("WBI") operates under a number of brands including Waterlow, Charity Choice, Caritas, Smee & Ford, Mortascreen, AP Pensions and The Knowledge. During the year there has been a reduction in revenue, driven by the declining legacy print products.

This continuing structural transformation towards a fully digital business involves the redevelopment of websites, online technology, mobile applications, databases and content management technology. For the minority of WBI revenues which are derived from advertising we are developing integrated marketing solutions which we are increasingly looking to sell on a subscription basis. However, the majority of our revenues will be based on selling subscriptions to information products with deeper content and enhanced functionality.

The advertising dependent assets face the greatest challenges and some of our new developments may ultimately fail to fully recover all of the revenues we historically enjoyed; however, for those that succeed we expect to generate much higher margins. In addition to the investments required it is worth noting that the returns in the Income Statement are delayed due to the way revenues and costs are accounted for i.e. revenues are deferred over the life of a subscription, whilst expensing costs when incurred. Overall, whilst there is a cost to developing deeper content and enhanced functionality, and some of the returns will take time to come through, by increasing the value for our customers we believe that we will be able to build long term, high value, defensible new revenue streams. As previously mentioned since the balance sheet date we have closed 16 print titles absorbing most of their content into new digital products whilst reducing the overhead base.

Axco is the leading provider of international market, compliance and regulatory information for the global insurance industry. Axco's acquisition in September 2010 improved the quality of the Group's earnings by increasing the proportion of revenues derived from subscriptions and the extent to which revenue is derived from "must have" intelligence. The acquisition has increased the Group's presence in legal and regulatory information as well as our exposure to markets outside of the UK. Axco has unique insurance content with a global customer base. Recently Axco succesfully launched its first workflow tool "Compliance Point" which allows clients to model insurance programmes and highlights associated regulatory and taxation issues. Since acquisition, Axco has won its first Chinese client and there is significant development activity in South America and Europe. Further investment is being made in new statistical and analytical tools and services and a new content management system is being implemented to create additional operational efficiency and the flexibility to meet the needs of major clients as they develop in future years.

Pendragon provides the leading electronic regulatory information service for the UK pensions industry. Once again, despite difficult market conditions, revenue and profits were ahead of the prior year.

Binley's is the UK's leading provider of healthcare professional information to pharmaceutical companies, healthcare companies and the public sector. After a difficult year in the prior year, Binley's core business returned to growth with both revenues and profits ahead of the prior year. During the year a significant investment was made in Onmedica which provides a permissioned digital marketing channel for pharmaceutical companies. Digital marketing for pharmaceutical companies is highly regulated but represents a growing proportion of their marketing spend. We are developing the Onmedica business to meet this growing need and expected to show returns in 2012/13 and beyond.

# The Caritas Portfolio

**The Caritas portfolio of products has for many years been the leading source of financial information on Charities and other not for profit organisations.**

Whilst most advertising based print businesses have had to face up to significant structural challenges in recent years, the digital revolution has thrown up some opportunities as well.

The Caritas portfolio of products has for many years been the leading source of financial information on Charities and other not for profit organisations. Traditionally published in 10 print products, the revenues for Caritas have been predominantly based on advertising revenue. The value of the information in the products was always limited in print; due to the physical limitations of how much data could be provided we only published a fraction of the information we researched, and there was no easy opportunity for our clients to manipulate the data.

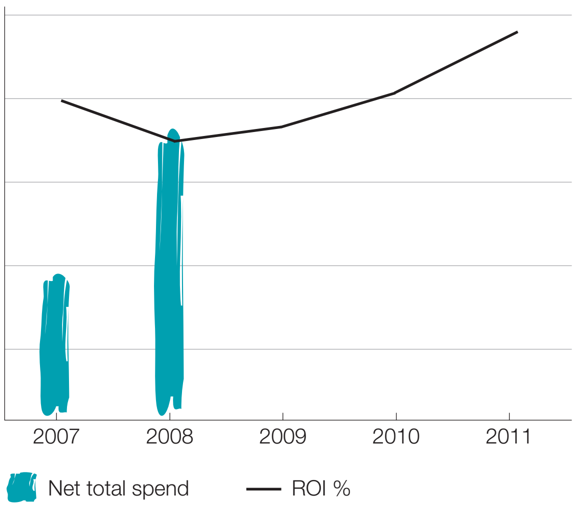
However, the Caritas portfolio has now been completely transformed. In July 2011 we closed 9 of the print titles and the portfolio now consists of a single printed product and Charity Financials, a comprehensive online information service.

The majority of our revenues are now derived from subscriptions, and this proportion will increase over time. The move to digital delivery has allowed us to provide information on all 160,000 registered charities compared to only 3,000 in print. Alongside this step change in comprehensiveness we have been able to provide far more depth of information on the major charities as well as powerful analytical tools. During the past year we augmented our database by the purchase of the data assets of Guidestar which was previously our principle UK competitor.

We are still in the early days of the development of this re-engineered business, but it is already profitable and we are confident that it now represents a solid base from which we can grow a long term, high margin, defensible profit stream.

# Chief Executive's
## Business Review

Acquisition Spend & Annual Returns




APM is our specialist healthcare Press Agency based in Paris and London. During the year the business produced another solid performance.

International Company Profile is a leading provider of financial information on companies based in emerging markets worldwide. ICP produced a pleasing performance during the year given the turbulence in some of its core Middle East markets, with profits slightly ahead of the prior year. Our first overseas research and sales office for ICP was opened in Dubai.

**Acquisition and Disposals**

During the year, Wilmington Group Plc's wholly owned subsidiary Wilmington Publishing & Information Limited acquired 100% of the issued share capital of Axco Insurance Information Services Limited ("Axco"), the leading provider of international compliance and regulatory information for the global insurance industry, for an initial consideration of £21,325,000. Deferred consideration which, under the acquisition agreement, was capped at £675,000 did not become payable. Instead, a repayment of £31,000 was received from the vendors. This was calculated by reference to the net current assets of Axco at 30 September 2010.

The acquisition improves the quality of the Group's earnings by increasing the proportion of revenues derived from subscriptions and the extent to which the revenue is derived from "must have" intelligence. The acquisition increases the Group's presence in legal and regulatory information and also our exposure to markets outside of the UK. All of Axco's products are digitally delivered.

In June 2011 we acquired "Kemps", the leading international database for the film and TV industry. Kemps derives all of its revenues online and complements our product "The Knowledge", which is the leading UK database. No initial consideration was paid for this asset. Consideration of up to £1.5m will be paid based on the success of the business over the 3 years to June 2014.

We also acquired additional shareholdings of two existing subsidiaries.

- In November 2010 we acquired the remaining 17.3% shareholding of Mercia Group Limited.
- In November 2010 we acquired an additional 5% shareholding of Beechwood House Publishing Limited ("Beechwood"), taking our shareholding to 90% of the company. Subsequent to the balance sheet date the Group completed the purchase of the remaining 10% non-controlling interest in Beechwood. Under the terms of the acquisition agreement and a subsequent variation agreement the consideration of £1.82m was satisfied by the issue of 1,289,156 new Wilmington ordinary shares.

We have a continually reviewed acquisition and disposal strategy, including a realistic and disciplined valuation methodology backed up by thorough post-acquisition analysis. We seek to fully justify acquisitions both in terms of return on capital and in terms of the added value we achieve in profitability and profit margins. We seek not only to secure a good rate of return on capital but also purchase assets only if we believe we can drive profit growth and improved margins from those acquisitions.

Despite challenging markets for delivering value from acquisitions over recent years we are proud of our record of consistent returns, well in excess of our cost of capital, which have been achieved through the application of our prudent acquisition criteria and the subsequent development of acquired assets.

## Overview of the Group's financial performance

In the year ended 30 June 2011 Wilmington generated revenues of £83.8m, an increase of 6.9% from £78.4m in the year to June 2010. These revenues included revenues of Axco which was acquired in September 2010. On a like-for-like basis, excluding Axco, revenues increased by 0.6%.

Adjusted EBITA increased by 3.5% to £14.9m (2010: £14.4m). This increase includes a nine month EBITA contribution from Axco of £1.5m and new product development expensed amounting to £1.6m.

Adjusted Profit Before Tax increased by 2.2% to £13.4m (2010: £13.1m). Reported profit before tax decreased by 17.1% to £6.1m reflecting the increase in amortisation following the acquisition of Axco and non-recurring items of £0.7m which relate mainly to acquisition activity, together with an increase in provision for share based payments.

## Non-recurring costs

During the year the Group incurred non-recurring costs of £0.7m (2010: £0.1m) relating to the costs of acquisition activity incurred during the year as we actively sought to acquire complementary businesses.

## Taxation

The Group tax charge of £1.4m represents 23.8% of the profits before tax (2010: 34.5%). This reduction is primarily due to the reduction of rates in corporation tax applied to the deferred tax. Without this reduction the effective tax rate for the year would have been 33.4%. This is higher than the standard rate of UK corporation tax for the year under review due to higher overseas rates and disallowable acquisition costs and discounting costs.

## Earnings per Share

Adjusted Earnings per Share increased by 11.3% to 11.79p (2010: 10.59p). Basic Earnings per Share decreased to 5.20p (2010: 5.38p).

Earnings and Adjusted Earnings per Share are calculated on the weighted average number of shares in issue of 82,788,676 for the year ended 30 June 2011 (2010: 82,616,512).

## Balance Sheet and Net Debt

At 30 June 2011 the Group had net debt of £40.0m (2010: £16.8m). This increase arises from the acquisition activity on which we expended £25.8m in cash including non-recurring costs. This demonstrates the strong underlying cash flows generated by the Group.

## Treasury Policy

Treasury policies are approved by the Board. The Executive Directors have the delegated authority to approve financial transactions within agreed terms of reference. The Group's financial instruments comprise principally bank borrowings and associated cash flow hedges, cash and various other items that arise directly from its trading operations such as trade debtors, trade creditors and subscriptions and fees in advance. The main purpose of these financial instruments is to ensure that finance is available for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Group's credit risk is discussed in Note 23 to the financial statements. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies are unchanged from the previous year.

### a) Interest rate risk

The Group finances its operations through a mixture of retained profits, operational cash flow and bank borrowings. Historically the Group has expanded its operations both organically and by acquisition, which has led on occasions to the need for external finance. The Board has chosen a credit facility with a floating rate of interest linked to LIBOR and has hedged its interest exposure on a proportion of this facility. In November 2006, the Group entered into a 5 year £15m interest rate swap whereby it receives interest on £15m based on 3 month LIBOR and pays interest on £15m at a fixed rate of 5.23%. In November 2010, the Group entered into a further three hedging instruments. Firstly, a 5 year £15m interest rate swap fixed against 3 month LIBOR with a forward start of 21 November 2011 paying interest on £15m at a fixed rate of 2.68% was entered into. Secondly, a cap of 2% was put on a further £10m until November 2011. Finally, in November 2010, a 3 year £10m interest rate swap fixed against 3 month LIBOR with a forward start of 21 November 2011 paying interest on £10m at a fixed rate of 2.12% was entered into. These derivatives have been designated as a cash flow hedges in order to manage interest rate risk associated with the first £25m of the credit facility. Payments received under the swaps have been matched against interest paid quarterly during the period and the entire mark to market loss on the derivatives have been recognised in equity, following the Directors' assessment of the hedge's effectiveness.

The Group had net debt at 30 June 2011 of £40.0m (2010: £16.8m) and had a committed bank facility of £65m (2010: £70m), of which £40m was drawn down at 30 June 2011 (2010: £18m).

### b) Liquidity risk

The Group's policy throughout the year up until 27 June 2011 has been to ensure continuity of funding by the use of a £5m overdraft facility, a £5m money market facility and a £60m revolving credit facility. On 27 June 2011, the Group concluded the refinancing of our bank facilities which were due to mature in March 2012, with a new £65m facility which is committed until February 2016. The facility is currently structured as a £5m overdraft facility and a £60m revolving credit facility.

### c) Foreign currency risk

The Group has a substantial customer base overseas. The Group maintains bank accounts in foreign currency and converts this currency to Sterling at the appropriate times minimising the exposure to exchange fluctuations. On 26 January 2011, the Group sold forward US$0.5m to 2 December 2011 at a rate of 1.5881. On 22 June 2011, the Group sold forward US$0.5m to 2 December 2011 at a rate of 1.6188. These contracts were entered into in order to provide certainty in Sterling terms of the bulk of the net US$ income of the Matchett business. On 30 September 2010, the Group sold forward €1.0m to 4 October 2011 at a rate of 1.170. This contract was entered into to provide certainty in Sterling terms of the bulk of the net Euro income of APM. The gains/(losses) on these contracts are recognised in the Income Statement.

# Wilmington acquires Axco

**Since Wilmington's acquisition of Axco in September 2010 we have accelerated the investment in a completely new content management platform to create a sophisticated database of our content.**

Axco is an excellent example of the successful digital evolution of an information business. Until fairly recently the core insurance market information published by Axco for countries worldwide, although delivered digitally, consisted of fairly simple reports with limited functionality. Whilst highly valued for the quality of their content, customers had limited options in terms of how they could access and use these.

In recent years Axco developed a number of derivative products designed to meet some of the more specific needs of Insurers, Reinsurers and Brokers. These included Employee Benefits, Global Statistics, Clinical Trials and, more recently, Compliance Point – a workflow tool designed to highlight regulatory and taxation issues when creating insurance programmes.

Since Wilmington's acquisition of Axco in September 2010 we have accelerated the investment in a completely new content management platform to create a sophisticated database of our content which we will then be able to allow our customers to access via an increased range of products or by easily customisable "dashboards" to suit their requirements.

Clients will be able to select very specific data where this suits their needs and embed our content into their systems and workflows to create much more added value. This flexible platform will allow us to provide this increasingly tailored access in a very cost effective way and will thereby allow us to maximise the re-use of all content we collect. In addition to these information services we have also built powerful tools which are allowing us to provide high value, bespoke analytical services for our clients, in many cases using unique data.

**Key Financial and Operational Targets ("KPI's")**

**At a Group level we have five key financial and operational targets. In addition, each of the operating divisions monitors a number of key performance indicators. This year we delivered an improved performance against the majority of our financial and operational targets. By continuing to focus on these essential benchmarks we have been able to concentrate on mitigating the adverse effects of the global recession and produce what we consider to be creditable results whilst establishing a more resilient and efficient platform to support future growth.**

### 1. Adjusted Profit before Tax

This measure indicates the trading profits of the Group, after bank and interest charges, but before amortisation and impairment of intangible assets and goodwill, non-recurring items, the unwinding of the discount on the provisions for the future purchase of non-controlling interests and share based payments. Amortisation is a non-cash technical adjustment which does not necessarily reflect the inherent value of assets. This is particularly the case where the value of assets has been enhanced as a consequence of management action.

In the year ended 30 June 2011, Adjusted Profit before Tax increased by 2.2% to £13.4m (2010: £13.1m).

### 2. Adjusted Earnings per Share

This key measure indicates the underlying profit attributable to shareholders. It measures not only trading performance, but also the impact of treasury management, bank and interest charges, as well as the efficient structuring of the Group to minimise taxes. Our business and financial strategy is directed at delivering consistent adjusted earnings per share growth. Our incentive programmes are designed to support this strategy.

In the year ended 30 June 2011, Adjusted Earnings per Share increased by 11.3% to 11.79p per share (2010: 10.59p). The increase was partly due to the Group acquiring additional shares in two existing businesses and also reflects the slightly better overall performance achieved by wholly owned businesses. It also reflects the reduction in the effective tax rate described in "Taxation" above.

### 3. Cash flow

The quality of the operating profits is underpinned by the strong cash flow. The Group's business is strongly cash generative; operating cash flow for the year ended 30 June 2011 of £15.1m was 111% of operating profit before interest and amortisation (2010: £15.4m, 110%). Free cash flow, which is calculated after deduction from operating cash flow of capital expenditure, payment of corporation tax and payment of interest, was £7.1m (2010: £10.7m).

### 4. Consistent and Sustainable Revenue Streams

The disposal of non-core assets in recent years has allowed the Group to focus on a portfolio of assets based in key professional markets. This push towards more robust and sustainable revenue streams has resulted in a strong portfolio of offerings, which includes:

- data, information, magazines, intelligence and solution sales;
- professional training, events and services; and
- professional accreditation and assessment.

The Group has continued to increase the supply of its products and services online or digitally, but remains conscious of the needs of markets which continue to prefer some products produced in hard copy format or in person. Our businesses are supported by management and delivery systems utilising the latest technology. We have invested considerable resources in the improvement of our operating systems and online services which will deliver benefits in the current year and beyond.

This is reflected in the following split of revenue streams:

- Subscriptions and information sales 57% of revenue (2010: 52%);
- Professional education and events 35% of revenue (2010: 37%);
- Directory advertising 7% of revenue (2010: 9%);
- Magazine advertising 1% of revenue (2010: 2%).

This represents a broad revenue base and reflects the Group's ongoing strategy to ensure that there are no significant dependencies on specific sources of revenue.

### 5. Adjusted Operating Margin ("Return on Sales")

Adjusted Operating Margin or Return on Sales ("ROS") is defined as Adjusted EBITA (see note 3) expressed as a percentage of Revenue. During the year ended 30 June 2011 ROS was 17.8% compared to 18.4% in the prior year, reflecting the increased spend on new product development.

In addition, management use Return On Equity ("ROE") as a measure to calculate the bonus for the Executive Directors.

### Return on Equity ("ROE")

Return on equity is defined as the Adjusted Profit before Tax (see note 3) expressed as a percentage of the average shareholders funds during the year. ROE was 25.7% for the year to 30 June 2011 compared to 25.0% in the prior year.

Wilmington



## Principal risks

**The key challenges facing Wilmington arise from the highly competitive and rapidly changing nature of our markets, the increasing technological nature of our products and services and legal and regulatory uncertainties. Certain parts of our businesses are also affected by the (often positive) impact of changes in professional regulation and legislation and by the impact of the economic cycle on advertising and promotional spending. The economic environment also constitutes a risk factor, particularly in the legal and financial sectors, which has impacted on the Group's profitability. Key supplier and customer loss feature as a risk. However, we feel that our supplier and customer bases are both sufficiently diverse.**

Wilmington has an established risk management procedure that is embedded in the operations of its trading divisions and is reviewed by the Board. All parts of the business identify risks and seek to ensure that procedures and strategies are in place so that risks can be managed wherever possible.

**Some of the main risks which affect the Group as a whole include the following:**

1. Wilmington is a people based business; failure to attract or retain key employees could seriously impede future growth. To ensure staff retention the Group operates competitive remuneration packages for key individuals. Just as importantly, it operates a culture where each individual can maximise his or her potential. Wilmington is also committed to further develop staff and has launched a Management Development Programme for senior managers. It has recently begun a "Vision and Values" programme described under "Wilmington's People" below. The retention and motivation of key personnel is fundamental in the future success of Wilmington, as is the ability to recruit new personnel to support future growth.

2. Wilmington's business is increasingly dependent on electronic platforms and distribution systems, primarily the Internet, for delivery of its products and services. Whilst our businesses could be adversely affected if these electronic delivery platforms and networks experienced a significant failure, interruption, or security breach, the Group is sufficiently diversified to ensure such disruption is minimised. During the year under review the Group has continued to invest in new systems and electronic platforms with greater protection against failure.

3. Our products and services largely consist of intellectual property content delivered through a variety of media. Wilmington relies on trademarks, copyrights, patents and other intellectual property laws to establish and protect its proprietary rights in these products and services. The Group makes every effort to protect this asset base and actively pursues any infringements.

4. The Group is increasingly required to comply with strict privacy and data protection legislation. The need to comply with these regulations can restrict the Group's ability to create and utilise its databases. To ensure we are compliant with the relevant data protection legislation we are in the process of completing an extensive external audit of the Group's data management systems and we are adopting procedures to ensure compliance with best practice.

5. The businesses can be sensitive to disruptions such as Government legislation, adverse regulatory change, terrorism, natural disasters and other significant adverse events. During the year under review there were no major incidents to report. Nevertheless, we maintain and have extended our disaster recovery plans to mitigate the consequences of potential adverse events. Our insurance cover includes acts of terrorism.

6. There is an element of reputational risk for Wilmington, particularly in areas where we have high profile products and services. Damage to reputation and/or brand could lead to an adverse impact on the Group. The success of the Group's businesses is in part dependent on the success of their branded publications and events. Wilmington is conscious of the need to ensure the careful management of products and services to reduce this risk.

7. The business operates in highly competitive markets that are constantly challenging the boundaries of technological advances, regulation and legislation and with new competitors entering the market space. Wilmington endeavours to invest resources to best respond to the competitive landscape.

8. Wilmington has a strong acquisition strategy to further grow the business and there is risk associated with making future acquisitions, in particular identifying targets, realising expected returns and integrating newly acquired businesses. Whilst Wilmington has a strong track record for completing and executing acquisitions efficiently, there is no certainty in the future of being able to derive all the anticipated benefits from acquisitions.

9. Wilmington is increasingly operating in an international environment. While this provides growth in new jurisdictions, it comes coupled with risks in terms of cultural and political conditions, foreign laws and legislations, tax changes, currency fluctuations, language barriers, differing regulatory requirements and protecting Wilmington IP.

10.Freely available information principally via the internet poses a potential risk for the Group. The information may be free to access or inexpensive and may compete directly with paid for, value added information supplied by the Group. The risk element is largely in the case of government agencies and other not for profit organisations that may make information publically available at no cost which could reduce demand for some product groups. Wilmington endeavours to respond by offering enriched data available in an easily accessible format.

In addition to the risks identified above, further information on additional risks are provided elsewhere in the Annual Report and Financial Statements:

- The Overview of the Group's financial performance on page 19 covers the main risks arising from the Group's financial instruments which are interest rate risk, liquidity risk and foreign currency risk.
- The Group's credit risk is discussed in note 23 to the financial statements.

**Wilmington's People**

We are a professional business which aims to transform potential into performance. In ever changing and competitive markets the key to Wilmington's growth and success is the expertise, professionalism and commitment of our people. We are focused on ensuring that Wilmington remains a great place to work. Our goal is to have the best team by becoming an employer of choice and aspiration. To be seen as a clear leader in our markets our business demands the best talent, with a passion for their brands and who are committed to delivering professionalism and excellence. By developing the expertise of our people and attracting and retaining the best new talent we are well placed to achieve sustainable growth. We are committed to creating a culture which thrives on collaboration and entrepreneurial spirit and an environment in which everyone can realise their potential.

One of the key priorities during this year is the focus on employee engagement and communicating the Wilmington Vision and Values. Our aim is to encourage a Group culture based on creative collaboration, sharing best practice and professional expertise so that new initiatives can be realised effectively. We believe in sharing ideas and successes across the Group. By realising our potential we help our people maximise theirs. A Vision and Values Engagement Programme has been developed and launched across all Group companies during the summer. This is an opportunity to communicate the Wilmington Vision, create a sense of belonging and involve our people in bringing the Wilmington Values to life. The programme will coincide with the Wilmington rebranding project.

As we continue developing new initiatives our efforts are focused on transforming potential into performance. We are committed to developing our people to embrace new challenges and to realise their potential. A Performance Development Review Process has been designed to provide our people with the tools, feedback and coaching to develop new skills and fulfil their potential. Everyone will have a personal development plan, objectives and annual performance review meetings as an opportunity to discuss career development. We value our people and we continue to invest in their personal and career development. We encourage learning and career opportunities are possible across all Wilmington companies.

We have incorporated our Company values into our recruitment and induction programmes. An interactive induction programme for all new employees will include familiarisation with Wilmington's Vision and Values. We believe in investing our people and a Leadership Development programme will be introduced, its foundation will be the Company values, inspirational leadership and developing skills to lead the business to achieve growth. As well as management development we provide training and communication to ensure our people are professional and knowledgeable. We recently communicated updates in employment policies and we are rolling out training across the Company on compliance matters in particular the recent Bribery Act. A project to review and upgrade our HR systems to improve efficiencies and a review of our pension provisions in preparation for auto enrolment are also in progress.

The Board of Directors and the leadership team are committed to ensuring we remain a great place to work and become an employer of choice where people are rewarded and recognised for their contribution and have the opportunity for new challenges and professional growth. Attracting and retaining the best talent are fundamental to building our business.

**Corporate and Social Responsibility**

**Social and Community**

Wilmington seeks to be a socially responsible company which has a positive impact on the communities it operates in. We seek to employ a workforce which reflects the diversity of our customers and the communities we are located in. We do not discriminate on grounds of age, sex, race, colour, ethnicity, religion, sexual orientation or disability. We intend to give all our employees the opportunity to grow and develop their capabilities whilst employed at Wilmington. This includes providing excellent working conditions, the latest technology and appropriate training to help employees fulfil their potential.

During this financial year, Wilmington continued its sponsorship of the International Compliance Association ("ICA") and work with the Financial Skills Partnership ("FSP"). In addition Wilmington, through its relationship with professional bodies, such as the Society of Trust and Estate Practitioners ("STEP") and ICA, provided scholarships to able and deserving students in the Compliance, AML and Trusts areas around the world. Scholarships in 2010/11 were won by students in Russia, the Channel Islands and the Caribbean.

Wilmington's partnership with the Co-Operative Bank continued during the year to provide an online donation service to charities. The amount of donations made through the site increased to £1.6m (excluding Gift Aid). We also continue to operate the "Goodwill Gallery" as a free service for charities where donors can offer their time, goods or services for free to UK charities.

### Environmental Policies

The Board recognises that Wilmington's business has an impact on the environment, principally through the use of energy, waste generation, paper use and print and production technologies. We are committed to reducing the impact wherever possible and to utilising sustainable materials and technology.

We seek to ensure that Wilmington's divisions are compliant with relevant environmental legislation and require our suppliers and contractors to meet the same objectives. Furthermore, our progress towards a more digitally based business is reducing our environmental impact. Accordingly whilst environmental issues are important we do not believe that they constitute a risk for the Group.

During the year, the Group appointed an employee as Head of Facilities Management for the Group. In particular, one of his duties is responsibility for managing and monitoring environmental issues across the Group.

Our policies are to:

- Meet or exceed the requirements of current environmental legislation that relates to the Company.
- Minimise energy and water usage in our buildings, vehicles and processes and improve the efficient use of those resources.
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises and reduce any impacts from our operations on the environment and local community.
- Minimise our waste and then reuse or recycle as much of it as possible.
- As far as possible purchase products and services that do the least damage to the environment and encourage others to do the same.
- Ensure environmental and energy performance issues are considered in the acquisition, refurbishment, design, location and use of buildings.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.
- Ensure understanding of our environmental policy internally and externally and communicate its performance on a regular basis, and encourage feedback.
- Set and monitor KPI's for our environmental performance at least annually.
- Update our Environmental Policy regularly.

### Paper

Paper is sourced from a chain of custody certified suppliers to ensure only sustainable raw materials are used within the production of paper. The vast majority are also produced at mills with ISO14001 accreditation and EMAS (Environmental Management Systems).

### Printers

All our major print suppliers are now ISO14001 certified or encouraged to work towards a minimum of this standard. Many now also utilise a FSC or PEFC chain of custody certification. All our printers work in a digital environment, with the resultant reduction in transport, courier and energy utilising activities.

### Packaging

For magazines we use recyclable polythene with a thickness of 25 microns. Where possible we are also converting to oxo-biodegradable and potato starch forms of polythene.

### Offices

The Group's activities are primarily based in office accommodation and wherever practicable the Group adopts energy saving policies. Any new and replacement air-conditioning units are being sourced from the energy efficient range and show a 70% saving in energy. With regard to the office environment, the Group encourages the recycling of materials such as paper, cardboard, toners and cartridges wherever possible. The Group also ensures the correct disposal of electrical equipment and fluorescent tubes is compliant with the Waste Electrical and Electronic Equipment Directive (WEEE).

### Travel

The introduction of video conferencing technology in the Groups' offices has significantly reduced the requirement for travel particularly when dealing with overseas offices and clients. The success of training webinars in the Training & Events Division has also seen the additional benefit of reducing delegate travel to venues. Wilmington is also continuing its cycle incentive incorporating the Cycle to Work scheme which is within the guidelines of the Government's green travel plan. As part of the scheme Wilmington provides employees with a loan for cycle and safety equipment up to a maximum of £1,000. To further support the cycle scheme, Wilmington has also arranged for free cycle parking facilities for employees based in its London offices.

**Charles Brady**
Chief Executive
20 September 2011

# Working Together

## The Board of Directors and the leadership team are committed to ensuring we remain a great place to work and become an employer of choice where people are rewarded and recognised for their contribution and have the opportunity for new challenges and professional growth.





**Richard Cockton**
Company Secretary

**Alison Moss**
Group HR Director

**Neil Smith**
Group Chief Operating Officer

**Linda Wake**
Group Director of Operational Finance

**01 David L Summers OBE JP**
Non-Executive Chairman
David Summers, aged 69, joined the Board in January 2001. David Summers was formerly Managing Director and Deputy Chairman of Butterworths, the professional reference publishers, and previously a director of Reed Elsevier UK Ltd. He is a panel member of the Competition Appeal Tribunal and is a member of the audit committee of the Competition Service. David Summers is a member of the Group's Remuneration, Nomination and Audit Committees.

**02 Charles J Brady**
Chief Executive
Charles Brady, aged 55, is a solicitor and was a law lecturer before founding in 1985 the business which is now CLT. CLT was acquired by Wilmington in June 1999. Charles Brady joined the Board in November 1999 and was appointed Chief Executive in February 2002. He is a member of the Group's Nomination Committee.

**03 R Basil Brookes**
Finance Director
Basil Brookes, aged 53, qualified as a Chartered Accountant with Coopers & Lybrand. He has worked in the media industry since 1986 and joined the Wilmington businesses in 1992 and was a founder director of Wilmington Group.

**04 Mark Asplin**
Non-Executive Director
Mark Asplin, aged 51, is a Chartered Accountant and joined the Board in April 2005. He was until 2002 a partner at KPMG. During his time at KPMG he helped build its Corporate Finance practice, undertaking roles which included Head of M & A and Head of Valuations, both for the central region of the UK. He left KPMG to set up Jasper Corporate Finance, an independent corporate finance practice. Mark Asplin has the role of Senior Independent Director ("SID"). He is also Chairman of the Group's Remuneration and Nomination Committees and a member of the Group's Audit Committee.

**05 Terry B Garthwaite**
Non-Executive
Terry Garthwaite, aged 65, joined the Board in June 2005. He is a Chartered Accountant and enjoyed a distinguished career in finance and industry including a period as Finance Director of engineering group Senior plc. He is currently a non-executive director of electronics group Renishaw plc and of European power transmissions supplier Brammer PLC. Terry Garthwaite is Chairman of the Group's Audit Committee and a member of the Group's Remuneration and Nomination Committees.

**Richard E Cockton**
Company Secretary
Richard Cockton, aged 58, qualified as a Chartered Accountant with Coopers & Lybrand and joined Wilmington in 1998. He was appointed Company Secretary in 2008.

# Directors' Report

for the year ended 30 June 2011

The Directors present their Annual Report together with the Audited Consolidated Financial Statements for the year ended 30 June 2011.

**Business review**

In accordance with the requirements of the Companies Act 2006, the Chairman's Statement and Business Review as set out on pages 6 to 25 provide information about the Group's strategy, its businesses, its principal activities and its financial performance during the year, the principal risks and uncertainties facing the Group, its key financial and operational targets ("KPI's") and its future outlook, all of which are incorporated into this Directors' Report by reference.

The Group's acquisitions during the year are dealt with in note 12 to the Financial Statements.

The business does not incur expenditure on pure research. However, market research and analysis is written off as incurred. All internal product development costs which do not satisfy the criteria for capitalisation have been written off as incurred.

**Results**

The Group's financial results are set out in the Consolidated Income Statement on page 46. Revenue is analysed by business segment and geographically in note 2 of the Consolidated Financial Statements. A profit for the year attributable to the Equity Shareholders of the Company of £4,306,000 (2010: £4,447,000) has been taken to reserves.

**Dividends**

The Directors recommend that a final dividend for the year of 3.5p per ordinary share be paid on 17 November 2011 to shareholders on the register on 21 October 2011, which together with the interim dividend of 3.5p per ordinary share already paid, makes a total dividend for the year of 7.0p (2010: 7.0p) per ordinary share.

**Directors and their interests**

The Directors who have served throughout the year and up to the date of this report are set out on pages 26 to 27 which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 36 to 43.

C J Brady, Chief Executive, T B Garthwaite, Non-Executive Director and D L Summers, Chairman retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Biographical details of C J Brady, T B Garthwaite and D L Summers are set out on page 27. C J Brady has a service contract and T B Garthwaite and D L Summers have letters of appointment with the Company which may be terminated by either party on 12 months', 3 months' and 6 months' written notice respectively.

Rory Conwell resigned from the Board and stepped down from the Board on 30 September 2010.

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

**Interests in contracts**

Other than as disclosed in the Report on Directors' Remuneration, none of the Directors had any material interest in any contract, other than an employment contract, that was significant in relation to the Group's business at any time during the period.

**Takeover directive disclosures**

As at 30 June 2011, the Company had only one authorised class of share, namely ordinary shares of 5p each, of which there were 84,813,981 in issue (2010: 84,577,679). There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting rights, or relating to changes in control of the Company. The Company does not have any special rules in place regarding the appointment and replacement of Directors, or regarding amendments to the Company's Articles of Association.

The Company seeks annual authority from its Shareholders at the Annual General Meeting to purchase its own shares through the Annual General Meeting.

Under the terms of the Company's banking arrangements, in the event that a person or group of persons acting in concert gains control of the Company, the lending banks may require, by giving not less than 30 days notice, the repayment and cancellation of the facilities.

Except for share options and awards, there are no special conditions or agreements in place which would take effect, alter or terminate in the event of a takeover. Subject to various conditions, if the Company is taken over, all share options and awards will vest and may be exercised. Apart from the interests of the Directors disclosed in the Report on Directors' Remuneration and the substantial interests listed below, there are no individuals or entities with significant holdings, either direct or indirect, in the Company.

### Substantial shareholdings
As at 13 September 2011, the Company had been notified of interests in 3 per cent or more of the issued share capital of the Company as shown below. Interests are shown as a percentage of shares in issue at 13 September 2011.

| | Number of ordinary shares | Percentage |
|---|---|---|
| Aberforth Partners LLP | 7,993,851 | 9.28 |
| Threadneedle Investments | 4,957,500 | 5.76 |
| Aberdeen Asset Management | 4,318,180 | 5.02 |
| BlackRock Investment Management (UK) | 4,131,639 | 4.80 |
| R A Conwell | 3,880,785 | 4.51 |
| Montanaro Investment Managers | 3,821,376 | 4.44 |
| Mr Brian David Gilbert | 3,800,000 | 4.41 |
| C J Brady | 3,412,151 | 3.96 |
| Legal & General Investment Management | 3,256,721 | 3.78 |
| Aviva Investors | 2,581,596 | 3.00 |

### Significant contractual or other arrangement
The Company does not have any contractual or other arrangements which are essential to the business of the Company.

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

### Changes in share capital
236,302 ordinary shares were issued during the year in respect of share options and awards exercised by members of staff (including Directors).

In 2007 and 2008, the Company gave an irrevocable instruction to Numis Securities Limited to buy its own shares up to a value of £12m within certain parameters during the period to 17 September 2008. Shares purchased pursuant to this instruction are held in Treasury. At 13 September 2011 1,942,000 shares had been bought pursuant to this instruction.

### Financial instruments
An explanation of the Group's treasury policies is set out in the Business Review on page 19. Details of the Group's financial instruments are set out in note 23 to the financial statements.

### Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 and the Report on Directors' Remuneration comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Directors' Report continued

Each of the Directors, whose names and functions are listed in the Officers and Advisers section of the Annual Report confirm that, to the best of their knowledge:

• the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

• the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

**Disclosure of information to Auditors**
Each of the Directors has confirmed that:

(a) so far as he is aware, there is no relevant audit information of which the Company's Auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

**Charitable donations**
The Group made charitable donations of £700 (2010: £500) during the year. No political donations were made during the year (2010: £nil).

**Supplier payment policy**
The Group endeavours to settle payments to its suppliers in accordance with mutually agreed terms and conditions of business. The average time taken to pay suppliers was 54 days (2010: 51 days).

The Company has no trade creditors.

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

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

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

The Group operates share option and award schemes, details of which are given both below and in note 26 to the Financial Statements.

**Share options and awards**
The Wilmington Group plc 1995 Unapproved Share Option Scheme (the "Unapproved Scheme") was adopted by the Company on 22 November 1995 and is administered by the Remuneration Committee of the Board (the "Remuneration Committee"). It provided for the grant of non-transferable options to acquire shares in the Company at prevailing market prices at the time of the grant. The exercise of options granted under the Unapproved Scheme is normally conditional upon achieving performance targets set by the Remuneration Committee. No further options may be granted under the Unapproved Scheme which terminated on 22 November 2005. Details of outstanding options are set out in note 26 to the Financial Statements.

The Wilmington Group plc 1999 Approved Share Option Scheme (the "Approved Scheme") was adopted on 2 September 1999 and approved by the Inland Revenue on 29 September 1999. The Approved Scheme is administered by the Remuneration Committee and provides for the grant of non-transferable options to acquire shares in the Company at prevailing market prices at the time of grant. The exercise of options granted under the Approved Scheme is normally conditional upon the achievement of performance targets set out by the Remuneration Committee. Details of outstanding options are set out in note 26 to the Financial Statements.

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

No options were granted during the year under any of the above schemes.

The Wilmington Group plc 2007 Performance Share Plan (the "Performance Share Plan") was adopted on 8 November 2007 to provide share based incentives to senior executives. Further details are set out in the Report on Directors' Remuneration on pages 36 to 43.

On 5 December 2007, 540,401 conditional awards were granted under the Performance Share Plan, of which 381,311 were granted to Directors. 76,302 awards vested during the year and 464,099 awards lapsed.

On 21 October 2008, 323,634 conditional awards were granted under the Performance Share Plan, of which 221,126 were granted to Directors.

On 18 September 2009, 520,514 conditional awards were granted under the Performance Share Plan, of which 392,334 were granted to Directors.

On 20 October 2010, 1,326,159 conditional awards were granted under the Performance Share Plan, of which 339,988 were granted to Directors.

**Pension schemes**
In compliance with legislation, all UK employees have access to a stakeholder pension scheme.

**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.

**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' qualifying third party liability insurance as permitted by the Companies Act 2006, which has been in force throughout the financial year and up to the date of approval of these Financial Statements.

**Annual General Meeting**
A separate notice convening the Annual General Meeting of the Company to be held at the offices of Numis Securities Ltd on 15 November 2011 will be sent out with these Financial Statements.

**Going Concern**
As highlighted in note 21 to the Financial Statements, the Group meets its day-to-day working capital requirements through an overdraft facility and a revolving credit facility which is due for renewal in February 2016.

The current economic conditions create uncertainty particularly over:

(a) the level of demand for the Group's products;

(b) the exchange rate between Sterling and the US Dollar and the Euro; and

(c) the availability of bank finance in the foreseeable future.

The Group's budgets and forecasts, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facility and covenants.

After reviewing the Group's budget and forecasts for the period to 30 June 2012 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 these Financial Statements.

**Independent Auditors**
A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
**Richard Cockton**
Company Secretary
20 September 2011

# Corporate Governance Statement

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in May 2010 (the "Code") and for which the Board is accountable to shareholders. A copy of this code is publicly available from www.frc.org.uk.

The Group is committed to the highest standards of corporate governance, as set out in the main principles of the Code. The Board believes that the Group has been compliant throughout the year ended 30 June 2011.

The Non-Executive Chairman is a member of the Audit, Remuneration and Nomination Committees as permitted by the Code but does not chair any of them.

This report, together with the Report on Directors' Remuneration on pages 36 to 43 sets out how the Company has applied the Main Principles of the Code.

Takeover directive disclosures are set out in the Directors' Report on page 28.

**1 The Board**

The Company is controlled through the Board of Directors which, at 30 June 2011, comprised two Executive and three Non-Executive Directors. Short biographies of each Director are set out on pages 26 and 27. The Board focuses on formulation of strategy, management of effective business controls and review of business performance. It has a formal schedule of matters specifically reserved to it for decision which it reviews periodically. This includes approval of acquisitions and disposals and major capital expenditure. The Board also reviews the Register of Risks.

The Board meets as often as necessary to discharge its duties effectively. In the financial year ended 30 June 2011, 12 Board meetings were scheduled and the Directors' attendance record is set out at the end of this Statement.

The Board has three formally constituted committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which operates with defined terms of reference. The terms of reference of the three Committees are available on the Company's website www.wilmington.co.uk. The Audit Committee met 3 times during the year, the Remuneration Committee met 3 times during the year and the Nomination Committee met 2 times during the year.

There is an executive committee known as the Executive Management Board that is responsible for the day-to-day management of the Company's business within a framework of delegated responsibilities. It is chaired by the Chief Executive and includes executives from both the Group and subsidiaries boards of directors, representing both of the Group's major operating divisions. During the year, two additional employees, the Group HR Director and the Group Director of Operational Finance, have been asked to attend Executive Management Board meetings.

**Chairman and Chief Executive**

The roles of the Chairman and that of the Chief Executive are held by separate individuals and the Board has clearly defined their responsibilities. The Chairman is primarily responsible for the effective working of the Board, ensuring that each Director, particularly the Non-Executive Directors, is able to make an effective contribution and provide constructive comments on the business. The Chief Executive has responsibility for all operational matters which includes the implementation of Group strategy and policies approved by the Board.

**Board balance and independence**

Two of the Non-Executive Directors, Mark Asplin and Terry Garthwaite, are independent of the Company's executive management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. They each meet the independence criteria set out in the Code.

Mark Asplin is the Senior Independent Director ("SID"). His role as SID includes:

• being available to shareholders if they have concerns which contact through the Chairman, Chief Executive or Finance Director has failed to resolve; and
• meeting with the other Non-Executive Directors on the Board once a year to assess the Chairman's performance as chairman, taking into account the views of the Executive Directors.

The Non-Executive Chairman, David Summers, met the test of independence on his appointment to the Board in 2001 and again on his appointment as Chairman in 2005. David Summers has served more than nine years on the Board and so may not be considered independent under the Code. The Board values continuity and stability in the Chairman's role and considered that his performance as a Non-Executive Director continued to be effective. He has contributed significantly as a Director through his individual skills, considerable knowledge and experience of the Company. He also continues to demonstrate strong independence in the manner in which he discharges his responsibilities as a Director. Consequently, the Board has concluded that, despite his length of tenure, there is no association with management which could compromise his independence. The Board asked David Summers, and he agreed, to offer himself for annual re-appointment. He was re-appointed at the 2010 Annual General Meeting and will offer himself for re-appointment at the 2011 Annual General Meeting in line with the tenor of the Code. David Summers has indicated a personal preference to step down when he reaches 70 in November 2011 and the Board therefore is in the process of appointing his successor who will take over early in the New Year.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

No Director has, or had at any time during the year, any interest in a contract with any Group company.

All Directors are equally accountable for the proper stewardship of the Company's affairs, and all Directors, in accordance with the Code, submit themselves for re-election at least once every three years.

**Performance evaluation**
The Board undertakes a formal annual evaluation of its own performance and that of each individual Director. As part of its evaluation, a questionnaire was approved by the Board. Directors submitted their completed questionnaires to the Chairman of the Audit Committee who reviewed their responses. These were subsequently discussed in an open session. The exercise, which is undertaken on a regular basis, was viewed positively by the Board.

The Chairman has carried out a review of the performance of individual members of the Board. In all cases the performance of the Directors was considered to have reached a high standard and appropriate training courses were being undertaken, in particular in relation to the Bribery Act.

**Audit Committee**
The Audit Committee is composed of all the Non-Executive Directors including the Chairman. The Board is satisfied that Terry Garthwaite, who chairs the Committee, has recent and relevant financial experience.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference and are available on the Company's website www.wilmington.co.uk.

The Committee has primary responsibility for making recommendations to the Board regarding the appointment, reappointment and removal of the external Auditors which the Board puts to shareholders for approval in the general meeting. It keeps under review the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the Auditors. The Committee keeps the nature and extent of non-audit services under review by regularly reviewing the balance of audit to non-audit fees. The Auditors are asked to provide confirmation of independence on an annual basis.

The Committee reviews the accounting policies and procedures of the Company together with all significant judgements made in the preparation of the half-yearly and annual financial statements before they are submitted to the Board. It also actively monitors the system of internal control. The Committee reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Executive Directors and the external Auditor may attend Audit Committee meetings at the invitation of the Committee. However, the Committee has the right to request invitees to withdraw from the meeting to enable discussions to take place in their absence. The Finance Director is invited to attend all the Audit Committee meetings and for the year end reviews, the Group Director of Operational Finance is also invited. The Audit Committee meet just with the Auditors present, at least once a year.

**Nomination Committee**
The Nomination Committee and the Board seek to maintain an appropriate balance between the Executive and Non-Executive Directors. The Committee is chaired by Mark Asplin as SID and comprises all the Non-Executive Directors, including the Chairman, and the Chief Executive. It has full responsibility for reviewing the Board structure and for interviewing and nominating candidates to serve on the Board as well as reviewing senior executive development. Suitable candidates, once nominated, meet with the Chairman and the Chief Executive. The candidates are then put forward for consideration and appointment by the Board as a whole. The Committee has access to external professional advice at the Company's expense as and when required.

The Nomination Committee reviews on a continuing basis the composition of both the Board and the Executive management Board making recommendations where appropriate. During the year, two additional employees, the Group HR Director and the Group Director of Operational Finance, have been asked to attend Executive Management Board meetings.

**2 Directors' Remuneration**
**Remuneration Committee**
The Remuneration Committee is chaired by Mark Asplin and consists of all the Non-Executives including the Chairman. It is responsible for recommending to the Board the framework and policy for Executive Directors' remuneration. Given the small size of the Board, the Committee recognises the potential for conflicts of interest, and has taken appropriate measures to minimise the risk. The Committee meets not less than once a year, and takes advice from the Chief Executive as appropriate. In carrying out its work, the Board itself determines the remuneration of the Non-Executive Directors. The Committee has the power to seek external advice, and to appoint consultants as and when required in respect of the remuneration of Executive Directors. Further details of the Group's policies on remuneration and service contracts can be found in the Report on Directors' Remuneration on pages 36 to 43.

# Corporate Governance Statement continued

**3 Relations with Shareholders**

**Dialogue with institutional shareholders**

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by means of a programme of meetings with major shareholders, fund managers and analysts each year. The Company also makes presentations to analysts and fund managers following publication of its half-year and full-year results. These are regularly attended by the Chairman. A copy of the presentation slide show is available on the Company's website www.wilmington.co.uk. As referred to earlier, the SID is available to shareholders if they have concerns which other contacts have failed to resolve.

The Chairman or either of the Non-Executive Directors is available on request to attend meetings with major shareholders. In the past year, both attended such meetings. The Board regularly receives copies of analysts' and brokers' briefings.

**Constructive use of the Annual General Meeting**

A separate notice convening the Annual General Meeting is being sent out with this Report and Financial Statements. At the Annual General Meeting, after the formal business has been concluded, the Chairman will welcome questions from Shareholders. All Directors attend the meeting at which they have the opportunity to meet with Shareholders. Details of resolutions to be proposed at the Annual General Meeting on 15 November 2011 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

**4 Accountability and Audit**

The respective responsibilities of the Directors and Auditors in connection with the Financial Statements are explained in the Statement of Directors' Responsibilities on pages 29 and 30 and the Independent Auditors' Report set out on pages 44 and 45.

**Internal Control**

In line with the Turnbull Report recommendations, the Board maintains an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Board regularly reviews this process, which has been in operation from the start of the year to the date of approval of this Report. The Board is responsible for the Group's system of internal control and risk management, and for reviewing the effectiveness of these systems. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Also, in line with the Turnbull Report recommendations, the Board regularly reviews the effectiveness of the Group's systems of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled.

Further details of specific risks such as interest rate risk, liquidity risk and foreign currency risk are given in the Business Review on page 19.

The key features of the internal financial control system that operated throughout the period under review are as follows:

**Management Information Systems**

Effective planning, budgeting and forecasting systems are in place, as well as a monthly review of actual results compared with budget and the prior year. The annual budget, updated three times per year, is reviewed by the Board. Risk assessment and evaluation takes place as an integral part of this process. Monthly reports on performance are provided to the Board and the Group reports results to Shareholders twice a year.

Each area of the business carries out risk assessments of its operations, and ensures that the key risks are addressed.

Insurance cover for the Group, as well as individual operating companies, has been procured where it is considered appropriate.

In addition, the Board has identified key strategic risks faced by the Group, which have been prioritised and are set out in the Business Review on page 23.

The Group maintains a financial controllers manual to ensure that consistent and adequate accounting procedures are maintained throughout the Group.

**Organisation**

There are well-structured financial and administrative functions at both the Group and operating company level staffed by appropriately qualified staff. The key functions at Group level include: Group accounting, corporate planning, Group treasury, Company secretarial and Group taxation.

## Internal Audit

During the year, the Board has considered the need for an internal audit function, but has concluded that the internal control system is appropriate given the size and complexity of the Group and that an internal audit function is still currently unnecessary. Reliance instead is placed on well defined controls operated from the centre enforced by strong divisional finance directors.

## Use of Auditors for non-audit services

The non-audit services provided by the Auditors are regularly reviewed by the Audit Committee and reported to the Board. All such services where significant are considered by the Board and a decision taken on each occasion as to whether the particular services should or should not be provided by the Auditors. An analysis of audit and non-audit fees payable to the Auditors is shown in note 5 to the Financial Statements. In particular, the Audit Committee feel that it is cost effective to use the auditors for UK and overseas tax compliance.

## Whistle Blowing

The Group has appointed Non-Executive Director, Terry Garthwaite, as a whistle blowing officer to enable employees to raise any serious concerns of wrong doing that they may have in complete confidence. The aim of the whistle blowing policy is to ensure that arrangements are in place to allow proportionate and independent investigation of such matters and appropriate follow up action. Details of the policy have been included in the staff handbook and are available on the Company's intranet.

## Board and committees membership record

The number of full Board meetings and committee meetings attended as a member by each Director during the year was as follows:

| Board Meeting | Scheduled Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings |
|---|---|---|---|---|
| M Asplin (Non-Executive) | 11 (12) | 3 (3) | 3 (3) | 2 (2) |
| C J Brady (Chief Executive) | 12 (12) | – | – | 2 (2) |
| R B Brookes | 12 (12) | – | – | – |
| R A Conwell (Resigned 30 September 2010) | 3 (3) | – | – | – |
| T B Garthwaite (Non-Executive) | 12 (12) | 3 (3) | 3 (3) | 2 (2) |
| D L Summers (Chairman) | 12 (12) | 3 (3) | 3 (3) | 2 (2) |

Figures in brackets indicate the total number of scheduled meetings during the period in which the Director was a Board or Committee member, as appropriate.

**David L Summers OBE**
Chairman
20 September 2011

# Report on Directors' Remuneration

This Report has been prepared in accordance with the provisions of the Companies Act 2006 (the "Act") and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and has been approved by the Board and the Remuneration Committee. The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. A resolution to approve the Report will be proposed at the Annual General Meeting on 15 November 2011.

The Act requires the external auditors to report on certain parts of the Report and to state whether, in their opinion; those parts of the Report have been properly prepared in accordance with it. The Report has therefore been divided into separate sections for audited and unaudited information.

**Unaudited Information**

**Remuneration Committee**

Role

The Remuneration Committee (the "Committee") is responsible for determining individual Executive Directors' (the "Executives") remuneration packages and employment conditions. In determining its policy the Committee has paid regard to the principles of good governance contained in the Code. The Committee operates under the delegated authority of the Board. Its terms of reference are available on request from the Company Secretary or on the Company's website www.wilmington.co.uk

Membership

The Committee was chaired throughout the year by Mark Asplin. The other members of the Committee were Terry Garthwaite and David Summers (the Company Chairman). Both Mark Asplin and Terry Garthwaite are deemed to be independent Non-Executive Directors as per the Code.

Advisers

During the year the Committee took advice from Hewitt New Bridge Street ("HNBS"), a firm of independent remuneration consultants. Other than in relation to advice on remuneration, HNBS has no other connections with the Company. The Committee has also received assistance from the Chief Executive with respect to the remuneration of the other Executive Directors and on the Company's remuneration policy more generally. He takes no part in discussions relating to his own remuneration.

Key Activities

During 2010, the Committee conducted a full review of the remuneration of the Executive Directors, as a result of which a number of changes were made to the remuneration policy, which were described in last year's Report on Directors' Remuneration and subsequently approved by Shareholders at our 2010 Annual General Meeting.

During 2011, the Committee has again reviewed the remuneration of Executives as a result of which the Committee has:

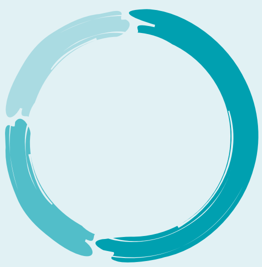
- Decided to award inflationary base pay increases not exceeding 3% following two years of frozen salaries.
- Reviewed the range of EPS growth targets attached to the 2010 awards under our long-term incentive plan and determined that the upper limit for the average annual EPS growth should be increased from 8% to 9% per annum.
- Determined that the level of annual bonus in respect of the financial year ended 30 June 2011 should be £150,000 for Charles Brady and £100,000 for Basil Brookes. An explanation of the basis on which these bonuses were achieved is set out later in the Report.
- Revised the Return on Equity ("ROE") and Return on Sales ("ROS") elements of the bonus scheme for the year ending 30 June 2012 for reasons set out later in the Report.

**Remuneration Policy**
The Committee has an established policy on the remuneration of Executives. The key principles are as follows:

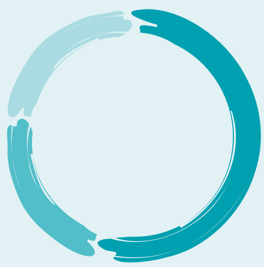
- Remuneration is directly aligned with the performance of the Group and the interests of Shareholders. It is designed to reward, motivate, incentivise and retain Executives of the highest calibre, without paying more than is necessary.
- A significant proportion of Executives' potential remuneration is structured so as to link rewards to annual and long-term Group performance targets, which are reviewed annually.
- Executives' remuneration packages are reviewed annually. They are assessed in light of the performance of the individual, the performance of the Group and pay conditions elsewhere in the workforce. The Committee periodically takes external advice to benchmark the packages by reference to Executives with similar positions in comparator organisations. In considering relevant benchmarking the Committee is also aware of the risk of an upward pay ratchet through placing undue emphasis on comparative pay surveys. The Committee has studied publicly available information on remuneration but did not initiate a formal external benchmarking exercise in the financial year to 30 June 2011.
- The Committee considers pay in the rest of the work force when setting Executives' remuneration. In this regard, the Committee has discussed with the Chief Executive the level of pay increases for employees in the Group. Other than for promotions, the general workforce will receive pay increases in the range of 0-3% for 2011/12.

The charts below show the balance between fixed pay (salary pension and benefits) and variable pay (annual bonuses and long-term incentives) at a target level of performance (based on half the maximum bonus being payable and valuing an LTIP award at 50% of the value for the shares as at the date of grant) and also at a maximum level of performance (maximum bonus being payable and valuing an LTIP award at 100% of the value of the shares as at the date of grant). The charts demonstrate that a significant proportion of the package is weighted towards variable (performance-related) pay, with this proportion increasing at a higher level of performance.

**Target**

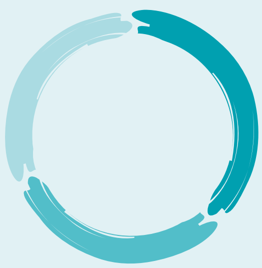


**Chief Executive**
- Fixed pay
- Short-term variable pay
- Long-term variable pay

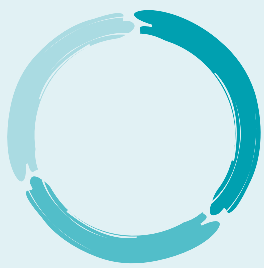


**Finance Director**
- Fixed pay
- Short-term variable pay
- Long-term variable pay

**Maximum**



**Chief Executive**
- Fixed pay
- Short-term variable pay
- Long-term variable pay



**Finance Director**
- Fixed pay
- Short-term variable pay
- Long-term variable pay

# Report on Directors' Remuneration continued

The main components of the remuneration package for Executives are:

**Base Salary**
Base salaries for Executives are reviewed annually by the Committee. This review takes into account the performance of each individual Director, any changes in position or responsibility and market competitiveness. Only base salary is pensionable.

Following the most recent review the Committee decided that the increase to base salary in respect of 2011/12 should be 3% for Charles Brady and 3% for Basil Brookes.

**Benefits in Kind**
Benefits for Executives comprise a car allowance and cover for private medical, permanent health and life insurance. Benefits are not pensionable.

**Pension Benefits**
Executives participate in a defined contribution scheme to which the Company contributes an amount equivalent to 10% of salary. In addition, for the year ended 30 June 2011, Executive Directors could elect to sacrifice part of their salary and bonus into a personal pension scheme.

**Annual Bonuses**
Details of bonus payments for the year ended 30 June 2011 are set out in the table of Directors' emoluments later in this Report, together with an explanation of the basis on which the performance conditions were achieved.

The key features of the annual bonus plan for the Executives for the year ending 30 June 2012 are as follows:

- The maximum bonus opportunity will remain unchanged at 100% of salary.
- The annual bonus is determined by adjusted profit (as defined below), ROE and ROS targets. The weightings between these targets will remain:
  - 60% adjusted profit;
  - 20% ROE;
  - 20% ROS.
- Linear scales for each metric will be set at the start of the financial year.
- For the purpose of the bonus scheme, adjusted profit is profit before non-recurring items, impairment of goodwill, amortisation of intangible assets, unwinding of the discount on the provisions for the future purchase of non-controlling interests, provision for the Executives' bonuses, share based payments and after deducting the interest of non-controlling shareholders in such profits.
- There will be no scope to make discretionary bonus payments outside of the scope of the bonus plan.
- The Committee has included a provision in the bonus plan rules so that it may seek appropriate means of redress i.e. clawback if it transpires that a bonus was paid for performance in a year which later proves to have been materially mis-stated.

Wilmington

### Long-Term Incentives

Performance Share Plan (“PSP”)

Under the terms of a PSP which was approved by Shareholders at the Annual General Meeting on 8 November 2007, participants may receive an award of conditional free shares (an “Award”) with a face value at grant of up to 150% of salary in any financial year, vesting after three years from grant, subject to the achievement of performance conditions and continued employment. Awards in 2011 will remain at the level of 100% of base salary.

The Committee will determine performance conditions prior to each Award, with performance measured over a single period of three years with no provision to re-test.

In 2010, the Committee reviewed the performance conditions attached to the PSP and considered that whilst EPS and TSR remain appropriate measures of performance for the Awards, a further performance condition should be incorporated to further align the interests of Executives with that of Shareholders and to provide a better overall blend of performance metrics. The Committee therefore decided to incorporate ROE for the 2010 awards. The awards in 2011 will again be based on EPS, ROE and TSR, which the Committee considers to be the most appropriate measures of performance for the Awards for the following reasons:

- The EPS target will reward significant and sustained increases in earnings that would be expected to flow through into Shareholder value. For the participants, this will also deliver a strong “line of sight” as it will be straightforward to evaluate and communicate.
- The ROE performance condition will reward executives for delivery of returns to Shareholders but adding a further discipline of ensuring the most efficient use of Shareholders’ funds. The profit element of ROE will be based on adjusted operating profit after impairment.
- The TSR performance condition will provide a balance to the financial performance conditions by rewarding relative share price performance against the companies comprising the FTSE Small Cap Index and ensure that a share price-based discipline in the package (in the absence of options) is retained. This will ensure that management can be rewarded for delivering superior stock market returns.

The Committee considers that this blend of measures provides an excellent link to the Company’s strategy, which is to create a sustained improvement in underlying performance and maximise returns to Shareholders.

The Committee has considered carefully the EPS and ROE ranges to be attached to awards in 2011, taking into account future growth expectations, analysts’ forecasts and the requirement to set stretching but achievable targets. In this regard, the Committee believes it has struck the appropriate balance.

A summary of the performance conditions for the 2011 awards is set out in the table below:

| One-third of award - Average annual EPS growth in excess of RPI | Percentage of Award Vesting |
|---|---|
| Less than 3% per annum | 0% |
| 3% per annum | 25% |
| Between 3% per annum and 9% per annum | On a straight line basis between 25% and 100% |
| 9% per annum or more | 100% |

| One-third of award - ROE | Percentage of Award Vesting |
|---|---|
| Less than 25% | 0% |
| 25% | 25% |
| Between 25% and 29% | On a straight line basis between 25% and 100% |
| 29% or above | 100% |

| One-third of award - TSR versus FTSE SmallCap | Percentage of Award Vesting |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and upper quartile | On a straight line basis between 25% and 100% |
| Upper quartile or above | 100% |

The targets are the same as those set for awards in 2010 save for the ROE performance targets which the committee has revised upwards to 25% (from 23%) and 29% (from 28%). In relation to the EPS growth target, the Committee recognises that the growth range will be referenced off a significantly higher EPS base point than for the 2010 awards.

As with the 2010 awards, the Committee determined that for the 2011 awards, all participants (including Executives) would be required to hold no less than 50% of any vested shares (net of taxes) for a minimum of two years.

# Report on Directors' Remuneration continued

Shareholding Guidelines
Shareholding Guidelines for Executives have been adopted, linked to the outturn from the PSP. At the time Awards vest under the PSP (or any other executive plan established in the future), Executives will be expected to retain no fewer than 50% of vested shares (net of taxes) until such time as a total personal shareholding equivalent to 100% of pre-tax base salary has been achieved. This requirement will not be made of participants to the scheme other than the Executives.

It should be noted that currently all Executives hold shares worth significantly more than the Shareholding Guideline level.

Dilution
Under the rules of the PSP, awards under the Company's discretionary schemes which may be satisfied by a new issue of shares must not exceed 5% of the Company's issued share capital in any rolling 10-year period and the total of all awards satisfied via new issue shares under all plans (both discretionary and all-employee) must not exceed 10% of the Company's issued share capital in any rolling 10-year period.

As at 30 June 2011, the headroom under the Company's 5% and 10% limits was 1,993,990 and 4,976,089 shares respectively, out of an issued share capital of 84,813,981 shares.

**Non-Executive Directors Fees**
Non-Executive Directors are remunerated by fees taking into account the time commitment and responsibilities of the role. Fees are determined by the Executive Directors, taking external advice where appropriate, and are reviewed periodically. Fees are set within an overall cap stipulated in the Company's Articles of Association.

Non-Executive Directors may not participate in the Company's annual or long-term incentive arrangements.

**Directors' Service Contracts and Letters of Appointment**
The Company has adopted the following policy on Executives' service contracts:

- 12 months' notice period or less shall apply.
- Termination payments are limited to payment of 12 months' salary and benefits.

Non-Executive Directors have letters of appointment with the notice periods referred to below, with no compensation payable for cessation of appointment.

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

| Name | Date of service contract/ letter of appointment | Notice period |
|---|---|---|
| **Executive** | | |
| C J Brady | 27 February 2002 | 12 months |
| R B Brookes | 8 May 2002 | 12 months |
| **Non-Executive** | | |
| D L Summers | 15 February 2005 | 6 months |
| M Asplin | 6 April 2005 | 3 months |
| T B Garthwaite | 15 June 2005 | 3 months |

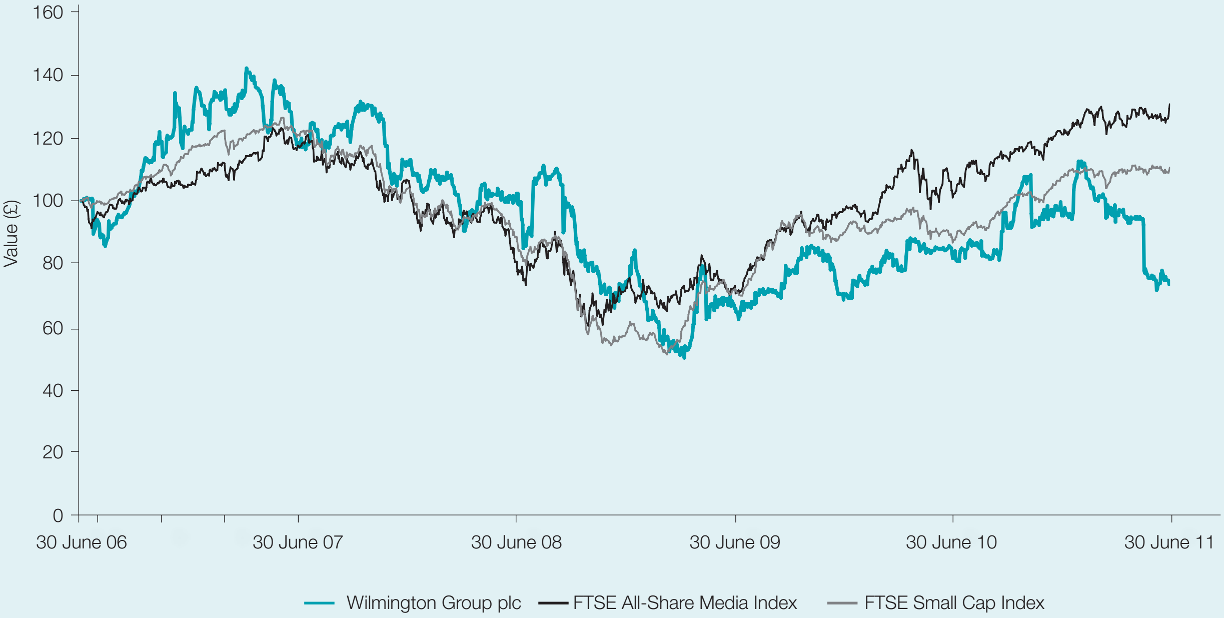
The service contracts of the Executives provide that if an Executive Director ceases to be a Director of the Company by virtue of removal from, failure to be re-elected to or retirement without submission to be re-elected from, such office pursuant to the Company's Articles of Association, the Company may terminate his employment immediately by making a payment equivalent to the basic salary and the value of non-monetary benefits payable during the notice period under his service contract, without mitigation. There is no provision to pay an amount in lieu of bonus which could have been earned over the notice period.

Wilmington

### Performance Graph

The following graph shows, for the year ended 30 June 2011 and for each of the previous four years, the total shareholder return (calculated in accordance with the Directors' Remuneration Report Regulations 2002) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares of the same kind and number as those by reference to which the FTSE All – Share Media Index and the FTSE Small Cap Index are calculated. These indices have been chosen as the appropriate comparators because it is these indices within which the Company's shares are quoted.

**Total shareholder return**
**Source: Thomson Reuters**




This graph shows the value, by 30 June 2011, of £100 invested in Wilmington Group plc on 30 June 2006 compared with the value of £100 invested in the FTSE All-Share Media Index and the FTSE Small Cap Index. The graph shows daily movements in these values over the period.

### Audited Information
### Directors' Emoluments

The remuneration of the Directors of the Company for the year ended 30 June 2011 is set out below.

| | Salary and fees | | Bonus | | Pension Contributions | | Allowances and benefits in kind | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended 30 June 2011 £** | Year ended 30 June 2010 £ | **Year ended 30 June 2011 £** | Year ended 30 June 2010 £ | **Year ended 30 June 2011 £** | Year ended 30 June 2010 £ | **Year ended 30 June 2011 £** | Year ended 30 June 2010 £ | **Year ended 30 June 2011 £** | Year ended 30 June 2010 £ |
| C J Brady | **324,000** | 324,000 | **150,000** | 8,960 | **32,400** | 32,400 | **28,445** | 27,681 | **534,845** | 393,041 |
| R B Brookes | **220,320** | 220,320 | **100,000** | 6,092 | **22,032** | 22,032 | **28,659** | 27,737 | **371,011** | 276,181 |
| R A Conwell (Resigned 30 September 2010) | **27,000** | 108,000 | **–** | 2,987 | **2,700** | 10,800 | **7,270** | 19,524 | **36,970** | 141,311 |
| D L Summers | **74,000** | 74,000 | **–** | – | **–** | – | **–** | – | **74,000** | 74,000 |
| M Asplin | **37,800** | 37,800 | **–** | – | **–** | – | **–** | – | **37,800** | 37,800 |
| T B Garthwaite | **37,800** | 37,800 | **–** | – | **–** | – | **–** | – | **37,800** | 37,800 |
| | **720,920** | 801,920 | **250,000** | 18,039 | **57,132** | 65,232 | **64,374** | 74,942 | **1,092,426** | 960,133 |

**Audited Information continued**
**Directors' Emoluments continued**
Annual bonus payments were based on the Company's performance against targets based on linear ranges of adjusted operating profit, ROE and ROS, set at the start of the year. In relation to the bonuses payable, these were based on the following level of achievement against each of the three metrics:

- Up to a maximum possible 60% of salary in relation to adjusted profit;
- Up to a maximum possible 20% of salary in relation to ROE;
- Up to a maximum possible 20% of salary in relation to ROS.

The mechanics of the scheme resulted in bonuses of £216,228 and £147,035 being due to Charles Brady and Basil Brookes respectively. Notwithstanding the validity of these calculations, the Committee considered that these bonuses were excessive in relation to the overall performance of the Group. With the benefit of hindsight the Committee considered that the targets set in relation to ROE and ROS were not set at a sufficiently stretching level. When the Committee raised these concerns with the Executives, Charles Brady and Basil Brookes agreed voluntarily to waive £66,228 and £47,035 respectively. The Committee is satisfied that the amended bonuses of 46.3% and 45.4% of base pay for Charles Brady and Basil Brookes respectively are appropriate taking into account of overall performance.

The Committee has raised the ROE and ROS targets for 2011/12.

During the year the following elections were made to sacrifice salaries and bonuses disclosed in the table above in favour of pension contributions : C J Brady £40,000 (2010: nil) and R B Brookes £84,500 (2010: nil).

Following his departure, R A Conwell will have received or is due to receive termination payments of £107,950 and benefits of £18,943. In addition, payments of £10,800 will have been or will be paid directly into his pension scheme. In addition 9,884 of his PSP awards vested during the year and 53,247 awards lapsed. At 30 June 2011, he had 101,566 PSP awards outstanding.

**Performance Share Plan**
Details of the awards held by Executive Directors are shown below:

| Name | Date of grant | At 1 July 2010 | Awards granted during the year | Awards vested during the year | Awards lapsed during the year | **At 30 June 2011** | Date which awards vest |
|---|---|---|---|---|---|---|---|
| C J Brady | 5 December 2007 | 189,393 | – | (29,651) | (159,742) | **–** | 5 December 2010 |
| | 21 October 2008 | 109,831 | – | – | – | **109,831** | 21 October 2011 |
| | 18 September 2009 | 194,868 | – | – | – | **194,868** | 18 September 2012 |
| | 20 October 2010 | – | 202,374 | – | – | **202,374** | 20 October 2013 |
| R B Brookes | 5 December 2007 | 128,787 | – | (20,162) | (108,625) | **–** | 5 December 2010 |
| | 21 October 2008 | 74,685 | – | – | – | **74,865** | 21 October 2011 |
| | 18 September 2009 | 132,510 | – | – | – | **132,510** | 18 September 2012 |
| | 20 October 2010 | – | 137,614 | – | – | **137,614** | 20 October 2013 |

Further details of these awards are set out in note 26 to the Financial Statements.

For Awards made in 2007, 2008 and 2009 performance is measured against two targets (1) normalised Earnings Per Share ("EPS") growth in excess of RPI; and (2) Total Shareholder Return ("TSR") performance measured against the constituents of the FTSE Small Cap Index as summarised in the table below. Performance is measured over three years, commencing with the financial year in which the award is made:

| **50% of award - Average annual EPS growth in excess of RPI** | **Percentage of Award Vesting** |
|---|---|
| Less than 5% per annum | 0% |
| 5% per annum | 25% |
| Between 5% per annum and 12% per annum | On a straight line basis between 25% and 100% |
| 12% per annum or more | 100% |

| **50% of award - TSR Rank** | **Percentage of Award Vesting** |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and upper quartile | On a straight line basis between 25% and 100% |
| Upper quartile or above | 100% |

A summary of the performance conditions for the 2010 and 2011 awards is set out in the table below:

| One-third of award - Average annual EPS growth in excess of RPI | Percentage of Award Vesting |
|---|---|
| Less than 3% per annum | 0% |
| 3% per annum | 25% |
| Between 3% per annum and 9% per annum | On a straight line basis between 25% and 100% |
| 9% per annum or more | 100% |

| One-third of award - ROE | Percentage of Award Vesting |
|---|---|
| Less than 25% (2010: 23%) | 0% |
| 25% (2010: 23%) | 25% |
| Between 25% (2010: 23%) and 29% (2010: 28%) | On a straight line basis between 25% and 100% |
| 29% or above (2010: 28%) | 100% |

| One-third of award - TSR versus FTSE SmallCap | Percentage of Award Vesting |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and upper quartile | On a straight line basis between 25% and 100% |
| Upper quartile or above | 100% |

The level of vesting of the 2007 award relates to the partial achievement of the TSR performance condition, where 13.8% out of the maximum 50% of the award vested). The remainder of the award subject to the TSR performance condition and the whole of the EPS performance condition lapsed.

The market price of Wilmington shares at the date of the 2007 award was 199p, for the 2008 award 152p, for the 2009 award 127p and for the 2010 award 166p. The fair value of the TSR part for Directors of the 2010 award is £142,029 (calculated in line with relevant accounting standards). However, as there is no market standard EPS model or ROE model in international accounting standards, it is not possible to give a fair value of the EPS part. The Committee considers the EPS condition to be as similarly challenging as the TSR condition.

As at 30 June 2011 the Company's share price was 117p and its highest and lowest share prices during the year ended 30 June 2011 were 183p and 114p respectively.

**Directors' Interests**
The interests of Directors and their immediate families in the issued ordinary share capital of the Company as at 30 June 2011 and the movement in the year are set out below.

| Name | Beneficial/ Non-Beneficial | At 1 July 2010 Number | Movement in year Number | **At 30 June 2011 Number** | **At 30 June 2011 Percentage** |
|---|---|---|---|---|---|
| C J Brady | Beneficial | 3,382,500 | 29,651 | **3,412,151** | **4.02** |
| R B Brookes | Beneficial | 845,662 | 9,879 | **855,541** | **1.01** |
| D L Summers | Beneficial | 35,180 | – | **35,180** | **0.04** |
| M Asplin | Beneficial | 41,390 | – | **41,390** | **0.05** |
| T B Garthwaite | Beneficial | 5,000 | – | **5,000** | **0.01** |

Interests at 30 June 2011 are shown as a percentage of shares in issue on that date.

There have been no changes in the Directors' interests between 30 June 2011 and 20 September 2011. 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 or, in the case of the Non-Executive Directors, a letter of appointment.

On behalf of the Board

**Mark Asplin**
Director and Chairman of The Remuneration Committee
20 September 2011

# Independent Auditors' Report

**Independent Auditors' report to the members of Wilmington Group plc**
We have audited the Financial Statements of Wilmington Group plc for the year ended 30 June 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

**Respective responsibilities of Directors and Auditors**
As explained more fully in the Statement of Directors' Responsibilities set out on pages 29 and 30, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the Financial Statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the Audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

**Opinion on financial statements**
In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2011 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;

- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion:

- the part of the Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006;

- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and

- the information given in the Corporate Governance Statement set out on pages 34 and 35 with respect to internal control and risk management systems and given in the Directors' Report on page 29 with respect to share capital structures is consistent with the Financial Statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

• the Parent Company Financial Statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit; or

• a Corporate Governance Statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

• the Directors' Statement, set out on page 31, in relation to going concern;

• the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

• certain elements of the report to Shareholders by the Board on Directors' remuneration.

**Julian Jenkins (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 September 2011

# Consolidated Income Statement

for the year ended 30 June 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Revenue | 2 | **83,779** | 78,404 |
| Cost of sales | | **(25,463)** | (24,833) |
| Gross profit | | **58,316** | 53,571 |
| Operating expenses before amortisation and non-recurring items | 4 | **(44,008)** | (39,380) |
| Amortisation | 4 | **(5,711)** | (4,882) |
| Operating expenses before non-recurring items | | **(49,719)** | (44,262) |
| Non-recurring items | 5 | **(715)** | (113) |
| Total operating expenses | | **(50,434)** | (44,375) |
| Operating profit from continuing operations | 5 | **7,882** | 9,196 |
| Finance income | 6 | **20** | 7 |
| Finance costs | 6 | **(1,825)** | (1,874) |
| Profit on continuing activities before income tax | | **6,077** | 7,329 |
| Income tax expense | 7 | **(1,448)** | (2,531) |
| Profit for the financial year | | **4,629** | 4,798 |
| Attributable to: | | | |
| Equity Shareholders of the Company | | **4,306** | 4,447 |
| Non-controlling interests | | **323** | 351 |
| | | **4,629** | 4,798 |
| Earnings per share attributable to Equity Shareholders of the Company | | | |
| Basic earnings per share | 10 | **5.20p** | 5.38p |
| Diluted earnings per share | 10 | **5.07p** | 5.30p |

The notes on pages 52 to 86 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

Wilmington

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| **Profit for the year** | **4,629** | 4,798 |
| **Other comprehensive income** | | |
| Interest rate swap fair value gain taken directly to equity | **437** | 89 |
| Tax on interest rate swap gain taken directly to equity | **(133)** | (25) |
| Exchange translation differences | **43** | (5) |
| **Other comprehensive income for the year, net of tax** | **347** | 59 |
| **Total comprehensive income for the year** | **4,976** | 4,857 |
| **Total comprehensive income for the year attributable to:** | | |
| – Equity Shareholders of the Company | **4,666** | 4,501 |
| – Non-controlling interests | **310** | 356 |
| | **4,976** | 4,857 |

The notes on pages 52 to 86 are an integral part of these consolidated financial statements.

# Balance Sheets

as at 30 June 2011

| | Notes | Group 2011 £'000 | Group 2010 £'000 | Company 2011 £'000 | Company 2010 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | 13 | **74,681** | 63,277 | **–** | – |
| Intangible assets | 14 | **36,216** | 24,303 | **137** | 182 |
| Property, plant and equipment | 15 | **7,776** | 7,192 | **1,422** | 1,360 |
| Investments | 16 | **–** | – | **43,621** | 41,285 |
| Deferred income tax asset | 24 | **335** | 488 | **217** | 341 |
| Trade and other receivables | 18 | **–** | – | **71,094** | 62,398 |
| | | **119,008** | 95,260 | **116,491** | 105,566 |
| **Current assets** | | | | | |
| Inventories | 17 | **828** | 1,080 | **–** | – |
| Trade and other receivables | 18 | **21,658** | 18,664 | **249** | 500 |
| Derivative financial assets | 19 | **16** | – | **–** | – |
| Cash and cash equivalents | | **2,321** | 1,779 | **1** | – |
| | | **24,823** | 21,523 | **250** | 500 |
| **Total assets** | | **143,831** | 116,783 | **116,741** | 106,066 |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | **(37,025)** | (31,651) | **(2,323)** | (4,761) |
| Current income tax liabilities | | **(1,377)** | (1,873) | **–** | (202) |
| Derivative financial liabilities | 19 | **(379)** | (22) | **(333)** | – |
| Bank overdrafts | 21 | **(2,277)** | (600) | **(6,557)** | (15,911) |
| Provisions for future purchase of non-controlling interests | 22 | **–** | (3,530) | **–** | – |
| | | **(41,058)** | (37,676) | **(9,213)** | (20,874) |
| **Non-current liabilities** | | | | | |
| Bank loans net of facility fees | 21 | **(38,990)** | (18,000) | **(38,990)** | (18,000) |
| Deferred consideration | 12 | **(866)** | – | **–** | – |
| Derivative financial liabilities | 19 | **(187)** | (956) | **(187)** | (956) |
| Deferred tax liability | 24 | **(7,938)** | (5,425) | **–** | (14) |
| Provisions for future purchase of non-controlling interests | 22 | **(1,896)** | (3,147) | **–** | – |
| | | **(49,877)** | (27,528) | **(39,177)** | (18,970) |
| **Total liabilities** | | **(90,935)** | (65,204) | **(48,390)** | (39,844) |
| **Net assets** | | **52,896** | 51,579 | **68,351** | 66,222 |
| **Equity** | | | | | |
| Share capital | 25 | **4,241** | 4,229 | **4,241** | 4,229 |
| Share premium account | 25 | **43,792** | 43,493 | **43,792** | 43,493 |
| Treasury shares | 25 | **(4,008)** | (4,008) | **(4,008)** | (4,008) |
| Obligation to issue shares | 25 | **1,746** | – | **1,746** | – |
| Translation reserve | | **91** | 35 | **–** | – |
| Share based payments reserve | | **820** | 575 | **820** | 312 |
| Retained earnings | | **6,164** | 7,202 | **21,760** | 22,196 |
| **Shareholders' funds** | | **52,846** | 51,526 | **68,351** | 66,222 |
| Non-controlling interests | 27 | **50** | 53 | **–** | – |
| **Total equity and reserves attributable to Equity Shareholders of the Company** | | **52,896** | 51,579 | **68,351** | 66,222 |

The notes on pages 52 to 86 are an integral part of these consolidated financial statements.
Approved and authorised for issue by the Board and signed on their behalf on 20 September 2011

**R Basil Brookes**
Finance Director
Registered number 3015847

# Statements of Changes in Equity

Wilmington

| | Share capital (note 25) £'000 | Share option reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total £'000 | Non-controlling interests (note 27) £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| At 1 July 2009 | 43,690 | 382 | 45 | 9,464 | 53,581 | 236 | 53,817 |
| Profit for the year | – | – | – | 4,447 | 4,447 | 351 | 4,798 |
| Exchange translation difference | – | – | (10) | – | (10) | 5 | (5) |
| Interest rate swap fair value gain taken directly to equity | – | – | – | 89 | 89 | – | 89 |
| Tax on interest rate swap fair value gain taken directly to equity | – | – | – | (25) | (25) | – | (25) |
| | 43,690 | 382 | 35 | 13,975 | 58,082 | 592 | 58,674 |
| Dividends paid | – | – | – | (6,773) | (6,773) | (644) | (7,417) |
| Net movement on share based payment reserve | – | 193 | – | – | 193 | – | 193 |
| Issue of share capital during the year | 24 | – | – | – | 24 | – | 24 |
| Movement in offset of provisions for the future purchase of non-controlling interests | – | – | – | – | – | 105 | 105 |
| At 1 July 2010 | 43,714 | 575 | 35 | 7,202 | 51,526 | 53 | 51,579 |
| Profit for the year | – | – | – | 4,306 | 4,306 | 323 | 4,629 |
| Exchange translation difference | – | – | 56 | – | 56 | (13) | 43 |
| Interest rate swap fair value gain taken directly to equity | – | – | – | 437 | 437 | – | 437 |
| Tax on interest rate swap fair value gain taken directly to equity | – | – | – | (133) | (133) | – | (133) |
| | 43,714 | 575 | 91 | 11,812 | 56,192 | 363 | 56,555 |
| Dividends paid | – | – | – | (5,795) | (5,795) | (336) | (6,131) |
| Net movement on share based payment reserve | – | 366 | – | 147 | 513 | – | 513 |
| Issue of share capital during the year | 311 | (121) | – | – | 190 | – | 190 |
| Obligation to issue shares | 1,746 | – | – | – | 1,746 | – | 1,746 |
| Movement in offset of provisions for the future purchase of non-controlling interests | – | – | – | – | – | 23 | 23 |
| **At 30 June 2011** | **45,771** | **820** | **91** | **6,164** | **52,846** | **50** | **52,896** |

# Statements of Changes in Equity continued

| | Share capital (note 25) £'000 | Share option reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Company** | | | | |
| At 1 July 2009 | 43,690 | 154 | 20,946 | 64,790 |
| Profit for the year | – | – | 7,959 | 7,959 |
| Interest rate swap fair value gain taken directly to equity | – | – | 89 | 89 |
| Tax on interest rate swap fair value gain taken directly to equity | – | – | (25) | (25) |
| | 43,690 | 154 | 28,969 | 72,813 |
| Dividends paid | – | – | (6,773) | (6,773) |
| Net movement on share based payment reserve | – | 158 | – | 158 |
| Issue of share capital during the year | 24 | – | – | 24 |
| At 1 July 2010 | 43,714 | 312 | 22,196 | 66,222 |
| Profit for the year | – | – | 4,908 | 4,908 |
| Interest rate swap fair value gain taken directly to equity | – | – | 437 | 437 |
| Tax on interest rate swap fair value gain taken directly to equity | – | – | (133) | (133) |
| | 43,714 | 312 | 27,408 | 71,434 |
| Dividends paid | – | – | (5,795) | (5,795) |
| Net movement on share based payment reserve | – | 629 | 147 | 776 |
| Issue of share capital during the year | 311 | (121) | – | 190 |
| Obligation to issue shares | 1,746 | – | – | 1,746 |
| **At 30 June 2011** | **45,771** | **820** | **21,760** | **68,351** |

The notes on pages 52 to 86 are an integral part of these consolidated financial statements.

# Cash Flow Statements

for the year ended 30 June 2011

Wilmington

| | Notes | Group 2011 £'000 | Group 2010 £'000 | Company 2011 £'000 | Company 2010 £'000 |
|---|---|---|---|---|---|
| **Cash inflows/(outflows) from operating activities** | | | | | |
| Cash generated from operations | 31 | **15,811** | 15,537 | **(1,860)** | 2,570 |
| Net finance costs paid | | **(2,388)** | (1,305) | **(2,397)** | (1,290) |
| Net tax paid | | **(4,110)** | (2,442) | **(2,519)** | (1,322) |
| **Net cash inflow/(outflow) from operating activities** | | **9,313** | 11,790 | **(6,776)** | (42) |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 15 | **(1,463)** | (616) | **(34)** | (17) |
| Proceeds from sale of property, plant and equipment | | **40** | 8 | **–** | – |
| Purchase of subsidiary undertakings | 12 | **(21,294)** | – | **–** | – |
| Cash acquired on purchase of subsidiary undertakings | | **1,406** | – | **–** | – |
| Purchase of non-controlling interests | 22 | **(3,849)** | (2,194) | **–** | – |
| Non-recurring costs | 5 | **(715)** | (113) | **(155)** | (8) |
| Deferred consideration from sale of business | | **250** | – | **–** | – |
| Purchase of intangible assets | 14 | **(882)** | (479) | **(75)** | (37) |
| Proceeds from sale of intangible assets | | **–** | 6 | **–** | – |
| **Net cash used in investing activities** | | **(26,507)** | (3,388) | **(264)** | (62) |
| **Financing activities** | | | | | |
| Dividends paid to Equity Shareholders of the Company | 9 | **(5,795)** | (6,773) | **(5,795)** | (6,773) |
| Dividends paid to non-controlling interests in subsidiary undertakings | | **(336)** | (644) | **–** | – |
| Issue of ordinary shares | | **190** | 24 | **190** | 24 |
| Increase in long term loans | | **22,000** | – | **22,000** | – |
| **Net cash flows received from/(used in) financing activities** | | **16,059** | (7,393) | **16,395** | (6,749) |
| **Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts** | | **(1,135)** | 1,009 | **9,355** | (6,853) |
| **Cash and cash equivalents, net of bank overdrafts, at beginning of the year** | | **1,179** | 170 | **(15,911)** | (9,058) |
| **Cash and cash equivalents, net of bank overdrafts, at end of the year** | | **44** | 1,179 | **(6,556)** | (15,911) |
| **Reconciliation of net debt** | | | | | |
| Cash and cash equivalents at beginning of the year | | **1,779** | 1,506 | **–** | – |
| Bank overdrafts at beginning of the year | | **(600)** | (1,336) | **(15,911)** | (9,058) |
| Bank loans at beginning of the year | | **(18,000)** | (18,000) | **(18,000)** | (18,000) |
| Net debt at beginning of the year | | **(16,821)** | (17,830) | **(33,911)** | (27,058) |
| Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts | | **(1,135)** | 1,009 | **9,355** | (6,853) |
| (Increase) in long term loans | | **(22,000)** | – | **(22,000)** | – |
| Cash and cash equivalents at end of the year | | **2,321** | 1,779 | **1** | – |
| Bank overdrafts at end of the year | 21 | **(2,277)** | (600) | **(6,557)** | (15,911) |
| Bank loans at end of the year | 21 | **(40,000)** | (18,000) | **(40,000)** | (18,000) |
| Net debt at end of the year | | **(39,956)** | (16,821) | **(46,556)** | (33,911) |

The notes on pages 52 to 86 are an integral part of these consolidated financial statements.

# Notes to the Financial Statements

**General Information**
The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 19-21 Christopher Street, London, EC2A 2BS.

The Company has its primary listing on the London Stock Exchange.

**1. Statement of Accounting Policies**
The significant accounting policies applied in preparing the financial statements are as follows. These policies have been consistently applied for all the years presented, unless otherwise stated.

**a) Basis of preparation**
The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees, and as adopted by the EU, and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The Group Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000s) except where otherwise indicated.

**b) Significant accounting judgements, estimates and assumptions**
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year and the amounts reported for assets and liabilities at the balance sheet date. In addition management are required to make judgements, estimates and assumptions in assessing the fair value of assets and liabilities recognised as a result of acquisitions. In particular, this fair value exercise involves categorising intangible assets into appropriate categories and attributing useful lives to these categories of assets. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the calculation of the provisions for future purchase of non-controlling interests (see note 22), the measurement and impairment of goodwill and the estimation of share based payment costs. The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash generating unit to which goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 13). The estimation of share based payment costs requires the selection of an appropriate model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees (see note 26).

In the process of applying the Group's accounting policies, management has made the following judgement regarding taxation. The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authorities concerned.

**c) Basis of consolidation**
The consolidated financial information combines the Financial Statements of the Company and all its subsidiary undertakings.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. Fair values are attributed to the Group's share of net assets. Contingent payments are classified as debt and subsequently re measured through the Income Statement. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised (see note 13). In the case of subsequent acquisitions of non-controlling interests in subsidiary undertakings, the difference between the consideration payable for the additional interest in the subsidiary undertaking and the non-controlling interest's share of the assets and liabilities reflected in the Consolidated Balance Sheet at the date of acquisition of the non-controlling interest has been treated as goodwill. In the case of non-controlling interests subject to non-controlling put options, provisions are made at the time of acquisition for the estimated future costs required to settle put options held by non-controlling shareholders over non-controlling interest shares, should said put options be exercised (see note 22). All acquisition related costs are expensed through the Income Statement.

Results are consolidated from the date of acquisition of a subsidiary undertaking in the case of subsidiary undertakings acquired during the year and to the date of disposal in the case of subsidiary undertakings sold during the year. Results of companies sold or businesses discontinued during the year are shown as discontinued operations in the Income Statement in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations".

**1. Statement of Accounting Policies** continued

**d) Foreign currencies**
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Sterling, which is the Company's functional and the Group's presentational currency. Monetary assets and liabilities expressed in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial year. Trading activities are translated into Sterling at the rate of exchange ruling at the date of the transaction. Any resultant gain or loss on exchange is shown as part of the year's profit or loss from continuing operations.

Profits and losses of overseas subsidiary undertakings are translated into Sterling at average rates for the year. The balance sheets of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are recognised as a separate component of equity.

Net exchange differences classified as equity are separately tracked and the cumulative amount disclosed as a translation reserve.

**e) Revenue**
Revenue represents the invoiced value of goods sold and services provided during the period, stated net of Value Added Tax. Subscription revenue is allocated to the relevant accounting periods covered by the subscription on a straight line basis or weighted in accordance with the timing of the service provided. Event revenue is recognised in the month that the event takes place. Hard copy advertising revenue is recognised on publication. Online directory advertising revenue is recognised over the period that the advertisement remains online. Subscriptions and fees in advance are carried forward in trade and other payables as deferred revenue and recognised over the period the service is provided.

Sales of goods are recognised when the Group has dispatched the goods to the customer, the customer has accepted the goods and collectability of the related receivables is reasonably assured.

**f) Segmental reporting**
Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors ("The Board") which is considered as the Group's chief operating decision maker. The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of the Group between the UK and overseas.

**g) Non-recurring items**
Items which the Board consider to be of a one-off nature are shown as non-recurring items in the Group's Income Statement.

**h) Current and deferred income tax**
The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiary undertakings operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**i) Dividends**
Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's Shareholders.

# Notes to the Financial Statements continued

**1. Statement of Accounting Policies** continued

**j) Goodwill**
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is not amortised. Instead it is subject to an annual impairment review using discounted cash flows based on an appropriate weighted average cost of capital.

Goodwill is allocated to cash generating units ("CGU's") for the purpose of impairment testing. The recoverable amount of goodwill is determined from value in use calculations for each CGU using pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using estimated long-term growth rates.

**k) Intangible assets**
Publishing rights, titles and benefits are capitalised and amortised through the Income Statement on a straight line basis over their estimated useful lives not exceeding 20 years.

Computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is recorded as an intangible asset and amortised through the Income Statement over its estimated useful life not exceeding three years.

**l) Property, plant and equipment**
Property, plant and equipment is stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs of bringing the asset to its working condition for its intended use. Depreciation is not provided on freehold land. On other assets it is provided at the following annual rates, on a straight-line basis, in order to write down each asset to its residual value over its estimated useful life.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

The carrying values of property, plant and equipment are reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**m) Investments**
Fixed asset investments, which all relate to investments in subsidiary undertakings, are stated at cost less provision for any impairment in value.

**n) Inventories**
Inventories 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.

**o) Cash and cash equivalents**
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**p) Trade receivables**
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.
If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

1. **Statement of Accounting Policies** continued

### q) Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if due within one year or less (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### r) Financial assets
The Group classifies its non-derivative financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognised at fair value (the transaction price plus directly attributable transaction costs).

### Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities over 12 months after the balance sheet date. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the Balance Sheet. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income where the loans and receivables are derecognised or impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### s) Derivative financial instruments and hedging
The Group uses derivative financial instruments including interest rate swaps and forward currency contracts to hedge its risks associated with interest rate fluctuations and foreign exchange exposure respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative financial instrument within a derivative contract is entered into and are subsequently re-measured at fair value determined by external valuations at each reporting date.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to the Income Statement.

The Group and Company designate derivatives as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### Cash flow hedge
The effective portion of the fair value gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the Income Statement. Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowing is recognised in the Income Statement within "finance costs".

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the Income Statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the Income Statement.

**1. Statement of Accounting Policies** continued

**t) Provisions for future purchase of non-controlling interests**
On the acquisition of less than 100% of certain subsidiary undertakings, the Group enters into put and call options with the holders of the shares not owned by the Group, to purchase their interest at a later date.

These written put options are gross-settled (i.e. the entity pays cash in return for the counterparty delivering shares), and hence are recognised as a financial liability at the discounted value of the amount payable. The liability recognised may be subject to a cap based on the individual agreements with the counterparties.

As the price under the option is calculated using a formula based on the average audited profits for the previous two years at the time of exercise, the financial liability is re-measured at the year end based on the latest forecasts of profitability (consistent with those used in the impairment test on goodwill and discounted at a rate of 10% (2010: 10%) to reflect the time value of money) and assuming the put options are exercised at the first available opportunity. The unwinding of the discount on these provisions is reflected as a finance charge in the Income Statement over the discounting period. Any remaining change in value for legacy transactions is reflected in goodwill.

Where the put option is ultimately exercised, the amount recognised as the financial liability at that date will be extinguished by the payment of the exercise price. Where the put option expires unexercised, the liability is reversed.

**u) Pension scheme arrangements**
The Group does not operate a defined benefit scheme.

The Group contributes to defined contribution pension plans for a number of employees. Contributions to these arrangements are charged in the Income Statement in the period in which they are incurred. The Group has no further payment obligation once the contributions have been paid.

**v) Share based payments**
The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options and awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified existing conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to the share option reserve within equity.

**w) Operating leases**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals incurred in respect of operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

**x) Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital ("Treasury Shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

**1. Statement of Accounting Policies** continued

**y) New standards and interpretations applied**

The following new amendment to standards or interpretations is mandatory for the first time for the financial year beginning 1 July 2010:

• IFRIC 19 (amendment), "Extinguishing Financial Liabilities with Equity Instruments" effective for accounting periods beginning on or after 1 July 2010. These Financial Statements have been prepared in accordance with this amendment

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2010, but are not currently relevant for the Group:

• IFRS 5 (amendment), "Non-current assets held for sale and discontinued operations" effective for accounting periods beginning on or after 1 January 2010.
• IFRS 1 (amendment), "Additional exemptions for first – time adopters" effective for accounting periods beginning on or after 1 January 2010. This amendment is not relevant to the Group as it is an existing IFRS preparer.
• IFRS 1 (amendment), "First time adoption of financial instrument disclosures" effective for accounting periods beginning on or after 1 July 2010. This amendment is not relevant to the Group as it is an existing IFRS preparer.
• Annual improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.
• IFRS 2 (amendment), "Share based payments – Group cash-settled share based payment transactions" effective for accounting periods beginning on or after 1 January 2010.
• IAS 32 (amendment), "Financial instruments – presentation on classification of rights issues" effective for accounting periods beginning on or after 1 February 2010.

**z) New standards and interpretations not applied**

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted:

• IFRS 9, "Financial instruments" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IFRS 10, "Consolidated Financial Statements" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IFRS 11, "Joint Arrangements" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IFRS 12, "Disclosure of Involvement with other Entities" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IAS 24 (revised), "Related party disclosures" effective for accounting periods beginning on or after 1 January 2011. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IAS 27 (revised), "Separate Financial Statements" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IAS 28 (revised), "Investments in Associates" effective for accounting periods beginning on or after 1 January 2013. Management will assess the impact on the Group of this standard prior to its effective date of implementation.
• IFRIC 14 (amendment), "Prepayments of a minimum funding requirement" effective for accounting periods beginning on or after 1 January 2011.This amendment is not expected to be relevant to the Group.
• Annual improvements to International Financial Reporting Standards 2010 effective for accounting periods beginning on or after 1 January 2011. Management will assess the impact on the Group of these improvements prior to their effective date of implementation.

## 2. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors, which is considered to be the Group's chief operating decision maker.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of the Group between the UK and overseas.

### (a) Business segments

**Year ended 30 June 2011**

| | Training & Events £'000 | Publishing & Information £'000 | Total £'000 |
|---|---|---|---|
| Revenue | 43,594 | 40,185 | 83,779 |
| Segmental profit before amortisation and share based payments | 6,475 | 10,590 | 17,065 |
| Amortisation | (1,666) | (3,925) | (5,591) |
| Share based payments | (179) | (353) | (532) |
| Segmental profit after amortisation and share based payments | 4,630 | 6,312 | 10,942 |
| Unallocated central overheads (includes amortisation of £120,000 and share based payments of £102,000) | | | (2,345) |
| Profit from continuing operations before non-recurring items | | | 8,597 |
| Non-recurring items (see note 5) | | | (715) |
| Profit from continuing operations after non-recurring items | | | 7,882 |
| Net finance costs (see note 6) | | | (1,805) |
| Profit on continuing activities before tax | | | 6,077 |
| Income tax expense (see note 7) | | | (1,448) |
| Profit on continuing activities after tax | | | 4,629 |

Year ended 30 June 2010

| | Training & Events £'000 | Publishing & Information £'000 | Total £'000 |
|---|---|---|---|
| Revenue | 42,958 | 35,446 | 78,404 |
| Segmental profit before amortisation and share based payments | 6,584 | 10,279 | 16,863 |
| Amortisation | (2,321) | (2,430) | (4,751) |
| Share based payments | (30) | (18) | (48) |
| Segmental profit after amortisation and share based payments | 4,233 | 7,831 | 12,064 |
| Unallocated central overheads (includes amortisation of £131,000 and share based payments of £198,000) | | | (2,755) |
| Profit from continuing operations before non-recurring items | | | 9,309 |
| Non-recurring items (see note 5) | | | (113) |
| Profit from continuing operations after non-recurring items | | | 9,196 |
| Net finance costs (see note 6) | | | (1,867) |
| Profit on continuing activities before tax | | | 7,329 |
| Income tax expense (see note 7) | | | (2,531) |
| Profit on continuing activities after tax | | | 4,798 |

Unallocated central overheads represent head office costs that are not specifically allocated to segments.

## 2. Segmental information continued

### (b) Segmental information by geography

The geographical analysis of revenue by destination is as follows:

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| United Kingdom | 61,680 | 61,755 |
| Overseas | 22,099 | 16,649 |
| | 83,779 | 78,404 |

## 3. Adjusted profit

To allow Shareholders to gain a better understanding of the trading performance of the Group, Adjusted Profit has been calculated as profit before income tax, amortisation of intangible assets, impairment of goodwill, unwinding of the discount on the provisions for the future purchase of non-controlling interests, share based payments and non-recurring items and reconciles to profit on continuing activities before income tax as follows:

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| Profit from continuing activities before taxation | 6,077 | 7,329 |
| Amortisation of intangible assets | 5,711 | 4,882 |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests (see note 6) | 265 | 542 |
| Share based payments | 634 | 246 |
| Non-recurring items (see note 5) | 715 | 113 |
| Adjusted profit before income tax ("Adjusted Profit before Tax") | 13,402 | 13,112 |
| Net finance costs (excluding the unwinding of the discount on the provisions for the future purchase of non-controlling interests) | 1,540 | 1,325 |
| Adjusted Profit before Tax and net finance costs ("Adjusted EBITA") | 14,942 | 14,437 |
| Depreciation | 900 | 1,130 |
| Adjusted EBITA before depreciation ("Adjusted EBITDA") | 15,842 | 15,567 |

## 4. Operating expenses

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| Distribution and selling costs | 16,936 | 16,570 |
| Administrative expenses (excluding amortisation of intangible assets) | 27,072 | 22,810 |
| | 44,008 | 39,380 |
| Amortisation of intangible assets (administrative expense) | 5,711 | 4,882 |
| Total operating expenses before non-recurring items | 49,719 | 44,262 |

# Notes to the Financial Statements continued

### 5. Profit from continuing operations

Profit for the year from continuing operations is stated after charging/(crediting):

| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment (see note 15) | **900** | 1,130 |
| Amortisation of intangible assets (see note 14) | **5,711** | 4,882 |
| Loss on sale of property, plant and equipment | **15** | 74 |
| Loss on sale of intangible assets | **19** | – |
| Rentals under operating leases: | | |
| – Plant and machinery | **–** | – |
| – Land and buildings | **104** | 171 |
| Non-recurring items (see below) | **715** | 113 |
| Share based payments (including social security costs) | **634** | 246 |
| Foreign exchange loss | **34** | 35 |
| Fees payable to the Company's Auditor for the audit of the Company and Consolidated Financial Statements | **87** | 80 |
| Fees payable to the Company's Auditor and its associates for other services: | | |
| – The audit of the Company's subsidiary undertakings pursuant to legislation | **187** | 135 |
| – Other services pursuant to legislation | **60** | 15 |
| – Tax compliance services | **76** | 78 |
| – Other services | **24** | 78 |

Non-recurring items:

The following items of an unusual nature, size or incidence have been charged to profit during the year and shown as non-recurring items:

| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|
| Costs written off relating to both successful and abortive acquisitions | **565** | 113 |
| Costs relating to the termination of the mergers and acquisition department | **150** | – |
| Total non-recurring costs | **715** | 113 |

### 6. Finance income and costs

| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|
| Finance income comprises: | | |
| Bank interest receivable | **20** | 7 |
| Finance costs comprise: | | |
| Interest payable on bank loans and overdrafts | **(1,300)** | (1,072) |
| Facility fees | **(260)** | (260) |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests | **(265)** | (542) |
| | **(1,825)** | (1,874) |

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### 7. Income tax expense

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| The tax charge comprises: | | |
| UK corporation tax at current rates | 2,509 | 2,952 |
| Adjustment to tax charge in respect of previous years | (88) | 51 |
| | 2,421 | 3,003 |
| Foreign tax | 909 | 716 |
| Adjustment to foreign tax charge in respect of previous years | (18) | 99 |
| Total current tax | 3,312 | 3,818 |
| Deferred income tax credit (see note 24) | (1,270) | (1,191) |
| Deferred income tax credit in respect of previous years including the effect of change of corporation tax rate (see note 24) | (594) | (96) |
| Income tax expense | 1,448 | 2,531 |

Factors affecting the tax charge for the year:

The tax assessed for the year is lower (2010: higher) than the effective rate of corporation tax in the UK of 27.5% (2010: 28%) for the year ended 30 June 2011. The differences are explained below:

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| Reconciliation of tax charge: | | |
| Profit on ordinary activities before tax | 6,077 | 7,329 |
| Profit on ordinary activities multiplied by the "effective" rate of corporation tax in the year of 27.5% (2010: 28%) | 1,671 | 2,052 |
| Effect of: | | |
| Depreciation and amortisation in excess of capital allowances | 161 | 142 |
| Foreign tax rate differences | 118 | (1) |
| Adjustment to tax charge in respect of previous years | (122) | 54 |
| Acquisition costs not allowed for tax | 78 | – |
| Put option discount not deductible for tax | 73 | 152 |
| Other items not subject to tax | 47 | 132 |
| Effect on deferred tax of change of corporation tax rate from 28% to 26% | (578) | – |
| Income tax expense | 1,448 | 2,531 |

During the year, the UK corporation tax rate was reduced from 28% to 26% on 1 April 2011. The deferred tax balances have been re-measured at this rate, giving rise to a reduction in the net deferred tax liability of £578,000. In addition, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these Financial Statements.

### 8. Discontinued operations

During the year ended 30 June 2011 and in the comparative period, no operations met the definition of discontinued operations.

# Notes to the Financial Statements continued

### 9. Dividends

Amounts recognised as distributions to Equity Shareholders in the year:

| | **Year ended 30 June 2011 pence per share** | Year ended 30 June 2010 pence per share | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|---|---|
| Final dividends recognised as distributions in the year | **3.5** | 4.7 | **2,901** | 3,881 |
| Interim dividends recognised as distributions in the year | **3.5** | 3.5 | **2,894** | 2,892 |
| Total dividends paid | | | **5,795** | 6,773 |
| Final dividend proposed | **3.5** | 3.5 | **3,014** | 2,892 |

### 10. Earnings per share

Adjusted Earnings per Share has been calculated using an adjusted profit after taxation and non-controlling interests but before amortisation and impairment of intangible assets and goodwill, non-recurring items, share based payments and the unwinding of the discount on the provisions for the future purchase of non-controlling interests. There were no discontinued operations during the period or for the comparative period.

The calculation of the basic and diluted earnings per share is based on the following data:

| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|
| Earnings from continuing operations for the purpose of basic earnings per share | **4,306** | 4,447 |
| Add: Amortisation (net of non-controlling interest effect) | **5,697** | 4,867 |
| Non-recurring items | **715** | 113 |
| Share based payments | **634** | 246 |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests | **265** | 542 |
| Tax effect | **(1,860)** | (1,463) |
| Adjusted earnings for the purposes of adjusted earnings per share | **9,757** | 8,752 |
| | **Number** | Number |
| Weighted average number of ordinary shares for the purposes of basic and adjusted earnings per share | **82,788,676** | 82,616,512 |
| Effect of dilutive potential ordinary shares: Exercise of share options and awards | **2,142,271** | 1,266,280 |
| Weighted average number of ordinary shares for the purposes of diluted and adjusted diluted earnings per share | **84,930,947** | 83,882,792 |
| Basic earnings per share | **5.20p** | 5.38p |
| Diluted earnings per share | **5.07p** | 5.30p |
| Adjusted basic earnings per share ("Adjusted Earnings Per Share") | **11.79p** | 10.59p |
| Adjusted diluted earnings per share | **11.49p** | 10.43p |

### 11. Results of Wilmington Group plc

Of the results for the year, a profit of £4,908,000 (2010: £7,959,000) relates to Wilmington Group plc, the Parent Company. Pursuant to Section 408 of the Companies Act 2006 the Company's own Income Statement and Statement of Comprehensive Income are not presented separately in these Financial Statements.

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## 12. Acquisitions and disposals

### Business combinations

On 21 September 2010, Wilmington Group Plc's wholly owned subsidiary Wilmington Publishing & Information Limited acquired 100% of the issued share capital of Axco Insurance Information Services Limited ("Axco"), the leading provider of international compliance and regulatory information for the global insurance industry, for an initial consideration of £21,325,000. Deferred consideration which, under the acquisition agreement, was capped at £675,000 did not become payable. Instead, a repayment of £31,000 has been received from the vendors. This was calculated by reference to the net current assets of Axco at 30 September 2010.

IFRS 3 (revised) was applied to the acquisition of Axco on 21 September 2010.

Acquisition-related costs of £282,000 have been recognised as part of the non-recurring items in the Income Statement (see note 5). These would previously have been included in the consideration for the business combination.

The acquisition improves the quality of the Group's earnings by increasing the proportion of revenues derived from subscriptions and the extent to which the revenue is derived from "must have" intelligence. The acquisition is expected to increase the Group's presence in legal and regulatory information and training.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | £'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 21,325 |
| Deferred consideration | (31) |
| Total purchase consideration | 21,294 |

The fair value assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair value £'000 |
|---|---|
| Data | 12,167 |
| Customer relationships | 3,163 |
| Brand | 593 |
| Total intangible assets (see note 14) | 15,923 |
| Property, plant and equipment (see note 15) | 73 |
| Cash and cash equivalents | 1,406 |
| Trade and other receivables | 910 |
| Subscriptions and deferred revenue | (2,372) |
| Trade and other payables | (426) |
| Income tax liabilities | (302) |
| Net deferred tax liabilities | (4,310) |
| Net identifiable assets acquired | 10,902 |
| Goodwill (see note 13) | 10,392 |
| | 21,294 |

The goodwill is attributable to Axco's strong position and profitability in trading in the international compliance and regulatory information market, the new product development potential and synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

### (a) Acquired receivables

The fair value of trade and other receivables is £910,000 and includes trade receivables with a fair value of £857,000. The gross contractual amount for trade receivables due is £858,000, of which £1,000 is expected to be uncollectible.

**12. Acquisitions and disposals** continued

**(b) Revenue and profit contribution**
The acquired business contributed revenues of £4,903,000 and profit after finance costs, but before divisional overheads, tax and amortisation of £1,148,000 to the Group for the period from 30 September 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated adjusted profit before tax and amortisation for the twelve months ended 30 June 2011 would have been £85,331,000 and £12,156,000 respectively.

**Other acquisitions**
On 10 June 2011, Wilmington Group Plc's wholly owned subsidiary Wilmington Publishing & Information Limited acquired the asset "Kemps" from Reed Business Information Limited. All consideration is deferred and is capped at £1,500,000. The anticipated consideration payable has been discounted to reflect the estimated cost of money.

IFRS 3 (revised) was applied to the acquisition of Kemps.

Acquisition-related costs of £45,000 have been recognised as part of the non-recurring items in the Income Statement (see note 5). These would previously have been included in the consideration for the business combination.

The acquisition was made to complement the Groups' existing position in the film and TV information market. It is envisaged that the combined business will benefit from a wider geographic coverage of the market.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| | £'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | – |
| Deferred consideration | 866 |
| Total purchase consideration | 866 |

The provisional fair value assets and liabilities recognised as a result of the acquisition are as follows:

| | Provisional fair value £'000 |
|---|---|
| Data/Content | 529 |
| Customer relationships | 261 |
| Brand | 48 |
| Total intangible assets (see note 14) | 838 |
| Trade and other receivables | 119 |
| Subscriptions and deferred revenue | (412) |
| Trade and other payables | (119) |
| Net identifiable assets acquired | 426 |
| Provisional goodwill (see note 13) | 440 |
| | 866 |

The goodwill is attributable to Kemp's position in the international market for film & TV and also to the synergies expected with the integration within the Media division.

**(a) Acquired receivables**
The fair value of trade and other receivables is £119,000 which comprises of trade receivables only.

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**12. Acquisitions and disposals** continued

**(b) Revenue and profit contribution**
The acquired business contributed revenues of £42,000 and profit before divisional overheads, tax and amortisation of £9,000 to the Group for the period from 10 June 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated adjusted profit before tax and amortisation for the twelve months ended 30 June 2011 (including the full year effect of Axco) would have been £86,043,000 and £12,400,000 respectively.

**Non-controlling interests acquired**
In November 2010 the Group purchased an additional 5% shareholding in Beechwood House Publishing Limited ("Beechwood") for £1.2m, taking the Group's holding to 90%. The Group also acquired the remaining 17.3% of Mercia Group Limited for £2.6m thus making it a wholly owned subsidiary.

**Disposals**
There were no disposals of subsidiary undertakings during the year.

## 13. Goodwill

| | £'000 |
|---|---|
| **Cost** | |
| At 1 July 2009 | 65,151 |
| Change in provisions for the future purchase of non-controlling interests (see note 22) | 771 |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 27) | 105 |
| At 30 June 2010 | 66,027 |
| Acquisitions (see note 12) | 10,832 |
| Change in provisions for the future purchase of non-controlling interests (see note 22) | 549 |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 27) | 23 |
| **At 30 June 2011** | **77,431** |
| **Impairment** | |
| At 1 July 2009 and 1 July 2010 | 2,750 |
| Charge for the year | – |
| **At 30 June 2011** | **2,750** |
| **Net book amount** | |
| **At 30 June 2011** | **74,681** |
| At 30 June 2010 | 63,277 |
| At 1 July 2009 | 62,401 |

Goodwill of £52,607,000 (2010: £51,256,000) relates to the Group's Training & Events division. The remaining goodwill of £22,074,000 (2010: £12,021,000) relates to the Group's Publishing & Information division. The major constituents of the Training & Events Division are £32,696,000 (2010: £32,696,000) in respect of the Central Law Training cash generating unit, £6,577,000 (2010: £6,084,000) in respect of The Matchett Group and £6,830,000 (2010: £6,830,000) in respect of Bond Solon. The major constituent of the Publishing & Information Division's goodwill is £7,123,000 (2010: £6,691,000) in respect of Waterlow Professional Publishing cash generating unit and £10,392,000 (2010: nil) in respect of Axco.

**13. Goodwill** continued
The Group tests goodwill annually for impairment. The recoverable amount of the goodwill is determined from value in use calculations for each cash generating unit ("CGU"). These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using estimated long term growth rates.

Key assumptions for the value in use calculations are those regarding discount rates and long term growth rates. Management has used a pre-tax discount rate of 11.1% (2010: 11.1%) that reflects current market assessments for the time value of money and the risks associated with the CGUs as the Group manages its treasury function on a Group wide basis. The same discount rate has been used for all CGU's as the Directors believe that the risks are the same for each CGU. The long term growth rates used are based on management's expectations of future changes in the markets for each CGU and fall within the range of a negative 5% to a positive 1.25%.

Management has performed sensitivity analyses on all the impairment calculations by reducing the growth rates by 1% and by increasing the pre-tax discount rate to 12.1%. No impairment charge would be required.

**14. Intangible assets**

| | Group | | | Company |
|---|---|---|---|---|
| | Publishing rights, titles and benefits £'000 | Computer software £'000 | Total £'000 | Computer software £'000 |
| **Cost** | | | | |
| At 1 July 2009 | 42,865 | 2,295 | 45,160 | 442 |
| Additions | 69 | 410 | 479 | 37 |
| Disposals | – | (15) | (15) | – |
| At 1 July 2010 | 42,934 | 2,690 | 45,624 | 479 |
| Additions | 219 | 663 | 882 | 75 |
| Acquisitions | 16,761 | – | 16,761 | – |
| Disposals | – | (65) | (65) | – |
| **At 30 June 2011** | **59,914** | **3,288** | **63,202** | **554** |
| **Amortisation** | | | | |
| At 1 July 2009 | 15,139 | 1,309 | 16,448 | 168 |
| Charge for year | 4,391 | 491 | 4,882 | 129 |
| Disposals | – | (9) | (9) | – |
| At 1 July 2010 | 19,530 | 1,791 | 21,321 | 297 |
| Charge for year | 5,240 | 471 | 5,711 | 120 |
| Disposals | – | (46) | (46) | – |
| **At 30 June 2011** | **24,770** | **2,216** | **26,986** | **417** |
| **Net book amount** | | | | |
| **At 30 June 2011** | **35,144** | **1,072** | **36,216** | **137** |
| At 30 June 2010 | 23,404 | 899 | 24,303 | 182 |
| At 1 July 2009 | 27,726 | 986 | 28,712 | 274 |

### 15. Property, plant and equipment

| Group | Freehold property £'000 | Long leasehold property £'000 | Short leasehold property £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 July 2009 | 3,676 | 3,944 | 188 | 3,962 | 4,879 | 322 | 16,971 |
| Additions | 3 | 45 | 8 | 383 | 70 | 107 | 616 |
| Disposals | – | (15) | (46) | (342) | (486) | (65) | (954) |
| Exchange translation differences | – | – | – | 9 | (1) | – | 8 |
| At 1 July 2010 | 3,679 | 3,974 | 150 | 4,012 | 4,462 | 364 | 16,641 |
| Additions | 394 | 25 | 5 | 328 | 610 | 101 | 1,463 |
| Acquisitions (see note 12) | – | – | – | 24 | 49 | – | 73 |
| Disposals | – | – | (8) | (5) | (106) | (96) | (215) |
| Exchange translation differences | – | – | 4 | 10 | 25 | – | 39 |
| **At 30 June 2011** | **4,073** | **3,999** | **151** | **4,369** | **5,040** | **369** | **18,001** |
| **Depreciation** | | | | | | | |
| At 1 July 2009 | 437 | 1,581 | 72 | 2,857 | 4,185 | 60 | 9,192 |
| Charge for the year | 62 | 186 | 25 | 407 | 356 | 94 | 1,130 |
| Disposals | – | (3) | (12) | (377) | (425) | (55) | (872) |
| Exchange translation differences | – | – | – | 2 | (3) | – | (1) |
| At 1 July 2010 | 499 | 1,764 | 85 | 2,889 | 4,113 | 99 | 9,449 |
| Charge for the year | 66 | (39) | 16 | 416 | 340 | 101 | 900 |
| Disposals | – | – | – | (6) | (80) | (74) | (160) |
| Exchange translation differences | – | – | – | 8 | 28 | – | 36 |
| **At 30 June 2011** | **565** | **1,725** | **101** | **3,307** | **4,401** | **126** | **10,225** |
| **Net book amount** | | | | | | | |
| **At 30 June 2011** | **3,508** | **2,274** | **50** | **1,062** | **639** | **243** | **7,776** |
| At 30 June 2010 | 3,180 | 2,210 | 65 | 1,123 | 349 | 265 | 7,192 |
| At 1 July 2009 | 3,239 | 2,363 | 116 | 1,105 | 694 | 262 | 7,779 |

Included in freehold property is £1,210,000 (2010: £1,210,000) of non-depreciated land.

Depreciation within property, plant and equipment is charged to operating expenses within the Income Statement.

# Notes to the Financial Statements continued

**15. Property, plant and equipment** continued

| Company | Long leasehold property £'000 | Short leasehold property £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2009 | 2,789 | 31 | 34 | 146 | 3,000 |
| Additions | – | – | 8 | 9 | 17 |
| Disposals | – | – | – | (18) | (18) |
| At 1 July 2010 | 2,789 | 31 | 42 | 137 | 2,999 |
| Additions | – | – | – | 34 | 34 |
| **At 30 June 2011** | **2,789** | **31** | **42** | **171** | **3,033** |
| **Depreciation** | | | | | |
| At 1 July 2009 | 1,339 | 17 | 32 | 85 | 1,473 |
| Charge for the year | 147 | 9 | 1 | 27 | 184 |
| Disposals | – | – | – | (18) | (18) |
| At 1 July 2010 | 1,486 | 26 | 33 | 94 | 1,639 |
| Charge for the year | (63) | 3 | 3 | 29 | (28) |
| **At 30 June 2011** | **1,423** | **29** | **36** | **123** | **1,611** |
| **Net book amount** | | | | | |
| **At 30 June 2011** | **1,366** | **2** | **6** | **48** | **1,422** |
| At 30 June 2010 | 1,303 | 5 | 9 | 43 | 1,360 |
| At 1 July 2009 | 1,450 | 14 | 2 | 61 | 1,527 |

**16. Investments**

| Company | Shares in subsidiary undertakings £'000 |
|---|---|
| Cost less provision at 1 July 2009 and 30 June 2010 | 41,285 |
| Additional investment in subsidiary undertaking (note 29) | 1,746 |
| Share based payments made on behalf of subsidiary undertakings | 590 |
| **Cost less provision at 30 June 2011** | **43,621** |

**16. Investments** continued

At 30 June 2011, the principal subsidiary undertakings listed below were all owned by the Company. All have ordinary share capital. Except where indicated, all of the principal subsidiary undertakings were incorporated in and principally operated in Great Britain. Subsidiary undertakings marked (*) are indirectly owned.

| Name of company | Business | Percentage owned |
|---|---|---|
| **Training & Events** | | |
| Wilmington Training & Events Limited (formerly CLT Group Limited) | Holding company | 100 |
| Central Law Training Limited* | Professional education, post qualification training and legal conferences | 100 |
| CLT International Limited* | Certified professional training | 100 |
| Central Law Training (Scotland) Limited* | Professional education, post qualification training and legal conferences | 80 |
| Bond Solon Training Limited* | Witness training and conferences | 100 |
| Quorum Training Limited* | Financial training courses | 100 |
| International Compliance Training Limited* | Training courses in international compliance and money laundering | 100 |
| International Compliance Training (Singapore) Limited* (incorporated and operates in Singapore) | Training courses in international compliance and money laundering | 100 |
| International Compliance Training (Middle East) LLC* (incorporated and operates in UAE) | Training courses in international compliance and money laundering | 100 |
| La Touche Bond Solon Training Limited* (incorporated and operates in Ireland) | Witness and post qualification legal training | 100 |
| The Matchett Group Limited* | Provision of professional training | 80 |
| John Matchett Limited* | Provision of professional training and support services | 80 |
| Adkins & Matchett (UK) Limited* | Provision of professional training | 80 |
| Adkins, Matchett & Toy Limited* (incorporated and operates in the USA) | Provision of professional training | 80 |
| Adkins, Matchett & Toy (Hong Kong) Limited* (incorporated and operates in Hong Kong) | Provision of professional training | 80 |
| AMT Training (India) Pvt Limited* (incorporated and operates in India) | Provision of professional training | 80 |
| Clientzone Limited* | Support services to the accountancy profession | 51 |
| Mercia Group Limited* | Training and support services to the accountancy profession | 100 |
| Mercia NI Limited* (incorporated and operates in Northern Ireland) | Training and support services to the accountancy profession | 60 |
| Mercia Ireland Limited* (incorporated and operates in Ireland) | Training and support services to the accountancy profession | 60 |
| Practice Track Limited* | Marketing support services for the accountancy profession | 100 |
| Ark Group Limited* | Holding company | 100 |
| Ark Conferences Limited* | Provision of information and events for professional practice management | 100 |
| Ark Group Australia Pty Limited* (incorporated and operates in Australia) | Provision of information and events for professional practice management | 100 |
| **Publishing & Information** | | |
| Wilmington Publishing & Information Limited (formerly Waterlow Legal and Regulatory Limited) | Provision of information and events for professional markets | 100 |
| Wilmington Business Information Limited | Holding company | 100 |
| Axco Insurance Information Services Limited* | Provision of international compliance and regulatory information for the global insurance industry | 100 |
| Hollis Directories Limited* | Holding company | 100 |
| Hollis Publishing Limited* | Provision of reference information to the public relations market | 100 |
| Beechwood House Publishing Limited* | Provision of reference information to the healthcare industry | 90 |
| Pendragon Professional Information Limited* | Provision of information for professionals in the pensions industry | 100 |
| Smee and Ford Limited* | Provision of legacy information | 100 |
| A.P. Information Services Limited* | Provision of information for professional markets | 100 |
| Aspire Publications Limited* | Provision of information for professional markets | 100 |
| APM International SAS* (incorporated and operates in France) | News information services to the healthcare industry | 100 |
| APM Media SARL* (incorporated and operates in France) | News information services to the healthcare industry | 100 |
| International Company Profile FZ LLC* (incorporated and operates in Dubai) | Provision of financial information | 100 |

Wilmington Business Information Limited owns 90% of Beechwood House Publishing Limited. Wilmington Training & Events Limited owns 80% of Central Law Training (Scotland) Limited. Mercia Group Limited owns 60% of Mercia NI Limited and Mercia Ireland Limited and 51% of Clientzone Limited. Wilmington Training & Events Limited owns 80% of The Matchett Group Limited.

### 17. Inventories

| | Group | |
|---|---|---|
| | **30 June 2011 £'000** | 30 June 2010 £'000 |
| Raw materials | **8** | 11 |
| Work in progress | **795** | 1,019 |
| Books held for sale | **25** | 50 |
| | **828** | 1,080 |

### 18. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| **Amounts due within one year** | | | | |
| Trade receivables | **16,451** | 14,891 | **–** | – |
| Other receivables | **1,003** | 1,021 | **2** | 1 |
| Prepayments and accrued income | **4,204** | 2,752 | **247** | 499 |
| | **21,658** | 18,664 | **249** | 500 |
| **Amounts due after more than one year** | | | | |
| Amounts due from subsidiary undertakings | **–** | – | **71,094** | 62,398 |
| | **21,658** | 18,664 | **71,343** | 62,898 |

Amounts due from subsidiary undertakings are interest free, unsecured and are not due for repayment within 12 months of the balance sheet date.

### 19. Derivative financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| **Current assets – Derivative financial assets** | | | | |
| Forward currency contract | **16** | – | **–** | – |
| **Current liabilities – Derivative financial liabilities** | | | | |
| Forward currency contract | **(46)** | (22) | **–** | – |
| Interest rate swap – cash flow hedge – short term | **(333)** | – | **(333)** | – |
| | **(379)** | (22) | **(333)** | – |
| **Non current liabilities – Derivative financial liabilities** | | | | |
| Interest rate swap – cash flow hedge – long term | **(187)** | (956) | **(187)** | (956) |

Details of these derivative financial instruments are set out in note 23.

### 20. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| Trade payables | **2,986** | 2,654 | **–** | – |
| Other payables | **2,847** | 2,643 | **1,070** | 1,083 |
| Other taxes and social security | **3,465** | 3,006 | **79** | 58 |
| Subscriptions and deferred revenue | **17,889** | 14,246 | **–** | – |
| Accruals | **9,838** | 9,102 | **1,173** | 1,115 |
| Amounts due to subsidiary undertakings | **–** | – | **1** | 2,505 |
| | **37,025** | 31,651 | **2,323** | 4,761 |

Amounts due to subsidiary undertakings are interest free, unsecured and repayable on demand.

### 21. Bank loans and overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| Current liability – bank overdrafts | **2,277** | 600 | **6,557** | 15,911 |
| Non-current liability – bank loans | **40,000** | 18,000 | **40,000** | 18,000 |
| Facility fees | **(1,010)** | – | **(1,010)** | – |
| Bank loans net of facility fees | **38,990** | 18,000 | **38,990** | 18,000 |

The Group has an unsecured committed bank facility of £65m (2010: £70m) to February 2016. The facility currently comprises a revolving credit facility of £60m (2010: £60m) and an overdraft facility of £5m (2010: £5m together with a £5m money market line). At 30 June 2011, £40m of the revolving credit facility was drawn down (2010: £18m). Interest is charged on the amount drawn down at 2.00 to 2.75 percent above LIBOR depending upon leverage. Under the facility, drawdown is made for interest fixture periods of up to six months in duration.

The bank overdrafts are the subject of a Group set-off arrangement. Interest is charged on the overdraft at 2.25% over Barclays bank base rate.

### 22. Provisions for future purchase of non-controlling interests

| | Group | |
|---|---|---|
| | Current provisions £'000 | Non current provisions £'000 |
| At 1 July 2009 | 2,148 | 5,410 |
| Amounts paid in respect of acquisitions of non-controlling interests | (2,194) | – |
| Unwinding of discount | – | 542 |
| Change in value of existing provisions | 46 | 725 |
| Non-current provisions becoming current | 3,530 | (3,530) |
| At 1 July 2010 | 3,530 | 3,147 |
| Amounts paid in respect of acquisitions of non-controlling interests | (3,849) | – |
| Unwinding of discount | – | 265 |
| Change in value of existing provisions | 130 | 419 |
| Option to be settled by issue of equity (see note 29) | (1,746) | – |
| Non-current provisions becoming current | 1,935 | (1,935) |
| **At 30 June 2011** | **–** | **1,896** |

Provisions represent the estimated future cost (discounted to reflect the time value of money) required to settle put options held by non-controlling shareholders over non-controlling interest shares, should said put options be exercised.

The actual settlement timing and value is dependent upon when (and if) the non-controlling shareholders choose to exercise their options and the profitability of the underlying companies at the date of exercise. For the purposes of estimating the above provision, it has been assumed that put options are exercised at the first available opportunity.

The Group purchased an additional 5% shareholding in Beechwood House Publishing Limited ("Beechwood") for £1.2m, taking the Group's holding to 90%. The Group also acquired the remaining 17.3% of Mercia Group Limited for £2.6m thus making it a wholly owned subsidiary.

### 23. Financial Instruments

An explanation of the Group's Treasury policies is set out on page 19.

**Liquidity Risk**

At 30 June 2011, the Group had undrawn committed borrowing facilities of £20m, comprising a bank facility provided by Barclays Capital, HSBC and Royal Bank of Scotland. Any non-compliance with covenants within the borrowing arrangements could, if not waived, constitute an event of default with respect to such arrangements. The Group was fully compliant with its financial covenants throughout each of the years presented.

The Group had available undrawn committed bank facilities as follows:

| | **30 June 2011 £'000** | 30 June 2010 £'000 |
|---|---|---|
| Expiring within one year | **–** | – |
| Expiring after more than one year | **20,000** | 42,000 |
| | **20,000** | 42,000 |

The Group uses bank facilities to manage short and long term liquidity. Information on contractual activity can be found in note 21 to the Financial Statements.

**23. Financial Instruments** continued

The following tables illustrate the maturity profile of contractual maturity of its financial liabilities at 30 June 2011. The amounts disclosed have not been subject to discounting and hence do not necessarily agree to the carrying amounts in the Balance Sheet.

**Group**

| **At 30 June 2011** | **Within 1 Year £'000** | **1 – 2 Years £'000** | **2 – 5 Years £'000** | **More than 5 Years £'000** | **Total £'000** |
|---|---|---|---|---|---|
| Bank overdrafts | **2,277** | **–** | **–** | **–** | **2,277** |
| Bank loans including interest | **1,854** | **1,854** | **44,944** | **–** | **48,652** |
| Trade payables and accruals | **15,671** | **–** | **–** | **–** | **15,671** |
| Provisions for future purchase of non-controlling interests | **–** | **2,007** | **84** | **–** | **2,091** |
| | **19,802** | **3,861** | **45,028** | **–** | **68,691** |

| At 30 June 2010 | Within 1 Year £'000 | 1 – 2 Years £'000 | 2 – 5 Years £'000 | More than 5 Years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Bank overdrafts | 600 | – | – | – | 600 |
| Bank loans including interest | 1,063 | 18,797 | – | – | 19,860 |
| Trade payables and accruals | 14,852 | – | – | – | 14,852 |
| Provisions for future purchase of non-controlling interests | 3,530 | 3,556 | 53 | – | 7,139 |
| | 20,045 | 22,353 | 53 | – | 42,451 |

**Company**

| **At 30 June 2011** | **Within 1 Year £'000** | **1 – 2 Years £'000** | **2 – 5 Years £'000** | **More than 5 Years £'000** | **Total £'000** |
|---|---|---|---|---|---|
| Bank overdrafts | **6,557** | **–** | **–** | **–** | **6,557** |
| Bank loans including interest | **1,854** | **1,854** | **44,944** | **–** | **48,652** |
| Trade payables and accruals | **2,244** | **–** | **–** | **–** | **2,244** |
| | **10,655** | **1,854** | **44,944** | **–** | **57,453** |

| At 30 June 2010 | Within 1 Year £'000 | 1 – 2 Years £'000 | 2 – 5 Years £'000 | More than 5 Years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Bank overdrafts | 15,911 | – | – | – | 15,911 |
| Bank loans including interest | 1,063 | 18,797 | – | – | 19,860 |
| Trade payables and accruals | 4,703 | – | – | – | 4,703 |
| | 21,677 | 18,797 | – | – | 40,474 |

**23. Financial Instruments** continued

**Credit Risk**
The Group's principal financial assets are bank balances and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables estimated by the Group's management based on prior experience and their assessment of the current economic value.

The Group has no significant concentration of credit risk with exposure spread over a large number of customers.

The Company's credit risk in relation to the unlimited cross guarantee with the Group's bankers is referred to in note 28.

Set out below is an analysis of the Group's trade receivables by due date prior to impairment.

| | Not due £'000 | 0 – 30 days £'000 | 30 – 60 days £'000 | Over 60 days £'000 | Total £'000 | Allowances £'000 | Net £'000 |
|---|---|---|---|---|---|---|---|
| **At 30 June 2011** | **10,044** | **3,249** | **1,353** | **2,499** | **17,145** | **(694)** | **16,451** |
| At 30 June 2010 | 10,104 | 2,606 | 953 | 1,754 | 15,417 | (526) | 14,891 |

Set out below is the movement in allowance for bad and doubtful debts relating to trade receivables. The Group considers anything within the 0-30 days category or above as past due, but not impaired, except where specifically provided for.

| | **30 June 2011 £'000** | 30 June 2010 £'000 |
|---|---|---|
| Allowances at 1 July 2010 | **526** | 769 |
| Additions charged to Income Statement | **329** | 302 |
| Allowances used | **(147)** | (87) |
| Allowances reversed | **(14)** | (458) |
| Allowances at 30 June 2011 | **694** | 526 |

**Capital Management**
The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business. Within this policy the Board is mindful of the need to balance these objectives with the efficient use of capital and during the past two years has made purchases of its own shares from time to time (see note 25) and in the light of the availability of credit. Details of the Group's banking arrangements are set out under Liquidity Risk above. The Group monitors capital on the basis of total Shareholder's equity.

**23. Financial Instruments** continued

**Analysis of total financial liabilities and financial assets**

The table below sets out the Group's IAS 39 classification of each of its financial assets and liabilities at 30 June 2011. All amounts are stated at their carrying value.

**Group**

| At 30 June 2011 | Fair value through profit and loss £'000 | Available for sale £'000 | Loans and receivables £'000 | Derivatives used for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | – | – | 2,321 | – | – | 2,321 |
| Bank overdrafts | – | – | – | – | (2,277) | (2,277) |
| Borrowings due after more than one year | – | – | – | – | (38,990) | (38,990) |
| Derivative financial assets | 16 | – | – | – | – | 16 |
| Derivative financial liabilities | (46) | – | – | (520) | (1,896) | (2,462) |
| Other financial assets | – | – | 17,454 | – | – | 17,454 |
| Other financial liabilities | – | – | – | – | (15,671) | (15,671) |
| | (30) | – | 19,775 | (520) | (58,834) | (39,609) |

| At 30 June 2010 | Fair value through profit and loss £'000 | Available for sale £'000 | Loans and receivables £'000 | Derivatives used for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | – | – | 1,779 | – | – | 1,779 |
| Bank overdrafts | – | – | – | – | (600) | (600) |
| Borrowings due after more than one year | – | – | – | – | (18,000) | (18,000) |
| Derivative financial assets | – | – | – | – | – | – |
| Derivative financial liabilities | (22) | – | – | (956) | (6,677) | (7,655) |
| Other financial assets | – | – | 15,912 | – | – | 15,912 |
| Other financial liabilities | – | – | – | – | (14,852) | (14,852) |
| | (22) | – | 17,691 | (956) | (40,129) | (23,416) |

**23. Financial Instruments** continued

**Company**

| At 30 June 2011 | Fair value through profit and loss £'000 | Available for sale £'000 | Loans and receivables £'000 | Derivatives used for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | – | – | 1 | – | – | 1 |
| Bank overdrafts | – | – | – | – | (6,557) | (6,557) |
| Borrowings due after more than one year | – | – | – | – | (38,990) | (38,990) |
| Derivative financial assets | – | – | – | – | – | – |
| Derivative financial liabilities | – | – | – | (520) | – | (520) |
| Other financial assets | – | – | 71,096 | – | – | 71,096 |
| Other financial liabilities | – | – | – | – | (2,244) | (2,244) |
| | – | – | 71,097 | (520) | (47,791) | 22,786 |

| At 30 June 2010 | Fair value through profit and loss £'000 | Available for sale £'000 | Loans and receivables £'000 | Derivatives used for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | – | – | – | – | – | – |
| Bank overdrafts | – | – | – | – | (15,911) | (15,911) |
| Borrowings due after more than one year | – | – | – | – | (18,000) | (18,000) |
| Derivative financial assets | – | – | – | – | – | – |
| Derivative financial liabilities | – | – | – | (956) | – | (956) |
| Other financial assets | – | – | 62,399 | – | – | 62,399 |
| Other financial liabilities | – | – | – | – | (4,703) | (4,703) |
| | – | – | 62,399 | (956) | (38,614) | 22,829 |

Other financial assets comprise current and non-current trade and other receivables. Other financial liabilities comprise trade and other payables and accruals due within and after more than one year.

Derivative liabilities designated at fair value are options between the non-controlling interest holders of subsidiary undertakings and the Group. The options require the Group to purchase a non-controlling shareholding according to a contractual obligation. The liability represents the costs to the Group of buying out these non-controlling interests should the put options be exercised by the non-controlling shareholders. The valuation upon exercise is dependent on the business performance of the subsidiary undertakings at the date the options are exercised.

**Derivative financial instruments**
**Cash flow hedge**
The Group finances its operations through a mixture of retained profits, operational cash flow and bank borrowings. Historically the Group has expanded its operations both organically and by acquisition, which has led on occasions to the need for external finance. The Board has chosen a credit facility with a floating rate of interest linked to LIBOR and has hedged its interest exposure on a proportion of this facility. In November 2006, the Group entered into a 5 year £15m interest rate swap whereby it receives interest on £15m based on 3 month LIBOR and pays interest on £15m at a fixed rate of 5.23%. In November 2010, the Group entered into a further three hedging instruments. Firstly, a 5 year £15m interest rate swap fixed against 3 month LIBOR with a forward start of 21 November 2011 paying interest on £15m at a fixed rate of 2.68% was entered into. Secondly, a cap of 2% was put on a further £10m until November 2011. Finally, in November 2010, a 3 year £10m interest rate swap fixed against 3 month LIBOR with a forward start of 21 November 2011 paying interest on £10m at a fixed rate of 2.12% was entered into. These derivatives have been designated as a cash flow hedge in order to manage interest rate risk associated with the first £25m of the credit facility. Payments received under the swaps have been matched against interest paid quarterly during the period and the entire mark to market loss on the derivatives have been recognised in equity, following the Directors' assessment of the hedge's effectiveness.

**23. Financial Instruments** continued

**Other derivative financial instruments**

The Group has a substantial customer base overseas. The Group maintains bank accounts in foreign currency and converts this currency to Sterling at the appropriate times minimising the exposure to exchange fluctuations. On 10 March 2010, the Group sold forward US$1.0m to 3 December 2010 at an average rate of 1.4972. On 26 January 2011, the Group sold forward US$0.5m to 2 December 2011 at a rate of 1.5881. On 22 June 2011, the Group sold forward US$0.5m to 2 December 2011 at a rate of 1.6188. These contracts were entered into in order to provide certainty in Sterling terms of the bulk of the net US$ income of the Matchett business. On 30 September 2010, the Group sold forward €1.0m to 4 October 2011 at a rate of 1.170. This contract was entered into to provide certainty in Sterling terms of the bulk of the net Euro income of APM. The gains/(losses) on these contracts are recognised in the Income Statement.

**Fair value of financial assets and liabilities**

Set out below is a comparison by class of carrying amounts and fair values of all of the Group's financial assets and liabilities.

| | Book value | | Fair value | |
|---|---|---|---|---|
| **Group** | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | **2,321** | 1,779 | **2,321** | 1,779 |
| Derivative financial assets – fair value through profit and loss | **16** | – | **16** | – |
| Other financial assets | **17,454** | 15,912 | **17,454** | 15,912 |
| | **19,791** | 17,691 | **19,791** | 17,691 |
| **Financial liabilities** | | | | |
| Bank overdraft | **(2,277)** | (600) | **(2,277)** | (600) |
| Bank loans net of facility fees | **(38,990)** | (18,000) | **(38,990)** | (18,000) |
| Derivative financial liabilities – amortised cost | **(1,896)** | (6,677) | **(1,896)** | (6,677) |
| Derivative financial liabilities – fair value through profit and loss | **(46)** | (22) | **(46)** | (22) |
| Derivative financial instruments designated for hedging | **(520)** | (956) | **(520)** | (956) |
| Other financial liabilities | **(15,671)** | (14,852) | **(15,671)** | (14,852) |
| | **(59,400)** | (41,107) | **(59,400)** | (41,107) |

| | Book value | | Fair value | |
|---|---|---|---|---|
| **Company** | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | **1** | – | **1** | – |
| Other financial assets | **71,096** | 62,399 | **71,096** | 62,399 |
| | **71,097** | 62,399 | **71,097** | 62,399 |
| **Financial liabilities** | | | | |
| Bank overdraft | **(6,557)** | (15,911) | **(6,557)** | (15,911) |
| Bank loans net of facility fees | **(38,990)** | (18,000) | **(38,990)** | (18,000) |
| Derivative financial instruments designed for hedging | **(520)** | (956) | **(520)** | (956) |
| Other financial liabilities | **(2,244)** | (4,703) | **(2,244)** | (4,703) |
| | **(48,311)** | (39,570) | **(48,311)** | (39,570) |

# Notes to the Financial Statements continued

**23. Financial Instruments** continued

From 1 July 2010, the Group and Company adopted the amendment to IFRS 7 for financial instruments that are measured in the Balance Sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

**Group**

| **At 30 June 2011** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading derivatives at fair value through the Income Statement | **–** | **16** | **–** | **16** |
| **Total assets** | **–** | **16** | **–** | **16** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Trading derivatives at fair value through the Income Statement | **–** | **46** | **–** | **46** |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | **–** | **520** | **–** | **520** |
| **Total liabilities** | **–** | **566** | **–** | **566** |

| At 30 June 2010 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading derivatives at fair value through the Income Statement | – | – | – | – |
| Total assets | – | – | – | – |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| – Trading derivatives at fair value through the Income Statement | – | 22 | – | 22 |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | – | 956 | – | 956 |
| Total liabilities | – | 978 | – | 978 |

**Company**

| **At 30 June 2011** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | **–** | **520** | **–** | **520** |
| **Total liabilities** | **–** | **520** | **–** | **520** |

| At 30 June 2010 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Liabilities | | | | |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | – | 956 | – | 956 |
| Total liabilities | – | 956 | – | 956 |

## 23. Financial Instruments continued

**Sensitivity Analysis**

The Group has carried out a sensitivity analysis that measures the estimated charge to the Income Statement and equity of a 1% difference in market interest rates applicable at 30 June 2011 with all other measures remaining constant. Similarly, the sensitivity analysis in respect of currency risk measures the estimated charge to the Income Statement and equity of a 10% difference in the market rates of both the US Dollar and Euro, being the two major currencies to which the Group is exposed.

The sensitivity analysis includes the following assumptions:

a) Changes in market interest rates only affect interest income or expense of variable financial instruments.

b) Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

c) Changes in market interest rates do not affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective.

d) Changes in foreign currency rates only affect those items of income and expense and assets and liabilities denominated in the said currencies.

| | Income Statement | | Equity (before tax) | |
|---|---|---|---|---|
| **Interest rate risk** | 100 bps Increase £'000 | 100 bps Decrease £'000 | 100 bps Increase £'000 | 100 bps Decrease £'000 |
| Variable rate instruments | (180) | 146 | (180) | 146 |
| Interest rate swap | – | – | 118 | (118) |
| | (180) | 146 | (62) | 28 |

| | Income Statement | | Equity (before tax) | |
|---|---|---|---|---|
| **Currency risk** | +10% £'000 | –10% £'000 | +10% £'000 | –10% £'000 |
| Cash and cash equivalents | (94) | 94 | (221) | 221 |
| Trade receivables | – | – | (286) | 286 |
| Trade payables | – | – | 356 | (356) |
| Foreign exchange impact on profit | (296) | 296 | (296) | 296 |
| | (390) | 390 | (447) | 447 |

# Notes to the Financial Statements continued

**24. Deferred tax**

Movements on deferred tax are as follows:

| | Group £'000 | Company £'000 |
|---|---|---|
| **Non-current assets** | | |
| Asset at 1 July 2009 | 486 | 303 |
| Deferred tax credit in the Income Statement for the year | 27 | 63 |
| Deferred tax (charge) taken directly in equity for the year | (25) | (25) |
| Asset at 1 July 2010 | 488 | 341 |
| Deferred tax credit in the Income Statement for the year | 66 | 9 |
| Prior year deferred tax adjustment | 10 | – |
| Deferred tax (charge) taken directly in equity for the year | (229) | (133) |
| **Asset at 30 June 2011** | **335** | **217** |

The deferred tax asset arises as a result of tax on holiday pay provisions, share based payments and fair value interest rate swap losses.

| | Group £'000 | Company £'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Liability at 1 July 2009 | 6,685 | 14 |
| Deferred tax (credit) in the Income Statement for the year | (1,260) | – |
| Liability at 1 July 2010 | 5,425 | 14 |
| Deferred tax liability arising on acquisitions (see note 12) | 4,310 | – |
| Deferred tax (credit) in the Income Statement for the year | (1,204) | (14) |
| Prior year deferred tax adjustment | (584) | – |
| Exchange translation differences | (9) | – |
| **Liability at 30 June 2011** | **7,938** | **–** |

The deferred tax liability arises as a result of accelerated tax depreciation and amortisation.

**25. Share capital**

| | Number of ordinary shares of 5p Each | Ordinary shares £'000 | Share premium account £'000 | Obligation to issue shares £'000 | Treasury shares £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Authorised** | | | | | | |
| At 1 July 2010 | 110,000,000 | 5,500 | | | | |
| At 30 June 2011 | 110,000,000 | 5,500 | | | | |
| **Allotted, called-up and fully paid ordinary shares** | | | | | | |
| At 1 July 2010 | 84,577,679 | 4,229 | 43,493 | – | (4,008) | 43,714 |
| Proceeds from shares issued under Employee share option schemes and awards | 236,302 | 12 | 299 | – | – | 311 |
| Obligation to issue shares (see note 29) | – | – | – | 1,746 | – | 1,746 |
| **At 30 June 2011** | **84,813,981** | **4,241** | **43,792** | **1,746** | **(4,008)** | **45,771** |

During the year, 236,302 ordinary shares were issued in respect of share options and awards exercised by members of staff (including Directors). The Company did not buy back any shares during the year (2010: nil). At 30 June 2011, 1,942,000 shares were held in Treasury (2010: 1,942,000).

### 26. Share based payments

Details of Directors' share options and awards are set out in the Report on Directors' Remuneration. Employees of the Group (including Directors) hold options to subscribe for ordinary shares as follows:

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

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 30 June 2010 | Options exercised during year | Options lapsed during year | **Number of shares for which options outstanding at 30 June 2011** |
|---|---|---|---|---|---|---|
| 2004 | 118.5p | Mar 2007-Mar 2011 | 140,000 | (140,000) | – | **–** |

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

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 30 June 2010 | Options exercised during year | Options lapsed during year | **Number of shares for which options outstanding at 30 June 2011** |
|---|---|---|---|---|---|---|
| 2000 | 316.5p | Nov 2003-Nov 2010 | 58,750 | – | (58,750) | **–** |
| 2001 | 217.5p | Jun 2004-Jun 2011 | 48,210 | – | (48,210) | **–** |
| 2002 | 170p | May 2005-May 2012 | 17,600 | – | – | **17,600** |
| 2004 | 118.5p | Mar 2007-Mar 2014 | 67,500 | (20,000) | – | **47,500** |

Criteria for the exercise of options issued under the 1995 Unapproved Share Option and the 1999 Approved Share Option Schemes include a minimum three year interval before first exercise for options granted prior to March 2003. The increase in Adjusted Earnings per Share of the Company must be at least as great as the growth in the FTSE All Share Index over the same period. For options granted since March 2003 the increase in Adjusted Earnings per Share must have grown by a percentage which is not less than the percentage increase during the relevant period in the Retail Price Index plus 2% or 3% for each year up to the exercise date. If options remain unexercised after a period of 7 years from the date of the grant the option expires. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Both the 1995 and 1999 options were valued using the Black Scholes model with the following assumptions:

| | |
|---|---|
| Expected volatility (%) | 25 |
| Expected life (years) | 5 |
| Risk free rate (%) | 5 |
| Expected dividends (%) | 3 |

Expected volatility was determined by reference to the historical volatility of the Group's share price. The expected life used in the model is the mid point of the exercise period.

**26. Share based payments** continued

| | Year ended 30 June 2011 | | Year ended 30 June 2010 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price (pence) | Number | Weighted average exercise price (pence) |
| Outstanding at 1 July | 332,060 | 170.63 | 499,960 | 207.04 |
| Granted | – | – | – | – |
| Lapsed | (106,960) | 271.88 | (147,900) | 300.74 |
| Exercised | (160,000) | 118.50 | (20,000) | 118.50 |
| Outstanding at 30 June | 65,100 | 132.42 | 332,060 | 170.63 |
| Exercisable at 30 June | 65,100 | 132.42 | 332,060 | 170.63 |

| | Year ended 30 June 2011 | | | Year ended 30 June 2010 | | |
|---|---|---|---|---|---|---|
| Range of exercise prices | Weighted average exercise price (pence) | Number of shares | Weighted average remaining contractual life (years) | Weighted average exercise price (pence) | Number of shares | Weighted average remaining contractual life (years) |
| 1p – 99p | – | – | – | – | – | – |
| 100p – 199p | 132.42 | 65,100 | 2.25 | 122.53 | 225,100 | 1.74 |
| 200p – 299p | – | – | – | 217.50 | 48,210 | 1.00 |
| 300p – 399p | – | – | – | 316.50 | 58,750 | 0.42 |

**c) Under the Wilmington Group plc 2007 Performance Share Plan**

| Year of Grant | Awards price per Share | Date of vesting | Number of shares for which awards outstanding at 30 June 2010 | Awards granted during year | Awards vested during year | Awards lapsed during year | Number of shares for which awards outstanding at 30 June 2011 |
|---|---|---|---|---|---|---|---|
| 2007 | Nil | Dec 2010 | 540,401 | – | (76,302) | (464,099) | – |
| 2008 | Nil | Oct 2011 | 323,634 | – | – | – | 323,634 |
| 2009 | Nil | Sept 2012 | 520,514 | – | – | – | 520,514 |
| 2010 | Nil | Sept 2013 | – | 1,326,159 | – | – | 1,326,159 |

Details of the Performance Share Plan are set out in the Report on Directors' Remuneration on pages 39 to 43.

These awards were valued using the Monte Carlo method with the following assumptions:

| | |
|---|---|
| Expected volatility (%) | 26 to 36 |
| Expected Life (years) | 3 |
| Expected dividends (%) | Nil |

Expected volatility was determined by reference to the historical volatility of the Group's share price. The expected life used in the model is the mid point of the exercise period.

**d)** Pursuant to an agreement dated 16 March 2011, whereby the Group agreed to acquire the outstanding non-controlling interest in Beechwood in exchange for a fixed number of Wilmington Group Plc shares, a share based payment arose by virtue of a reduction in the number of shares to be issued if the option holders ceased to be employees of Beechwood (see note 29). This charge amounted to £194,000.

### 27. Non-controlling interests

| | Non-controlling interests – share of results and funds £'000 | Non-controlling interests – provisions for future acquisition £'000 | Net Non-controlling interests £'000 |
|---|---|---|---|
| At 1 July 2009 | 2,410 | (2,174) | 236 |
| Profit for the year | 351 | – | 351 |
| | 2,761 | (2,174) | 587 |
| Dividends paid | (644) | – | (644) |
| Exchange translation difference | 5 | – | 5 |
| Acquisition of non-controlling interests during the year | (280) | 280 | – |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 13) | – | 105 | 105 |
| At 1 July 2010 | 1,842 | (1,789) | 53 |
| Profit for the year | 323 | – | 323 |
| Dividends paid | (336) | – | (336) |
| Exchange translation difference | (13) | – | (13) |
| Acquisition of non-controlling interests during the year | (460) | 460 | – |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 13) | – | 23 | 23 |
| **At 30 June 2011** | **1,356** | **(1,306)** | **50** |

### 28. Contingencies and commitments

**Contingencies**
Company
The Company has entered into an unlimited cross guarantee with the Group's bankers in respect of the net £5 million overdraft facilities extended to certain of the Company's subsidiaries. At 30 June 2011, the Company's gross contingent liability in respect of this facility was £6,846,000 (2010: £98,000).

**Commitments**
a) The Group had capital commitments relating to property, plant and equipment at 30 June 2011 contracted but not provided for of £nil (2010: £nil).

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

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | Property | | Other operating leases | | Property | |
| | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 | **30 June 2011 £'000** | 30 June 2010 £'000 |
| One year | **678** | 240 | **–** | 36 | **50** | 50 |
| Between two and five years | **1,767** | 281 | **–** | – | **62** | 112 |
| After five years | **311** | – | **–** | – | **–** | – |
| | **2,756** | 521 | **–** | 36 | **112** | 162 |

# Notes to the Financial Statements continued

**29. Related party transactions**
The Company and its wholly owned subsidiary undertakings offer certain Group-wide purchasing facilities to the Company's other subsidiary undertakings whereby the actual costs are recharged.

The Company has made recharges totalling £2,700,000 (2010: £3,000,000) to two of its subsidiary undertakings in respect of management services. In addition, certain administrative expenses totalling £340,500 (2010: £317,000) have been recharged at cost to its subsidiary undertakings.

Finance has been provided by/to the Company to/by its subsidiary undertakings at commercial rates of interest for the year totalling £nil (2010: £nil).

Amounts due from and to subsidiary undertakings by the Company are set out in notes 18 and 20 respectively.

On 7 September 2000, when Wilmington Business Information Limited ("WBI"), a subsidiary of the Company, acquired 75 per cent. of the issued share capital of Beechwood House Publishing Limited ("Beechwood") from Walter and Aimee Brinzer (the "Optionholders"), it entered into a put and call option agreement with the Optionholders for the acquisition of the remaining 25 per cent. non-controlling interest in Beechwood held by the Optionholders (the "Option Shares"). Under the agreement, WBI could acquire, or be required to acquire, the Option Shares for a cash consideration based on Beechwood's profitability using a predetermined formula.

The agreement was varied on 7 February 2007 to reflect the following principal changes:

a) an extension of the expiry date of the period during which the put options could be exercised by the Optionholders from 30 June 2007 to 30 September 2012;

b) a requirement that the put options be exercised in four tranches over a period of at least four years instead of all being exercised in one tranche;

c) an increase in the cap on the total amount payable for the Option Shares from £4.5m to £5.0m.

On 16 March 2011, following the completion of the exercise of the first three tranches of put options, and the notification to WBI of the exercise of the final tranche of the put options over the remaining Option Shares (amounting to 10 per cent. of the issued share capital of Beechwood), the Optionholders, WBI and the Company entered into a novation agreement under which the obligation to complete, and pay for, the acquisition of the remaining Option Shares pursuant to the exercise of the final tranche of the put options was transferred to the Company and it was agreed that the consideration for the remaining Option Shares would be satisfied by the issue by the Company to the Optionholders of up to 1,289,156 new ordinary shares of 5 pence each in the Company credited as fully paid instead of cash or 1,160,240 new ordinary shares of 5 pence each in the Company credited as fully paid instead of cash in the event that the option holders ceased to be employees of Beechwood.

Each of the Optionholders was at the time of both the variation of the put and call option agreement in February 2007, and the subsequent novation of the obligation to complete the acquisition of the remaining Option Shares to the Company in March 2011, related parties for the purpose of Listing Rule 11. The FSA was informed before the variation of the put and call option agreement in February 2007, and the novation of the obligation to complete the acquisition of the remaining Option Shares to the Company in March 2011, of the proposed arrangements and in each case it confirmed that the proposed arrangements constituted a smaller related party transaction under Listing Rule 11.1.10. This disclosure is being made in accordance with the Company's obligation under Listing Rule 11.1.10(2)(c).

This transaction has resulted in the extinguishment of a provision for future purchase of non-controlling interests of £1,746,000 with the issue of 1,160,240 new ordinary shares being recognised within equity as an obligation to issue shares (see note 25).

**30. Staff and their pay and benefits**

a) Employee costs (including Directors) were as follows:

| | Year ended 30 June 2011 £'000 | Year ended 30 June 2010 £'000 |
|---|---|---|
| Wages and salaries | **31,879** | 29,281 |
| Social security costs | **3,582** | 3,216 |
| Pension costs | **589** | 664 |
| Share based payments (including social security costs) | **634** | 246 |
| | **36,684** | 33,407 |

The details of each Directors' remuneration and share options are in the Report on Directors' Remuneration on pages 36 to 43. In addition, employee costs of £774,000 (2010: £462,000), pension costs of £26,000 (2010: £20,000) and share based payments of £41,000 (2010: £65,000) were paid in respect of other key management personnel (2011: 4 people; 2010: 2 people).

b) The average number of employees (including Directors) employed by the Group was as follows:

| | Year ended 30 June 2011 Number | Year ended 30 June 2010 Number |
|---|---|---|
| Selling and distribution | **233** | 220 |
| Production | **227** | 211 |
| Administration | **423** | 415 |
| | **883** | 846 |

c) Retirement benefits

The Group contributes to defined contribution pension schemes. Total contributions to the schemes during the year were £589,000 (2010: £551,000).

### 31. Net cash flow from operating activities

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
| **Profit from continuing operations before income tax** | **6,077** | 7,329 | **4,567** | 7,691 |
| Non-recurring items (see note 5) | **715** | 113 | **155** | 8 |
| Depreciation of property, plant and equipment (see note 15) | **900** | 1,130 | **(28)** | 184 |
| Amortisation of intangible assets (see note 14) | **5,711** | 4,882 | **120** | 129 |
| Loss on disposal of property, plant and equipment (see note 5) | **15** | 74 | **–** | – |
| Loss on disposal of intangible assets (see note 5) | **19** | – | **–** | – |
| Share based payments (see note 30) | **634** | 246 | **74** | 158 |
| Finance costs (see note 6) | **1,805** | 1,867 | **1,548** | 1,310 |
| **Operating cash flows before movements in working capital** | **15,876** | 15,641 | **6,436** | 9,480 |
| Decrease in inventories | **252** | 262 | **–** | – |
| (Increase) in receivables | **(2,539)** | (296) | **(5,893)** | (10,130) |
| Increase/(decrease) in payables | **2,222** | (70) | **(2,403)** | 3,220 |
| **Cash generated by operations before non-recurring items** | **15,811** | 15,537 | **(1,860)** | 2,570 |

There were no discontinued operations during the year (2010: nil).

Cash conversion is calculated as a percentage of cash generated by operations to operating profit before amortisation as follows:

| | **Year ended 30 June 2011 £'000** | Year ended 30 June 2010 £'000 |
|---|---|---|
| Operating profit from continuing operations | **7,882** | 9,196 |
| Amortisation | **5,711** | 4,882 |
| Operating profit after non recurring items but before amortisation | **13,593** | 14,078 |
| Cash generated by operations after non-recurring items | **15,096** | 15,424 |
| Cash conversion | **111%** | 110% |

# Pro-forma Five Year Financial Summary (Unaudited)

Wilmington

| | 2007 £'m | 2008 £'m | 2009 £'m | 2010 £'m | **2011 £'m** |
|---|---|---|---|---|---|
| Consolidated Income Statements | | | | | |
| Revenue | 81.5 | 88.8 | 86.3 | 78.4 | **83.8** |
| Cost of sales | (27.1) | (27.1) | (27.1) | (24.8) | **(25.5)** |
| Gross profit | 54.4 | 61.7 | 59.2 | 53.6 | **58.3** |
| Operating expenses | (37.9) | (43.5) | (44.6) | (39.4) | **(44.0)** |
| Operating profit before amortisation and impairment of goodwill and intangible assets and non-recurring items | 16.5 | 18.2 | 14.6 | 14.2 | **14.3** |
| Operating non-recurring items | 1.2 | – | (1.7) | (0.1) | **(0.7)** |
| Operating profit before amortisation and impairment of goodwill and intangible assets | 17.7 | 18.2 | 12.9 | 14.1 | **13.6** |
| Amortisation and impairment of goodwill and intangible assets | (3.9) | (4.6) | (7.8) | (4.9) | **(5.7)** |
| Profit from operations before finance costs and taxation | 13.8 | 13.6 | 5.1 | 9.2 | **7.9** |
| Finance costs | (1.3) | (1.8) | (2.2) | (1.9) | **(1.8)** |
| Profit on ordinary activities before taxation | 12.5 | 11.8 | 2.9 | 7.3 | **6.1** |
| Income tax expense | (3.3) | (3.7) | (1.9) | (2.5) | **(1.5)** |
| Profit on ordinary activities after taxation | 9.2 | 8.1 | 1.0 | 4.8 | **4.6** |
| Adjusted Profit before Tax | 15.2 | 17.6 | 13.3 | 13.1 | **13.4** |
| Operating cash inflows | 19.0 | 18.6 | 13.9 | 15.5 | **15.8** |
| Basic earnings per ordinary share from continuing operations (pence) | 10.18 | 8.82 | 0.46 | 5.38 | **5.20** |
| Diluted earnings per ordinary share from continuing operations (pence) | 10.14 | 8.76 | 0.45 | 5.30 | **5.07** |
| Adjusted earnings per ordinary share from continuing operations (pence) | 12.41 | 13.34 | 10.50 | 10.59 | **11.79** |
| Interim and proposed final dividend per share (pence) | 6.00 | 7.00 | 7.00 | 7.00 | **7.00** |
| Return on Equity (%) | 26.56 | 28.28 | 23.32 | 24.95 | **25.67** |
| Return on Sales (%) | 20.24 | 20.69 | 16.67 | 18.41 | **17.84** |

The above is based on information extracted from the Company's Annual Report and Financial Statements.

The results for 2008, 2009, 2010 and 2011 are for continuing operations only. It has not been practicable to restate 2007 to exclude the now discontinued operations; hence results for this year are stated without amendment from those previously reported.

The results for 2008, 2009, 2010 and 2011 reflect the changes in accounting policies adopted by the Group for 2009. It has not been practicable to restate 2007 for these changes.

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**Corporate calendar**
Annual General Meeting
15 November 2011

Announcement of Interim Results
February 2012

Announcement of Final Results
September 2012

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