Annual report and accounts 2002

Euromoney Institutional Investor PLC

Registered Number: 954730

Contents

Chairman's Statement

Highlights	2002	2001	change
Turnover	£179.7m	£204.8m	-12%
Operating profit*	£29.1m	£28.1m	+4%
Profit before tax, goodwill and exceptional items	£25.2m	£22.9m	+10%
Profit before tax	£20.6m	£13.7m	+50%
Adjusted diluted earnings per share*	24.3p	20.1p	+21%
Dividend	14.75p	14.75p	=
Net debt	£62.8m	£73.2m	-14%

*(Before goodwill amortization and exceptional items)

Your company increased profits before tax, goodwill and exceptional items by 10% to £25.2 million in the year to September 30 in spite of a 12% drop in revenues to £179.7 million. The directors recommend a final dividend of 9.75p, making a total for the year of 14.75p, the same as the previous year.

Adjusted diluted earnings a share increased by 21% to 24.3p, helped by a lower tax charge. The dividend cover rose from 1.4 times to 1.6 times.

The results benefited from a series of reorganization initiatives begun during the previous year, and from strong controls on costs, against a background of some of the worst trading conditions in the company's history. Around two-thirds of group revenues arise from the financial sector. Its financial publishing and training businesses were hit by cost cuts at global investment banks and by the drop in the number of delegates travelling to attend training courses following September 11. Advertising revenues fell by 11% across the group, and advertising in the financial titles fell by a fifth. The US was particularly affected, with advertising in Institutional Investor falling by 30%, against a fall of 22% at Euromoney.

The company's priority during the year was to remain as profitable as possible and to continue to position the group for future growth. In spite of cutbacks by some financial institutions, ISI, the emerging markets information service, which is subscription-based, continued to gain clients, particularly in the public sector, and increased its revenues by 8% during the year. It made its first monthly profit in September, and its cash flow was positive from January onwards.

A further encouraging sign for the group was a drop in debt of £10.4 million, helped by a weaker dollar, to £62.8 million at year-end, increasing the capacity of the company to make further acquisitions.

Training revenues fell a fifth to £22.4 million. In sharp contrast, advertising into business titles increased by 2% to £27 million, helped by the full year inclusion of Gulf Publishing acquired in August 2001. The group's continued focus on subscription products, such as ISI, is highlighted by the fact that subscription revenues (excluding titles closed at the beginning of the year) fell by just 1%. Event sponsorship was the strongest revenue stream, increasing 5% to £12.9 million.

A rigorous cost reduction programme was implemented during the first half, following the closure of certain loss-making businesses at the end of last year, the restructuring of under performing businesses and the elimination of loss-making and low margin products. These actions contributed savings of £2.7 million. Headcount was reduced from 1,684 at the beginning of the year to 1,358 at the end of September, giving rise to one-off costs of nearly £1 million. Most of this reduction in headcount was completed during the first half. Space commitments were cut and other costs were reduced through renegotiations with suppliers.

Operating profits before goodwill increased £1 million to £29.1 million. The operating margin improved from 13.7% to 16.2%. Profits from financial publishing fell from £20.1 million to £13.9 million, but even in these tough conditions, titles such as *Euroweek*, *Global Investor* and *Project Finance* managed to increase their profits.

Business publishing, which mainly covers the legal, energy, pharmaceutical and travel sectors, performed relatively well, with profits increasing by 6% to £6.3 million. Both Legal Publishing and Engel Publishing, the pharmaceutical publishing business, increased second half profits after a difficult start to the year. Gulf Publishing contributed a profit of £200,000 after a first half loss. The Business Traveller group of titles recovered well from the impact of September 11 and also increased profits.

Chairman's Statement *continued*

Training businesses are particularly sensitive to delegate numbers. Travel concerns, budget cuts and headcount reductions badly affected course numbers at the financial and audit and IT security training businesses. As a result, training profits fell £2.3 million to £4.4 million.

Conferences and seminars was the best performing part of the group. Profits increased £2.4 million to £8.4 million, most of the improvement coming in the first half when the group runs four of its five largest events including *Vinisud*, the biennial wine exhibition in France. Many of the group's conferences rely on sponsorship fees rather than paying delegates. Sponsorship proved to be a robust revenue stream, reflecting in part the quality of large annual repeat events such as the *Euromoney Bond Investors Congress*, the *Euromoney Global Borrowers & Investors Forum* and the *Coaltrans* annual coal conference, although financial conference sponsorship revenues now show signs of weakness. In the past couple of years the company has invested in two new event streams, business meetings and awards dinners, and both of these achieved strong revenue growth.

Databases and information services contributed a profit of £1.8 million against a loss of £2.7 million. Most of the improvement came from ISI, which reduced its losses by £3.7 million, but Capital Data and Capital Net also did well. The performance at ISI in the second half was much stronger than in the first. Government agencies and corporates have been the main source of growth, and financial customers now only account for 43% of revenues. The cost base of ISI is relatively fixed and the infrastructure is in place to develop new revenue streams.

Group profit before tax increased from £13.7 million to £20.6 million after lower financing charges and exceptional profits of £1.5 million following the first half receipt of the final proceeds from the sale of the 100% Design exhibition in 1999. The previous year's results included an exceptional charge of £3.3 million to cover the cost of closing three loss-making businesses.

There was an exceptional tax credit of £6.8 million, which arose from the release of prior year tax provisions for items now agreed with the relevant tax authorities. The full year effective tax rate, before goodwill and exceptional items, is 16% against 22% in 2001, partly as a result of the full adoption in the year of FRS 19 'Deferred Taxation'.

During the year the group received £1.8 million from the final tranche of proceeds from the sale of 100% Design. In November 2001 the group spent £300,000 acquiring the assets of Tempest Consulting and further investments were made in ISI. A start-up loan of £400,000 to the associate entity, Capital Net, was repaid from the cash flows from the successful database products it has launched. Net financing costs fell by £1.2 million to £4.2 million due to a combination of lower interest rates, favourable exchange rates, and strong cash flows. Capital expenditure included fitting out costs of £5.4 million for Institutional Investor, which moved to new offices in April.

The recession in financial markets has continued into the current year, particularly in the US, and group profits are likely to be lower in the first quarter. Revenues in some businesses, including *Euromoney*, show some signs of recovery. The first half should continue to benefit from last year's reorganization and cost reductions.

The group believes that it will emerge strongly when the financial cycle begins an upswing and, as a result, plans to increase spending on subscription marketing. It continues to focus on new business investment and to seek acquisitions, particularly in business publishing.

We were delighted to welcome Michael Carroll, Editor of *Institutional Investor*, to the board of the company in May.

Our people did very well to achieve such a good result in very tough conditions. I thank them, on your behalf and mine, for their commitment, and I am confident they will do everything they can to produce the best results from the best products.

Padraic Fallon
Chairman
November 20 2002

Operating & Financial Review

Operating and financial review

The downturn in world financial markets, and in global economies in general, meant trading conditions in 2002 were exceptionally difficult. Full year revenues were down £25.1 million on 2001. This includes an £8.3 million decline in advertising revenues and a £7.5 million reduction in training and event revenues (which benefited from the biennial *Vinisud* wine convention), with the remaining decline coming from subscriptions, offset by a £0.6 million increase in sponsorship revenues. A principal driver of the revenue declines was the spending and headcount reductions across the global investment banks. In addition, training courses were further hit by a reduced willingness to travel following the September 11 terrorist attacks in the United States.

To compensate for the fall in revenues the group embarked on an extensive cost reduction programme at the beginning of the year. The sale or closure in 2001 of Semaphore, Influent and Investor Access, as well as a number of other magazines and internet businesses this year, resulted in savings of £2.2 million. Permanent headcount at September 30 2002 was 1,358, a fall of nearly 20% since September 2001. There were also significant cost savings on print, paper, facility and event costs, space and technology.

At ISI, the first profitable trading month was achieved in September. The loss for the year was £0.8 million against £4.5 million in 2001. Revenues grew by 8% over the prior year in difficult trading conditions. The previous restructuring of the business and headcount reduction have achieved a significant reduction in the cost base. Results have benefited from a large increase in the depth of the service: some 6,000 data providers are carried compared with 1,800 when the business was acquired in 1999.

Strategy

In 2001 the group set out its strategy for growing profits to a target level of £50 million.

The first part of this strategy focused on restoring operating margins to the levels achieved before the significant investment in ISI and after other new media businesses. Actions taken to

Operating & Financial Review *continued*

implement this part of the strategy have included the closure of loss-making businesses, the restructuring of under-performing businesses, the elimination of low-margin products and improvements in management quality. These actions are largely complete and the additional focus in 2002 on reducing the costs base means the group is well positioned to benefit from increases in revenues and margins once markets improve.

The rest of the strategy concentrates on growing the business, both organically and through acquisitions, particularly in non-financial sectors.

Acquisitions and disposals

In November 2001, the company acquired some of the trade and assets of Tempest Consultants. This significantly expands Institutional Investor's position as the pre-eminent source of market research based rankings of sell side analysts as well as increasing the research offering. It also helped Institutional Investor run its first All-America Research Team awards dinner in November 2002, an event which attracted significant press coverage following the speech by Eliot Spitzer, the New York Attorney General.

Institutional Investor completed a reorganisation of its newsletter and journal portfolio. This resulted in the closure of three titles and the sale of a further five. Institutional Investor now publishes 30 newsletters and journals with further launches in the pipeline.

The company continues to pursue acquisition opportunities consistent with its strategy of increasing its critical mass in sectors characterised by global markets, a demand for high quality information, and high levels of capital investment and marketing. The flow of potential transactions has been as high as ever but closing transactions has been more difficult because vendor price expectations generally fail to reflect market conditions. In 2003 there will be an increased focus on acquisitions in non-financial sectors, particularly energy and pharmaceuticals.

New business investment

New business spend during 2002 was sharply down on 2001. This was largely the result of the reduced investment in new media businesses following the strategic decision in 2001 to focus only on internet businesses that had a clear path to a sustainable profit, with the emphasis on subscription-driven revenues rather than advertising. As a result, both the II Searches and Pharmalive database businesses are now profitable and growing.

Meanwhile investment in more traditional products has continued, albeit at a lower level than usual because of the exceptionally difficult market conditions. Products launched during the year include training courses for the pharmaceutical sector, awards dinners and conferences in the energy sector (through the recently acquired Gulf Publishing), delegate-based events under the Institutional Investor brand and local language products for the Chinese market.

This investment will continue in 2003 as the business positions itself for maximizing the returns once markets improve.

Marketing and circulation

It has been a particularly difficult year for marketing. The company has continued to invest in building subscription revenues through a combination of direct mail, telesales, and e-marketing.

However, marketing spend was down on 2001. This was partly due to the tough markets, but also because direct mail was ineffective, particularly in the US, due to the extra security measures put in place after the events of September 11 and the subsequent anthrax scares. Marketing spend in 2003 is expected to return to more normal levels. During the year the central marketing department was reorganised to further improve its effectiveness.

Risk management

Risk management processes have always been firmly embedded in the group's operating activities. Risk areas are the subject of regular review at board and senior management meetings and this year specific risks addressed have included:

Operating & Financial Review *continued*

- brand and reputational risk
- health and safety
- IT security and disaster recovery
- financial risks, particularly currency, interest and tax exposures
- data protection
- managing employment issues

The move to new offices in New York, at a cost of more than £5 million, for Institutional Investor, Internet Securities, Euromoney Training and Business Traveller, has resulted in a significant improvement in the IT environment and physical security. An ongoing challenge will be to ensure that other parts of the business achieve the same standards. There has also been an increased focus on disaster recovery in light of the heightened fears over terrorist acts.

Debt

The group has traditionally funded its operations using a mixture of its strong operating cash flows, retained earnings and debt. Year end debt levels were £10.4 million lower than last year, despite a continued programme of acquisitions and new investment. Interest cover was nearly seven times against an internal benchmark of five times, providing significant acquisition capacity.

Tax and treasury

The group's tax and treasury committee meets twice a year and is responsible for recommending policy to the board. The committee comprises the company's chairman, managing director, and finance director as well as the finance director and deputy finance director of Daily Mail and General Trust plc. The group's treasury policies are directed to giving greater certainty of future costs and revenues through the hedging of foreign currency and interest rate risks, and ensuring that the group has both adequate liquidity for working capital and debt capacity for acquisitions.

The treasury function does not act as a profit centre, nor does it undertake any speculative trading activity. It operates within policies and procedures approved by the board and monitored by the tax and treasury committee.

Interest rate swaps and caps are used to manage the group's exposure to fluctuations in rates on its floating rate borrowings. The maturity profile of these derivatives is matched with the expected future debt profile of the group. The group's policy is to swap up to 80% of its term debt into fixed rates and at September 30 2002 the group had 70% of its net debt fixed through interest rates hedges. As long-term interest rates are usually higher than short-term rates this hedging strategy has the effect of increasing the interest charge, but it also provides significant protection against the volatility in the interest rate market.

The group is exposed to foreign exchange risk in the form of transactions in foreign currencies entered into by group companies and by the translation of the foreign currency results of overseas subsidiaries into sterling for reporting purposes. The group does not hedge the translation of the results of foreign subsidiaries, but does endeavour to match foreign currency borrowings to investments in order to provide a natural hedge for the translation of the net assets of overseas subsidiaries.

Approximately two-thirds of the group's revenues are received in US dollars. Group subsidiaries do not normally hedge transactions in foreign currencies into the functional currency of their own operations. However, the group has in place a series of forward currency contracts up to 12 months ahead to hedge surplus US dollar cash flows.

Details of the financial instruments used are set out in note 18 to the accounts.

The group's tax rate has historically benefited from the tax amortization of goodwill arising on US acquisitions. In 2002, the effective tax rate fell to 15.7% (excluding the effect of goodwill amortization and exceptional items) compared to 22.0% in 2001. This reflects a number of factors

Operating & Financial Review *continued*

including the change in geographical mix of taxable profits, the adoption of FRS 19 'Deferred Taxation' and the release of certain provisions in respect of prior years. In addition, the group's US acquisition structure was confirmed with the relevant tax authorities, resulting in the release of prior years' tax provisions of £6.8 million and a reduction of approximately 3% in the effective tax rate for 2002 and future years.

Generally under UK corporation tax rules all exchange gains and losses are taxable on an accruals basis. To hedge the cash flow effect of the tax on these exchange gains and losses, the group has entered into a forward contract selling US$14 million in exchange for sterling, maturing on March 27 2003. The cash flow consequence of a movement in exchange rates, which creates a taxable gain or loss, is eliminated by the cash effect of an equal gain or loss on the forward contract.

Richard Ensor
Managing Director
November 20 2002

Directors' Report

The directors submit their annual report and group accounts for the year ended September 30 2002.

Principal activities and business review

Euromoney Institutional Investor is a leading international business to business publisher, focused primarily on international finance. It publishes more than 100 magazines, newsletters and journals as well as surveys, directories, books and maps. Euromoney Institutional Investor also runs conferences, seminars and training courses and is a provider of electronic business information through its capital market databases and emerging markets information service. A review of operations and business developments is given in the operating and financial review on pages 4 to 9.

Group results and dividends

The group profit for the year attributable to shareholders amounted to £23.5 million (2001: £8.4 million). The directors recommend a final dividend of 9.75 pence per ordinary share (2001: 9.75 pence), payable on January 24 2003 to shareholders on the register on November 29 2002. This, together with the interim dividend of 5 pence per ordinary share (2001: 5 pence) which was declared on May 23 2002 and paid on July 2 2002, brings the total dividend payable to 14.75 pence per ordinary share (2000: 14.75 pence).

Directors and their interests

The directors who served during the year are listed on page 20. Mr MJ Carroll was appointed as a director on May 23 2002. Following best practice under corporate governance and in accordance with the company's Articles of Association, all directors submit themselves for re-election every three years. Accordingly, Mr PM Fallon, Mr NF Osborn, Mr CR Brown, Mr GB Strahan, Ms D Alfano and Mr CJF Sinclair, will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. Also, as required by the Articles of Association, Sir Patrick Sergeant, being over the age of 70, will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election. Details of the interests of the directors in the ordinary shares of the company and of options held by the directors to subscribe for ordinary shares in the company are set out in the report by the board to shareholders on directors' remuneration on pages 19 to 26.

Significant shareholdings

At November 20 2002, being the latest practical date before approval of the accounts, notification had been received of the following interests of 3% or more in the company's ordinary share capital:

	Number	%
DMG Investment Holdings Limited	62,147,624	70.8
Prudential Corporation group of companies	3,235,408	3.7

Banque Internationale à Luxembourg SA has issued international depositary receipts in bearer form in respect of a total of 1,379,000 shares (1.6%) registered in its name.

Authority to purchase own shares

The company's authority to purchase up to 10% of its own shares expires at the conclusion of the company's next annual general meeting. A resolution to renew this authority for a further period will be put to shareholders at this meeting.

Directors' Report *continued*

Political and charitable contributions

During the year the group made charitable contributions of £99,000 (2001: £59,000). There were no political contributions.

Disabled employees

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

Employee involvement

The group recognizes the importance of good communication in relationships with its staff. This is pursued in a number of ways, including training and regular meetings between management and staff, which seek to achieve common awareness on the part of all employees of the financial and economic circumstances affecting the group's performance. Many employees participate directly in the success of the business through involvement in the group's profit sharing schemes and in the savings related share option scheme.

Supplier payment policy

Each Euromoney Institutional Investor business agrees payment terms with its suppliers on an individual basis and it is group policy to make payments in accordance with these terms. The company had 55 days of purchases in creditors at September 30 2002 (2001: 59 days).

Auditors

A resolution proposing the re-appointment of Deloitte & Touche will be submitted at the annual general meeting.

Annual general meeting

The company's annual general meeting will be held on January 23 2003.

By order of the board

Colin Jones
Company Secretary
November 20 2002

Directors and Advisors

Chairman

‡ Mr PM Fallon is an executive director and chairman, aged 56. He joined the company in 1974 and was appointed an executive director in October 1975. He was appointed managing director in 1985, chief executive in 1989 and chairman in 1992. He is chairman of the nominations committee. He is also an executive director of Daily Mail and General Trust plc, a non-executive director of Allied Irish Banks plc and a member of the board of the Trinity College Dublin Foundation and the Royal Hibernian Academy Foundation.

Managing Director

‡ Mr PR Ensor is an executive director and managing director, aged 54. He joined the company in 1976 and was appointed an executive director in 1983. He was appointed managing director in 1992 and is a member of the nominations committee. He is also a director of Internet Securities, Inc.

Directors

*† The Viscount Rothermere is a non-executive director, aged 35. He was appointed a non-executive director in September 1998 and is chairman of the remuneration committee. He is chairman of Daily Mail and General Trust plc and a non-executive director of Fleming Mercantile Investment Trust PLC.

*‡• Sir Patrick Sergeant is a non-executive director and president, aged 78. He founded the company in 1969 and was managing director until 1985 when he became chairman. He retired as chairman in September 1992 when he was appointed president and non-executive director. He is a member of the audit and nominations committees and is also a non-executive director of Daily Mail and General Trust plc.

*†‡ Mr CJF Sinclair is a non-executive director, aged 54. He was appointed a non-executive director in November 1985 and is a member of the remuneration and nominations committees. He is chief executive of Daily Mail and General Trust plc and is a non-executive director of Reuters Group PLC and of Schroders plc.

Mr NF Osborn is an executive director, aged 53. He joined the company in 1983 and was appointed an executive director in February 1988. He is the publisher of *Euromoney*.

Mr DC Cohen is an executive director, aged 45. He joined the company in 1984 and was appointed an executive director in September 1989. He is managing director of the training division.

Mr CR Brown is an executive director, aged 48. He joined the company in 1982 and was appointed an executive director in September 1989. He is director of the Specialist Publications division and president of Institutional Investor, Inc.

Mr GB Strahan is an executive director, aged 57. He joined the company in 1985 and was appointed an executive director in September 1989. He is managing director of Coaltrans Conferences Limited.

*• Mr JP Williams is a non-executive director, aged 49. He was appointed a non-executive director in June 1991 and is a member of the audit committee. He is finance director of Daily Mail and General Trust plc and a non-executive director of GWR Group plc.

*†‡• Mr JC Botts is a non-executive director, aged 61. He was appointed a non-executive director in December 1992 and is chairman of the audit committee and a member of the nominations and remuneration committees. He is chairman of Botts & Company Limited, a private equity investment firm. Previously he had a long career with Citicorp in Europe, Africa and the Middle East. He is a non-executive director of United Business Media plc and Amerindo Internet Fund PLC.

Mr CR Jones is an executive director and finance director, aged 42. He joined the company in July 1996 and was appointed finance director in November 1996. He is also the company secretary and a director of Institutional Investor, Inc. and of Internet Securities, Inc.

Directors and Advisors *continued*

Mr E Bounous is an executive director, aged 37. He joined the company in 1989 and was appointed an executive director in November 1996. He is director of the Euromoney Conferences group and chief executive officer of Institutional Investor's conference division. He is also responsible for a number of specialist magazines in the group.

Mr SM Brady is an executive director, aged 37. He joined the company in 1988 and was appointed an executive director in May 1999. He is managing director of *Euromoney* and is also a director of Capital DATA Limited and Capital NET Limited.

Mr RT Lamont is an executive director, aged 55. He joined Institutional Investor, Inc. in 1976 and was appointed an executive director in May 1999. He is editor of Institutional Investor's newsletter division and a director of Institutional Investor, Inc.

†• Mr JD Bolsover is a non-executive director, aged 55. He was appointed a non-executive director in May 2000. He has recently retired from his position as chairman and chief executive of Baring Asset Management Holdings Limited. He is a member of the remuneration committee.

Ms D Alfano is an executive director, aged 46. She joined Institutional Investor, Inc. in 1984 and was appointed an executive director in July 2000. She is managing director of Institutional Investor's conference division and a director of Institutional Investor, Inc.

Mr G Mueller is an executive director, aged 36. He joined the company in 1999 and was appointed an executive director in July 2000. He is chairman of Internet Securities, Inc. which he founded in 1994.

Mr MJ Carroll is an executive director, aged 45. He joined Institutional Investor, Inc. in 1994 and was appointed an executive director in May 2002. He is the editor of *Institutional Investor* and a director of Institutional Investor, Inc.

• non-executive director
† member of the remuneration committee
‡ member of the nominations committee
• member of the audit committee

President Sir Patrick Sergeant

Company Secretary CR Jones

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Corporate Governance

The Combined Code on corporate governance is part of the listing rules of the Financial Services Authority.

The paragraphs below and in the remuneration report on pages 19 to 26 set out how the company has applied the principles laid down by the Code. The company has substantially complied with the Code, save for a few exceptions disclosed in the directors' compliance statement on page 17 and 18.

Directors

Board

Details of directors who served during the year are set out on page 20. The board comprises the chairman, managing director, 11 other executive directors and six non-executive directors. Of the six non-executive directors, two are independent whilst the remaining four are also directors of Daily Mail and General Trust plc, an intermediate parent company. There are clear divisions of responsibility within the board such that no one individual has unfettered powers of decision. There is a procedure for all directors in the furtherance of their duties to take independent professional advice, at the company's expense. They also have access to the advice and services of the company secretary. All directors submit themselves for re-election at least once every three years. Newly appointed directors are submitted for election at the first available opportunity after their appointment. The board meets every two months and there is frequent contact between meetings. Board meetings take place in London and New York, and occasionally in other locations where the group has operations. The meetings are held to set and monitor strategy, to review trading performance, ensure adequate funding, examine major acquisition possibilities and approve reports to shareholders. Procedures are established to ensure that appropriate information is communicated to the board in a timely manner to enable it to fulfill its duties. A number of standing committees deal with specific aspects of the group's affairs, each of which operates within defined terms of reference.

Non-executive directors

The non-executive directors bring both independent views and the views of the company's major shareholders to the board. The non-executive directors, whose biographies can be found on pages 12 and 13 of the accounts, are: The Viscount Rothermere, Sir Patrick Sergeant, CJF Sinclair, JP Williams, JC Botts and JD Bolsover.

Executive committee

The executive committee comprises the executive directors and senior management. It is chaired by the company's chairman and meets each month to discuss and determine key operational issues.

Nominations committee

The nominations committee is responsible for proposing candidates for appointment to the board having regard to the balance and structure of the board. It meets when required and comprises the chairman (who is also chairman of the nominations committee), managing director and three non-executive directors; Sir Patrick Sergeant, CJF Sinclair, and JC Botts.

Remuneration committee

The remuneration committee meets twice a year and additionally as required. It is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance related profit share schemes. The composition of the committee, details of directors' remuneration and interests in share options, together with information on directors' service contracts, are set out in the Report on Directors' Remuneration on pages 19 to 26.

Corporate Governance *continued*

Communication with shareholders

The board encourages regular dialogue with shareholders. Meetings are held, both in the US and UK, to discuss annual and interim results and highlight significant acquisitions or disposals, or at the request of institutional shareholders. Private shareholders are encouraged to participate in the annual general meeting. All shareholders have at least twenty working days notice of the annual general meeting at which directors and committee chairs are available for questioning.

Internal control and risk management

The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with the guidance published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales (the Turnbull Report), the board has implemented an ongoing process for identifying, evaluating and managing the material risks faced by the business.

The board has reviewed the effectiveness of the group's system of internal control and has taken account of material developments which have taken place since September 30 2001. It has considered the major business and financial risks, the control environment and the results of the internal auditor's work. Steps have been taken to embed internal control and risk management further into the operations of the group and to deal with areas of improvement which have come to management's and the board's attention.

Key procedures which the directors have established with a view to providing effective internal control, and which have been in place throughout the year, are as follows:

The board of directors

- The board normally meets six times a year to consider group strategy, financial performance, acquisitions, business development and management issues;
- The board has overall responsibility for the group and there is a formal schedule of matters specifically reserved for decision by the board;
- Each executive director has been given responsibility for specific aspects of the group's affairs;
- The board divides the group's key risks into six broad categories and reviews and assesses each of these at least annually;
- The board seeks assurance that effective control is being maintained through regular reports from business group management, the audit committee and various independent monitoring functions; and
- The board approves the annual forecast after performing a review of key risk factors. Performance is monitored regularly by way of variances and key performance indicators to enable relevant action to be taken and forecasts are updated each quarter. The board considers longer-term financial projections as part of its regular discussions on the group's strategy.

Quality and integrity of personnel
The integrity and competence of personnel is ensured through high recruitment standards and a commitment to management and business skills training. High quality personnel are seen as an essential part of the control environment and the high ethical standards expected are communicated by management leadership and through the employee handbook provided to all employees.

Social responsibility
The group is aware of its social responsibility and has core procedures embedded in its internal systems and controls to ensure that the group's set social standards are not breached. The group is a keen supporter of local initiatives and regularly sponsors a number of charities in the UK and the US. Management actively recruit local graduates through the group's graduate recruitment program, providing a strong career path for successful candidates.

Environmental responsibility
Euromoney Institutional Investor does not directly operate in industries where there is the potential for serious industrial pollution. However, it does take its environmental responsibility seriously and complies with all relevant environmental laws and regulations in each country in which it operates. Wherever economically feasible, account is taken of environmental issues when placing contracts with its suppliers of goods and services. The group manages sensibly its energy requirements.

Health and Safety
The group is committed to the health and safety of its employees and communities in which it operates. The group complies with all local health and safety regulations and makes use of external health and safety advisors where appropriate. A health and safety audit was conducted during the year, and the recommendations arising from this audit are being addressed. Senior management take very seriously any information that demonstrates the group is in breach of health and safety regulations.

Investment appraisal
The managing director, finance director and business group managers consider proposals for acquisitions and the launch of new businesses. Proposals beyond specified limits are put to the board for approval and are subject to due diligence by the group's finance team and, if necessary, independent advisers. Capital expenditure is regulated by strict authorization controls. For capital expenditure above specified levels, detailed written proposals must be submitted to the board and reviews carried out to monitor progress against budget.

Accounting and computer systems controls and procedures
Accounting controls and procedures are regularly reviewed and communicated throughout the group. Particular attention is paid to authorization levels and segregation of duties. The group's tax, cash and foreign exchange positions are overseen by the tax and treasury committee, which meets at least twice a year. Controls and procedures over the security of data held on computer systems are periodically reviewed and are subject to internal audit. Controls include a specific focus on data security and disaster recovery.

Internal audit
The group has an internal audit manager who draws on the services of the central finance team to perform assignments. The responsibilities of internal audit cover four main areas; control of the assets of the business; monitoring of the accuracy of financial reporting; adherence to group

Corporate Governance *continued*

policies; and the accuracy of circulation figures. Businesses and central departments are selected for an internal audit visit on a rotational basis and most businesses are subject to at least one internal audit review each year. The internal audit manager reports his findings to management and to the audit committee.

Accountability and audit

Audit committee

The audit committee comprises three non-executive directors; JC Botts (chairman), Sir Patrick Sergeant and JP Williams, and meets at least twice each financial year. The committee is responsible for reviewing the interim report and the annual report and accounts before their submission to the board and overseeing controls necessary to ensure the integrity of the financial information reported to the shareholders. The audit committee advises the board on the appointment of external auditors and on their remuneration, both for audit and non-audit work, with particular focus on effectiveness, independence and objectivity. It discusses the nature, scope and any findings of the audit with the external auditors. The committee also considers and determines relevant action in respect of any control issues raised by the external auditors, and reviews the internal audit manager's programme and receives periodic reports on his findings.

Financial reporting

Going concern

After making enquiries, the directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of directors' responsibilities in respect of the accounts

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the group's system of internal financial controls for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these requirements have been satisfied.

Statement by the directors on compliance with the Combined Code

The Listing Rules require the board to report on compliance with the 45 provisions of the Combined Code throughout the accounting year. Save for the limited exceptions outlined below, the group has complied throughout the financial year ended September 30 2002 with the provisions set out in Section 1 of the Combined Code.

Provision A.3.1 requires that non-executive directors should comprise not less than one third of the board. The board currently comprises 19 directors of whom six are non-executive.

Provision A.3.2 requires that the majority of non-executive directors should be independent. Four of the six non-executive directors are also directors of Daily Mail and General Trust plc, the intermediate parent undertaking of Euromoney Institutional Investor PLC. The board does not consider that the relationship with Daily Mail and General Trust plc has any influence on the independence of the non-executive directors in question.

Contrary to provision A.2.1, the board has not identified a senior non-executive director as the directors are of the opinion that all matters relating to the effective governance of the group must be dealt with by the board as a whole.

Provisions B.2.2 and D.3.1 require the remuneration and audit committees to comprise entirely of independent non-executive directors. The remuneration committee comprises four non-executive directors, two of whom are also directors of Daily Mail and General Trust plc. The audit committee comprises three non-executive directors, two of whom are also directors of Daily Mail and General Trust plc. The non-executive directors who are also directors of Daily Mail and General Trust plc have no personal financial interests in the company (other than as shareholders). Also, as explained in the report by the board to shareholders on directors' remuneration, JC Botts has options in Internet Securities, Inc. in lieu of fees as a non-executive director of that company, which is common practice for non-executive directors in the US.

Provision B.1.7 indicates a preference for length of service contracts of directors to be not greater than one year. The chairman and managing director have two year rolling service contracts. The board considers this appropriate given the importance and commitment required for these positions and given the competitive pressures of the media industry. The board, however, would not normally appoint a new executive director with a service contract of more than one year.

On behalf of the board

Padraic Fallon
Chairman
November 20 2002

Report by the Board to Shareholders on Directors' Remuneration

Remuneration committee
The remuneration committee was established in 1993. The current members are The Viscount Rothermere (chairman), CJF Sinclair, JC Botts and JD Bolsover. All are non-executive directors of the company. The Viscount Rothermere and CJF Sinclair are directors of Daily Mail and General Trust plc but have no personal financial interests in the company (other than as shareholders), and no day-to-day involvement in running the business. The committee consults the chairman and managing director about its proposals and is authorized to seek professional advice from outside the company where appropriate.

Policy on directors' remuneration
The group believes in aligning the interests of management with those of shareholders. The two consistent objectives in the company's remuneration policy since its inception in 1969 have been the maximization of earnings per share and the creation of shareholder value.

The first objective is achieved through a comprehensive profit sharing scheme that links the pay of executive directors and key managers to the profits and growth in profits of the group or relevant parts of the group. This scheme is completely variable with no guaranteed floor and no ceiling.

To support the implementation of the policy of profit sharing, the group is divided into a number of profit centres. The manager of each profit centre is paid a profit share related to the profit centre's profits and profit growth. Each profit centre is part of a larger business group. Each business group manager has an incentive based on the business group's profits and profit growth. Profit sharing encourages directors and managers to grow their businesses, to launch new ventures and to search for acquisitions that would fit well with their businesses.

All those on profit shares are aware that if profits rise, so does their pay. Similarly if profits fall, so do their profit shares. The profit shares of executive directors and senior managers make up much of their total pay. For example, of the total remuneration of the thirteen executive directors who served in the year, 66.3% was derived from profit shares.

The creation of shareholder value is also encouraged through an executive share option scheme. The company's previous scheme was approved by shareholders in 1985 and expired in 1995, although options granted under this scheme may be exercised before various dates through to 2005. A new executive share option scheme was approved by shareholders in January 1996 and the performance criteria under which options granted under this scheme may be exercised are set out on page 26.

During the year share options were granted to DC Cohen, CR Jones, E Bounous, SM Brady and G Mueller (pages 24 & 25). Options are granted in phased blocks over a period of several years.

The directors believe that the profit sharing and share option arrangements are responsible for much of the company's success since 1969. These arrangements serve shareholders by aligning the interests of the directors and managers with those of shareholders and are considered an important driver of the company's growth strategy.

The remuneration of the non-executive directors is determined by the board.

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' service contracts

With the exception of the chairman and managing director, each of the executive directors has a twelve month rolling service contract. The chairman and managing director have two year rolling service contracts and the remuneration committee believes that the length of these contracts is appropriate given the competitive pressures of the media industry. The board, however, would not normally appoint a new executive director with a service contract of more than one year. None of the non-executive directors has a service contract.

Directors' remuneration

	Year to September 30					
	Fees 2002 £	Salary and Benefits 2002 £	Profit Share 2002 £	Pension 2002 £	Total 2002 £	Total 2001 £
Executive directors						
PM Fallon	29,730	146,261	1,638,251	138,800	1,953,042	1,758,643
PR Ensor‡	29,730	125,661	1,181,217	110,300	1,446,908	1,271,255
NF Osborn‡	-	108,997	191,606	16,654	317,257	504,373
DC Cohen‡	-	95,646	106,465	72,019	274,130	364,315
CR Brown	-	142,955	-	3,276	146,231	379,583
GB Strahan	-	85,023	38,745	36,183	159,951	145,563
E Bounous	-	87,258	281,009	7,352	375,619	322,117
CR Jones	-	218,265	143,666	21,090	383,021	280,559
RT Lamont	-	133,362	76,029	2,956	212,347	275,260
S M Brady‡	-	105,515	3,986	9,071	118,572	274,759
S Cox†	-	-	-	-	-	79,780
D Alfano	-	113,848	226,623	2,052	342,523	297,791
G Mueller	-	110,882	60,632	2,111	173,625	154,452
MJ Carroll*	-	51,412	7,151	1,291	59,854	-
Non-executive directors						
The Viscount Rothermere	29,730	-	-	-	29,730	29,151
Sir Patrick Sergeant	59,460	21,635	-	-	81,095	74,029
CJF Sinclair	29,730	-	-	-	29,730	29,151
JP Williams	29,730	-	-	-	29,730	29,151
JC Botts	33,108	-	-	-	33,108	32,529
JD Bolsover	29,730	-	-	-	29,730	29,151
	270,948	1,546,720	3,955,380	423,155	6,196,203	6,331,612

* appointed May 23 2002

† resigned March 30 2001

Fees as a director include fees paid as a director of subsidiary companies. Five of the directors have waived profit shares in respect of the current and future years as follows: PM Fallon £138,800; PR Ensor £100,000; NF Osborn £8,674; DC Cohen £65,000; GB Strahan £30,000. Profit shares waived were paid into private pension schemes on the directors' behalf.

‡ Included within total remuneration are amounts paid into a discretionary employee benefit trust.

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' pensions

Executive directors participate in the Harmsworth Pension Scheme (a defined benefit scheme), or the Euromoney Pension Plan (a money purchase plan) or their own private scheme.

Pension contributions

	Harmsworth Pension Scheme £	Contributions to Euromoney Pension Plan £	Private schemes £	Total £
Director				
PM Fallon	–	–	138,800	138,800
PR Ensor	10,300	–	100,000	110,300
NF Osborn	–	6,470	10,184	16,654
DC Cohen	–	7,019	65,000	72,019
CR Brown	–	–	3,276	3,276
GB Strahan	–	6,183	30,000	36,183
E Bounous	–	7,352	–	7,352
CR Jones	21,090	–	–	21,090
RT Lamont	–	–	2,956	2,956
S M Brady	–	9,071	–	9,071
D Alfano	–	–	2,052	2,052
G Mueller	–	–	2,111	2,111
MJ Carroll	–	–	1,291	1,291
	31,390	36,095	355,670	423,155

Under the Harmsworth Pension Scheme, the following pension benefits were earned by the directors:

	Increase in accrued annual pension during the year £	Transfer value of increase £	Accumulated total accrued annual pension at year end £
Director			
PR Ensor	4,295	38,870	45,685
CR Jones	1,929	6,500	10,856

The accrued pension entitlement is that which would be paid annually on retirement based on service to September 30 2002 and ignores any increase for future inflation. The transfer values represent a potential liability of the company, not a sum paid or due to the individual director and have been calculated on the basis of actuarial advice in accordance with the Actuarial Note GN11, less directors' contributions. The normal retirement age for the Harmsworth Pension Scheme is 62 years.

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' interests in the company

The interests of the directors and their families in the ordinary shares of the company and its subsidiaries as at September 30 were as follows:

	Ordinary shares of 0.25p each 2002	2001
Beneficial interests		
PM Fallon	901,061	901,061
PR Ensor	218,472	218,472
Sir Patrick Sergeant	317,804	317,804
CJF Sinclair	7,494	7,494
NF Osborn	46,040	46,040
DC Cohen	30,664	30,664
GB Strahan	32,068	32,068
JP Williams	1,825	1,825
JC Botts	5,503	5,503
E Bounous	6,920	6,920
CR Jones	8,280	8,280
RT Lamont	20,503	20,503
D Alfano	1,747	1,747
The Viscount Rothermere	17,470	17,470
G Mueller	5,503	5,503
	1,621,354	1,621,354
Non-beneficial interests		
Sir Patrick Sergeant	–	82,900

Directors' interests in subsidiaries

At September 30 2002 GB Strahan was beneficially interested in 500 'A' ordinary shares of Coaltrans Conferences Limited and G Mueller was beneficially interested in 659,999 shares of Internet Securities, Inc. both subsidiaries of the group.

Directors' interests in Daily Mail and General Trust plc

The interests of the directors as defined under section 198 of the Companies Act 1985 in the shares of Daily Mail and General Trust plc as at September 30 were as follows:

	Ordinary shares of 12.5p each		A' ordinary non-voting shares of 12.5p each	
	2002	2001	2002	2001
The Viscount Rothermere	11,827,632	11,817,632	76,821,754	76,821,754
PM Fallon	4,000	4,000	36,000	36,000
Sir Patrick Sergeant	4,000	4,000	90,000	90,000
CJF Sinclair	–	–	264,691	264,691
JP Williams	–	–	79,517	82,017

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' interests in Daily Mail and General Trust plc *continued*
The Viscount Rothermere had non-beneficial interests as a trustee at September 30 2002 in 5,540,000 'A' ordinary non-voting shares of 12.5p each (2001: 5,540,000 shares) plus 674,208 ordinary shares (2001: 674,208 shares).

Daily Mail and General Trust plc has been notified that, under section 204 of the Companies Act 1985 and including the interests shown in the table above, The Viscount Rothermere is deemed to have been interested in 12,556,764 ordinary shares of 12.5p each (2001: 12,556,764 shares).

At September 30 2002, The Viscount Rothermere was beneficially interested in 756,700 ordinary shares of Rothermere Continuation Limited (2001: 756,700), the company's ultimate parent company.

The Viscount Rothermere, CJF Sinclair and JP Williams had options over 156,000, 325,000 and 237,000 'A' ordinary non-voting shares in Daily Mail and General Trust plc at September 30 2002 respectively (2001: 126,000, 275,000 and 207,000 respectively). The exercise price of these options range from £1.96 to £10.30. Further details of these options are listed in the Daily Mail and General Trust plc group accounts.

There have been no changes in directors' interests since September 30 2002.

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' share options

In addition to the beneficial interests noted above, the directors hold options to subscribe for new ordinary shares of 0.25p each in the company as follows:

	Number of options						
	At start of year	Granted during year	Lapsed during year	At end of year	Exercise price	Date from which exercisable	Expiry date
PM Fallon	346,268	–	–	346,268	£3.54	now	Jun 19 05
	85,000	–	–	85,000	£3.96	now	Feb 11 09
	255,000	–	–	255,000	£4.31	now	Jun 25 09
	686,268	–	–	686,268			
PR Ensor	173,136	–	–	173,136	£3.54	now	Jun 19 05
	75,000	–	–	75,000	£3.96	now	Feb 11 09
	225,000	–	–	225,000	£4.31	now	Jun 25 09
	2,690	–	–	2,690*	£3.60	Oct 01 02	Apr 01 03
	475,826	–	–	475,826			
NF Osborn	17,316	–	–	17,316	£3.54	now	Jun 19 05
	8,000	–	–	8,000	£3.96	now	Jan 07 05
	2,690	–	–	2,690*	£3.60	Oct 01 02	Apr 01 03
	28,006	–	–	28,006			
DC Cohen	5,888	–	–	5,888	£3.54	now	Jun 19 05
	12,000	–	–	12,000	£3.96	now	Jan 07 05
	8,000	–	–	8,000	£5.38	Mar 02 04	Mar 02 11
	2,052	–	–	2,052**	£4.72	Aug 01 03	Feb 01 04
	–	6,000	–	6,000	£3.35	Jan 23 05	Jan 23 12
	27,940	6,000	–	33,940			
CR Brown	16,000	–	–	16,000	£3.52	now	Nov 29 03
	11,044	–	–	11,044	£3.54	now	Jun 19 05
	100,000	–	–	100,000	£3.33	now	Feb 08 03
	12,000	–	–	12,000	£3.96	now	Jan 07 05
	28,000	–	–	28,000	£4.19	now	Jan 29 09
	8,000	–	–	8,000	£5.38	Mar 02 04	Mar 02 11
	175,044	–	–	175,044			
GB Strahan	17,316	–	–	17,316	£3.54	now	Jun 19 05
	8,000	–	–	8,000	£3.96	now	Jan 07 05
	5,000	–	–	5,000	£5.38	Mar 02 04	Mar 02 11
	2,690	–	–	2,690*	£3.60	Oct 01 02	Apr 01 03
	33,006	–	–	33,006			

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' share options *continued*

	Number of options: At start of year	Granted during year	Lapsed during year	At end of year	Exercise price	Date from which exercisable	Expiry date
CR Jones	8,448	–	–	8,448	£3.55	now	Feb 07 07
	31,552	–	–	31,552	£3.58	now	Feb 24 04
	12,000	–	–	12,000	£3.96	now	Jan 07 05
	32,000	–	–	32,000	£4.19	now	Jan 29 09
	60,000	–	–	60,000	£4.31	now	Jun 25 09
	8,000	–	–	8,000	£5.38	Mar 02 04	Mar 02 11
	2,690	–	–	2,690*	£3.60	Oct 01 02	Apr 01 03
	–	6,000	–	6,000	£3.35	Jan 23 05	Jan 23 12
	154,690	6,000	–	160,690			
E Bounous	8,000	–	–	8,000	£3.52	now	Nov 29 03
	8,000	–	–	8,000	£4.04	now	Dec 08 04
	40,000	–	–	40,000	£3.33	now	Feb 08 03
	8,000	–	–	8,000	£3.58	now	Feb 24 04
	24,000	–	–	24,000	£3.96	now	Jan 07 05
	20,000	–	–	20,000	£4.19	now	Jan 29 09
	8,000	–	–	8,000	£5.38	Mar 02 04	Mar 02 11
	–	6,000	–	6,000	£3.35	Jan 23 05	Jan 23 12
	116,000	6,000	–	122,000			
RT Lamont	10,000	–	–	10,000	£4.19	now	Jan 29 09
	5,000	–	–	5,000	£5.38	Mar 02 04	Mar 02 11
	15,000	–	–	15,000			
SM Brady	3,000	–	–	3,000	£3.52	now	Nov 29 03
	10,000	–	–	10,000	£4.05	now	Dec 08 04
	8,000	–	–	8,000	£3.58	now	Feb 24 04
	20,000	–	–	20,000	£3.96	now	Jan 07 05
	16,000	–	–	16,000	£4.19	now	Jan 29 09
	8,000	–	–	8,000	£5.38	Mar 02 04	Mar 02 11
	2,052	–	–	2,052**	£4.72	Aug 01 03	Feb 01 04
	–	6,000	–	6,000	£3.35	Jan 23 05	Jan 23 12
	67,052	6,000	–	73,052			
D Alfano	10,000	–	–	10,000	£4.19	now	Jan 29 09
	8,000	–	–	8,000	£5.63	Jan 05 03	Jan 05 10
	5,000	–	–	5,000	£5.38	Mar 02 04	Mar 02 11
	23,000	–	–	23,000			
G Mueller	10,000	–	–	10,000	£5.38	Mar 02 04	Mar 02 11
	–	6,000	–	6,000	£3.35	Jan 23 05	Jan 23 12
	10,000	6,000	–	16,000			
MJ Carroll	4,000	–	–	4,000	£4.19	now	Jan 29 09
	8,000	–	–	8,000	£5.63	Jan 05 03	Jan 05 10
	4,000	–	–	4,000	£5.38	Mar 02 04	Mar 02 11
	16,000	–	–	16,000			
Total	1,827,832	30,000	–	1,857,832			

* issued under the Euromoney Institutional Investor PLC Save As You Earn scheme 1999
** issued under the Euromoney Institutional Investor PLC Save As You Earn scheme 2000

No options were exercised during the year.

Report by the Board to Shareholders on Directors' Remuneration *continued*

Directors' share options *continued*
The market price of the company's shares on September 30 2002 was £2.04. The high and low share prices during the year were £3.80 and £2.04 respectively. The options granted in the year were granted on January 23 2002. The average share price over the three business days before January 23 2002 was £3.35. The aggregate gain made by directors on the exercise of share options in the year was £nil (2001: £nil).

The exercise of options granted under the 1996 executive share option scheme requires satisfaction of certain performance criteria which have been set by the remuneration committee. For the grants of options under the 1996 scheme, made on January 23 2002, the performance test set by the remuneration committee requires that the Total Shareholder Return (TSR) of the company exceeds that of the average TSR for the FTSE 250 index for the same period. The TSR test is carried out at the end of each calendar month starting 30 months after the option grant date. For the performance condition to be satisfied, the TSR of the company must exceed that of the FTSE 250 in any four out of six consecutive months from that date.

In addition, the following directors hold options to subscribe for common stock of US$0.001 each in Internet Securities, Inc. a subsidiary of the company. The options for JC Botts are exercisable at the rate of 8.33% quarterly and are fully vested after three years. The options of G Mueller are exercisable at the rate of 6.25% quarterly and are fully vested after four years. The options for NF Osborn are exercisable at the rate of 25% after one year and at a rate of 6.25% quarterly thereafter until fully vested after four years.

	At start of year	Granted during year	Lapsed during year	At end of year	Exercise price	Date from which exercisable	Expiry date
JC Botts	6,000	–	–	6,000	US$7.40	now	May 13 09
G Mueller	27,024	–	–	27,024	US$7.40	now	May 13 09
	16,653	–	–	16,653	US$8.95	now	Jan 01 10
	43,677	–	–	43,677			
NF Osborn	5,000	–	–	5,000	US$8.95	now	Jan 01 10

No options in Internet Securities, Inc. were exercised during the year.

The Viscount Rothermere
Chairman of the Remuneration Committee
November 20 2002

Auditors' Report

Independent auditors' report to the members of Euromoney Institutional Investor PLC
We have audited the financial statements of Euromoney Institutional Investor PLC for the year ended September 30 2002 which comprise the group profit and loss account, the balance sheets, the group cash flow statement, the group statement of total recognized gains and losses, the reconciliation of movements in shareholders' funds and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities, the company's directors are responsible for preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at September 30 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
November 20 2002

Group Profit & Loss Account

for the year ended September 30 2002

	Note	2002 £000's	2001 £000's
Turnover	2		
Continuing operations		179,362	201,442
Closed businesses – continuing operations		372	3,341
Total turnover		179,734	204,783
Operating profit before goodwill amortization	2		
Continuing operations		28,691	30,366
Closed businesses – continuing operations		373	(2,248)
		29,064	28,118
Goodwill amortization		(6,125)	(5,949)
Operating profit	2,3	22,939	22,169
Share of operating profit in associates		413	169
Exceptional profit/(loss) on disposal/closure of businesses	4	1,533	(3,250)
Profit on ordinary activities before interest and tax		24,885	19,088
Interest receivable	6	589	1,248
Interest payable and similar charges	7	(4,828)	(6,665)
Profit on ordinary activities before tax		20,646	13,671
Tax on profit on ordinary activities		(3,961)	(5,025)
Release of prior years' tax provisions		6,754	–
Total tax credit/(charge) on profit on ordinary activities	8	2,793	(5,025)
Profit on ordinary activities after tax		23,439	8,646
Equity minority interests		38	(217)
Profit for the financial year		23,477	8,429
Dividends paid and proposed	9	(12,941)	(12,939)
Retained profit/(loss) for the financial year		10,536	(4,510)
Basic earnings per share	10	26.76p	9.61p
Diluted earnings per share	10	26.76p	9.61p
Adjusted diluted earnings per share before goodwill amortization and exceptional items	10	24.29p	20.10p
Dividend per share	9	14.75p	14.75p

All results arose from continuing operations.

Group Balance Sheet

as at September 30 2002

	Note	2002 £000's	2001 £000's
Fixed assets			
Intangible assets	11	24,685	31,049
Tangible assets	12	9,893	6,970
Investments	13	195	472
		34,773	38,491
Current assets			
Debtors	15	40,007	49,064
Cash at bank and in hand		35,633	30,286
		75,640	79,350
Creditors: amounts falling due within one year	16	(55,612)	(67,581)
Net current assets		20,028	11,769
Total assets less current liabilities		54,801	50,260
Creditors: amounts falling due after more than one year	17	(98,350)	(102,742)
Provisions for liabilities and charges	19	(127)	(1,169)
Deferred income		(31,946)	(38,920)
Net liabilities		(75,622)	(92,571)
Capital and reserves			
Called up share capital	21	219	219
Share premium account	22	33,743	33,739
Capital redemption reserve	22	8	8
Profit and loss account	22	(109,775)	(126,884)
Equity shareholders' deficit		(75,805)	(92,918)
Equity minority interests		183	347
		(75,622)	(92,571)

The accounts were approved by the board of directors on November 20 2002.

Richard Ensor
Colin Jones
Directors

Company Balance Sheet

as at September 30 2002

	Note	2002 £000's	2001 £000's
Fixed assets			
Intangible assets	11	7,882	8,149
Tangible assets	12	3,116	3,481
Investments	13	79,287	71,660
		90,285	83,290
Current assets			
Debtors	15	27,568	38,906
Cash at bank and in hand		3,894	268
		31,462	39,174
Creditors: amounts falling due within one year	16	(46,077)	(57,184)
Net current liabilities		(14,615)	(18,010)
Total assets less current liabilities		75,670	65,280
Creditors: amounts falling due after more than one year	17	(16,215)	(13,608)
Deferred income		(8,298)	(9,573)
Net assets		51,157	42,099
Capital and reserves			
Called up share capital	21	219	219
Share premium account	22	33,743	33,739
Capital redemption reserve	22	8	8
Capital reserve	22	1,842	1,842
Profit and loss account	22	15,345	6,291
Equity shareholders' funds		51,157	42,099

Euromoney Institutional Investor PLC has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The profit after taxation of Euromoney Institutional Investor PLC included in the group profit for the year is £21,995,000 (2001: £14,551,000).

The accounts were approved by the board of directors on November 20 2002.

Richard Ensor
Colin Jones
Directors

Group Cash Flow Statement

for the year ended September 30 2002

	Note	2002 £000's	2001 £000's
Cash inflow from continuing operating activities			
Net cash inflow before exceptional items	A	30,033	33,574
Outflow related to exceptional items		-	(438)
Net cash inflow from continuing operating activities		30,033	33,136
Returns on investments and servicing of finance			
Interest received		589	1,288
Interest paid		(4,769)	(6,717)
Dividends paid to minorities		(126)	(790)
		(4,306)	(6,219)
Taxation			
UK tax paid		(3,288)	(1,339)
Overseas tax paid		(1,090)	(2,035)
UK tax received		57	1,985
Overseas tax received		647	490
		(3,674)	(899)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6,251)	(2,169)
Sale of tangible fixed assets		162	-
		(6,089)	(2,169)
Acquisitions and disposals			
Purchase of unincorporated businesses		(379)	(420)
Purchase of subsidiary undertakings		-	(7,503)
Purchase of additional interests in subsidiary undertakings		(43)	(2,611)
Cash acquired with subsidiary undertakings		-	120
Proceeds on sale of subsidiary undertaking		1,772	-
		1,350	(10,414)
Equity dividends paid		(12,941)	(12,932)
Cash inflow before financing		4,373	503
Financing			
Issue of new ordinary share capital		4	161
Redemption of secured loan stock		(35)	-
Bank loans repaid		-	(120)
Repayment of loan by associate		398	-
Revolving credit facilities:			
Increase in borrowings		34,236	43,069
Repayment of borrowings		(31,759)	(42,743)
Loan (repaid to)/received from DMGT group company		(12,163)	12,536
Loan received from/(repaid to) to DMGT group company		12,163	(12,536)
Receipts on forward hedges		533	43
		3,377	410
Increase in cash during the year	B	7,750	913

Notes to the Group Cash Flow Statement

A. Reconciliation of operating profit to net cash inflow from operating activities

	2002 £000's	2001 £000's
Group operating profit	22,939	22,169
Amortization of goodwill	6,125	5,949
Goodwill reinstated on disposal of titles	512	-
Depreciation of tangible fixed assets	2,827	3,168
Loss on sale of tangible fixed assets	32	-
Decrease in debtors	9,091	4,202
Decrease in creditors	(10,646)	(293)
Utilization of property rental provision	(847)	(1,621)
Net cash inflow from continuing operating activities before exceptional items	30,033	33,574

B. Reconciliation of net cash flow to movement in net debt

	2002 £000's	2001 £000's
Increase in cash during the year	7,750	913
Cash inflow from change in debt finance	(2,442)	(12,742)
Decrease in net amounts due from DMGT group undertakings	-	12,536
	5,308	707
Other non-cash items:		
Currency translation differences	5,075	(438)
Movement in net debt in the year	10,383	269
Net debt at October 1	(73,229)	(73,498)
Net debt at September 30	(62,846)	(73,229)

C. Analysis of changes in net debt

	At October 1 2001 £000's	Cash flow £000's	Exchange movements £000's	At September 30 2002 £000's
Cash at bank and in hand	30,286	7,148	(1,801)	35,633
Bank overdrafts	(685)	602	7	(76)
	29,601	7,750	(1,794)	35,557
Debt due within one year	(12,335)	35	801	(11,499)
Debt due in more than one year	(102,742)	(2,477)	6,869	(98,350)
	(115,077)	(2,442)	7,670	(109,849)
Amounts owed by DMGT group undertakings	12,247	-	(801)	11,446
Total net debt	(73,229)	5,308	5,075	(62,846)

Group Statement of Total Recognized Gains & Losses

for the year ended September 30 2002

	Note	2002 £000's	2001 £000's
Profit for the financial year		23,477	8,429
Foreign exchange translation differences	22	6,801	(806)
Tax on foreign exchange translation differences	22	(740)	179
Total recognized gains and losses for the year		29,538	7,802

Reconciliation of Movements in Shareholders' Funds

for the year ended September 30 2002

	2002 £000's	2001 £000's
Profit for the financial year	23,477	8,429
Dividends paid and proposed	(12,941)	(12,939)
	10,536	(4,510)
Proceeds from exercise of share options	4	161
Reinstatement of goodwill	512	2,002
Other recognized gains and losses relating to the year	6,061	(627)
Net decrease/(increase) in shareholders' deficit	17,113	(2,974)
Opening shareholders' deficit	(92,918)	(89,944)
Closing shareholders' deficit	(75,805)	(92,918)

Notes to the Accounts

1 Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. Set out below is a summary of the principal accounting policies adopted by the group.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company, its subsidiary undertakings and undertakings where the group exercises dominant influence, after eliminating the effects of intra-group transactions.

Where the group or the company owns a non-controlling interest, held for the long term, in the equity share capital of another company (or the equity of a partnership) and is in a position to exercise significant influence over that company or partnership, the interest is equity accounted and the company or partnership treated as an associated undertaking.

Where the group or the company owns a non-controlling interest in the equity share capital of another company and is not in a position to exercise significant influence, it is held as an investment and stated in the balance sheet at cost.

The results of subsidiary and associated undertakings acquired during the year are incorporated from the effective date of acquisition.

Turnover

Turnover represents income from subscriptions, advertising, sponsorship and delegate fees, net of value added tax. Subscription revenues are recognized in the profit and loss account over the period of the subscription. Revenue invoiced but relating to future periods is deferred and treated as deferred income in the balance sheet.

Derivatives and other financial instruments

The group uses various financial instruments to manage financial risk arising from fluctuations in interest rates and foreign currency movements. These include currency swaps, forward foreign currency contracts, interest rate swaps, caps and collars.

Currency swaps and forward foreign currency contracts are used to convert foreign currency funds into sterling to meet sterling costs. Realized exchange gains and losses are recognized in the profit and loss account.

The premium or discount on interest rate instruments is recognized as part of net interest payable over the period of the contract.

Interest rate swaps, caps and collars, currency swaps and forward foreign currency contracts are not revalued to fair value or shown in the group balance sheet at the year end as all transactions derive from hedging activities. Interest rate swaps are accounted for on an accruals basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange of the related foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date.

Notes to the Accounts *continued*

1 Accounting policies *continued*

Profit and loss accounts for overseas subsidiary undertakings are converted into sterling at the average daily rate of exchange for the year, with the year end adjustment to closing rates taken to reserves.

Gains and losses arising on the retranslation of the net assets of overseas subsidiary undertakings at closing rates are shown as a movement on reserves together with exchange differences arising on related foreign currency borrowings used to finance the group investment in such overseas companies. Changes in the sterling value of outstanding foreign currency loans which finance certain fixed assets are taken to reserves together with the differences arising on the translation of the related foreign currency denominated assets. All other exchange differences are taken to the profit and loss account.

Leased assets

Where the group has entered into finance leases, the obligations to the lessor are shown as part of the borrowings and the corresponding assets are treated as fixed assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to legal title.

Depreciation is calculated in order to write-off the amounts capitalized over the estimated useful lives of the assets by equal annual installments. Rentals payable under finance leases are apportioned between capital and interest, the interest portion being charged to the profit and loss account and the capital portion reducing the obligations to the lessor.

Other leases are regarded as operating leases whose rentals are charged to the profit and loss account on a straight line or other systematic rational basis as allowed by SSAP 21 'Accounting for Leases and Hire Purchase Contracts'.

Pensions

Contributions to pension schemes in respect of current and past service, ex-gratia pensions, and cost of living adjustments to existing pensions are based on the advice of actuaries.

Contributions are charged to the profit and loss account when amounts become payable on the accruals basis. For the defined benefit scheme there is no material difference at present between this basis and using a basis that spreads the expected cost of providing pensions over the employees' working lives with the group.

The group currently accounts for pensions under SSAP 24 'Accounting for Pension Costs'. Under FRS 17 'Retirement Benefits', the group is required to provide additional disclosures relating to its pension schemes as set out in note 5.

Earnings per share

The earnings per share calculations in note 10 follow the provisions of FRS 14 'Earnings per Share', after calculating the dilution effect of the exercise of all ordinary share options granted by the company and excluding the ordinary shares held by the Euromoney Employees' Share Ownership Trust.

1 Accounting policies *continued*

Depreciation

Depreciation of tangible fixed assets is provided on the straight-line basis over their expected useful lives at the following rates per year:

Motor vehicles	20%
Office equipment	25% - 33%
Short-term leasehold premises	over term of lease
Freehold premises	2%

Goodwill

The group capitalizes all goodwill arising on consolidation for those acquisitions made after October 1 1998. Such goodwill is amortized to the profit and loss account over its estimated useful economic life on a straight line basis up to a maximum of 20 years. Goodwill arising on consolidation in respect of acquisitions made prior to that date remains eliminated against the profit and loss reserve, but is reinstated and charged to the profit and loss account on subsequent disposal of the business to which the goodwill relates.

Where the company has divisionalized the unincorporated businesses of its subsidiaries, the investment in the subsidiary then has the substance of goodwill and is reclassified accordingly. Goodwill arising in these circumstances is not amortized in the company where the directors are of the view that the goodwill has an indefinite economic life, but is reviewed annually for impairment. The non-amortization of goodwill represents a departure from the Companies Act 1985 but is necessary to give a true and fair view under the provisions of FRS 10 'Goodwill and Intangible Assets'. It is not possible to quantify the impact of this departure, as it would depend on the life adopted. As at September 30 2002 and 2001, the total of such goodwill was £7,100,000.

Deferred taxation

Following the issue of FRS 19 'Deferred Taxation', deferred taxation is now provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the timing differences crystallize based on current tax rates and law. Deferred tax is not provided on timing differences on un-remitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are only recognized to the extent that it is regarded as more likely than not that they will be recovered.

Following an updated review of FRS 19 timing differences arising on tax deductible goodwill written off to reserves are now recognized. The company believes it appropriate to discount the resultant deferred tax liabilities over an indefinite period because the businesses are expected to be held for the long term. The discounting effect on short-term timing differences is not significant. The prior year effect of these changes is not material.

Notes to the Accounts *continued*

2 Segmental analysis

	United Kingdom		North America		Rest of World		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover								
By destination:								
Other continuing businesses	32,406	32,840	71,558	88,952	75,398	79,650	179,362	201,442
Closed businesses	59	659	272	2,220	41	462	372	3,341
	32,465	33,499	71,830	91,172	75,439	80,112	179,734	204,783

	United Kingdom		North America		Rest of World		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover								
By activity and source:								
Financial publishing	26,118	31,514	40,492	50,508	1,502	2,163	68,112	84,185
Business publishing	22,606	27,207	11,193	6,472	3,425	3,762	37,224	37,441
Training	13,982	16,950	6,236	8,580	2,194	2,730	22,412	28,260
Conferences and seminars	14,786	13,693	15,199	16,628	7,793	8,204	37,778	38,525
Databases and information services	4,312	4,285	3,156	2,570	6,368	6,176	13,836	13,031
Closed businesses	105	302	267	3,039	–	–	372	3,341
	81,909	93,951	76,543	87,797	21,282	23,035	179,734	204,783

	United Kingdom		North America		Rest of World		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operating profit								
By activity and source:								
Financial publishing	7,866	10,196	5,831	9,443	173	413	13,870	20,052
Business publishing	4,650	4,962	1,379	1,213	305	(177)	6,334	5,998
Training	2,923	4,163	1,137	1,926	389	679	4,449	6,768
Conferences and seminars	3,584	2,994	3,087	2,183	1,712	773	8,383	5,950
Databases and information services	3,347	2,924	(983)	(2,780)	(606)	(2,874)	1,758	(2,730)
Closed businesses	(11)	(642)	384	(1,606)	–	–	373	(2,248)
Unallocated corporate costs	(6,026)	(5,622)	(77)	(50)	–	–	(6,103)	(5,672)
	16,333	18,975	10,758	10,329	1,973	(1,186)	29,064	28,118
Goodwill amortization	(328)	(319)	(5,776)	(5,630)	(21)	–	(6,125)	(5,949)
Operating profit after goodwill amortization	16,005	18,656	4,982	4,699	1,952	(1,186)	22,939	22,169

The goodwill amortization of £6,125,000 (2001: £5,949,000) can be allocated as follows; Business publishing, £754,000 (2001: £409,000); Conferences and seminars, £190,000 (2001: £383,000); and Databases and information services, £5,181,000 (2001: £5,157,000).

2 Segmental analysis *continued*

	United Kingdom		North America		Rest of World		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Net assets/(liabilities)								
By activity:								
Financial publishing	1,277	1,617	(6,481)	(13,302)	(214)	(322)	(5,418)	(12,007)
Business publishing	4,093	3,237	1,214	1,203	(30)	(535)	5,277	3,905
Training	481	662	(1,936)	(1,159)	(308)	(322)	(1,763)	(819)
Conferences and seminars	1,464	205	(2,039)	(4,143)	1,414	750	839	(3,188)
Databases and information services	–	–	(514)	(507)	–	–	(514)	(507)
Net operating assets/(liabilities)	7,315	5,721	(9,756)	(17,908)	862	(429)	(1,579)	(12,616)
Net non-operating assets/(liabilities)	(48,728)	(54,268)	(70,867)	(78,430)	20,867	21,694	(98,728)	(111,004)
Goodwill	5,575	6,872	18,728	24,177	382	–	24,685	31,049
	(35,838)	(41,675)	(61,895)	(72,161)	22,111	21,265	(75,622)	(92,571)

Net non-operating assets/(liabilities) include principally long-term loans and loan notes.

The goodwill net book value of £24,685,000 (2001: £31,049,000) can be allocated as follows; Business publishing, £13,615,000 (2001: £14,378,000); Conferences and seminars, £2,996,000 (2001: £3,188,000); Databases and information services, £8,074,000 (2001: £13,483,000).

3 Operating profit

	Continuing businesses 2002 £000's	Closed businesses* 2002 £000's	Total 2002 £000's	Continuing businesses 2001 £000's	Closed businesses* 2001 £000's	Total 2001 £000's
Turnover	179,362	372	179,734	201,442	3,341	204,783
Cost of sales	(59,938)	(277)	(60,215)	(69,401)	(3,279)	(72,680)
Gross profit	119,424	95	119,519	132,041	62	132,103
Distribution costs	(6,505)	–	(6,505)	(7,094)	(49)	(7,143)
Administrative expenses	(90,353)	278	(90,075)	(100,530)	(2,261)	(102,791)
Operating profit/(loss)	22,566	373	22,939	24,417	(2,248)	22,169

Administrative expenses includes goodwill amortization for continuing businesses of £6,125,000 (2001: £5,949,000).

*Closed businesses form part of continuing operations.

Notes to the Accounts *continued*

3 Operating profit *continued*

Operating profit is stated after charging:

	2002 £000's	2001 £000's
Goodwill amortization	6,125	5,949
Depreciation	2,827	3,168
Auditors' remuneration;		
Group (company £122,000 (2001: £122,000))	387	361
Fees for non-audit services	125	137
Property operating lease rentals	5,238	5,360
Foreign exchange (gain)/loss	(215)	265

The non-audit services principally relate to taxation services.

4 Exceptional profit/(loss) on disposal/closure of businesses

In March 1999, the group sold its investment in 100% Design Limited for a cash consideration of £743,000 and a performance based deferred consideration. During 2002, the group received the final element of the deferred consideration amounting to £1,772,000.

The group closed its Technology + Media Limited business in the period which resulted in a goodwill write off of £239,000.

During the previous year the group closed three of its non-performing businesses resulting in an exceptional charge of £3,250,000.

5 Staff costs

(i) Directors' emoluments

	2002 £000's	2001 £000's
The emoluments of the directors of Euromoney Institutional Investor PLC were as follows:		
Fees	271	266
Management remuneration	5,502	5,646
Pension contributions	423	420
	6,196	6,332

Details of directors' remuneration are set out in the Report by the Board to Shareholders on Directors' Remuneration on pages 19 to 26.

(ii) Number of staff

	2002 Average	2001 Average
United Kingdom	656	780
North America	531	629
Rest of World	398	471
	1,585	1,880

5 Staff costs *continued*

(iii) Staff costs

	2002 £000's	2001 £000's
Salaries, wages and incentives	56,331	62,511
Social security costs	4,856	5,683
Pension contributions	1,029	1,066
	62,216	69,260

(iv) Pension contributions

The company operates the Euromoney Pension Plan in the UK and the Euromoney Institutional Investor Inc. Retirement Savings Plan in the US. It also participates in the Harmsworth Pension Scheme, which is operated by Daily Mail and General Trust plc.

The pension charge for the year ended September 30 comprised:

	2002 £000's	2001 £000's
Harmsworth Pension Scheme	224	220
Euromoney Pension Plan	251	205
Private schemes	554	641
	1,029	1,066

Harmsworth Pension Scheme

The Harmsworth Pension Scheme is a defined benefit scheme providing service-related benefits based on final pensionable salary. The assets of the scheme are held independently from the company's finances and are administered by a Trustee company. Pension costs are assessed on the advice of an independent qualified actuary following triennial valuations using the projected unit method. This scheme is no longer offered to new employees of the company.

A valuation of this scheme was carried out as at March 31 2001. The assumptions having the most significant effect on the results of the valuations are shown in the following table:

Price inflation	2.5% p.a.
Salary increases	4.3% p.a.
Pension increases	2.5% p.a.
Investment return	6.8% p.a.
Dividend growth	3.5% p.a.

The contribution rate paid by employees is 5% of pensionable salaries and the company's cash contribution is 12% of pensionable salaries.

The surplus identified from the last valuation of the scheme will be amortized over a period of 11 years using the straight line method. The pension cost to the company of this scheme over the estimated average service life of employees is 10.4% of pensionable salaries.

The next valuation of the scheme will be carried out as at March 31 2004.

The effect of UITF 6 'Accounting for Post-Retirement Benefits other than Pensions' is not material.

Notes to the Accounts *continued*

5 Staff costs *continued*

FRS 17 'Retirement Benefits'

The company is unable to identify its share of the underlying assets and liabilities in the Harmsworth Pension Scheme since the scheme includes members from other companies within the Daily Mail and General Trust group.

The ratio of assets to liabilities in the Harmsworth Pension Scheme, calculated according to the requirements of FRS 17, was 80% at the year end (2001: 102%). If calculated on this basis and reflecting current market conditions, it is anticipated that the pension charge by the company would be around 24% of pensionable salaries for 2003. However, an interim valuation of this scheme as at March 31 2002 on the normal funding basis indicated only a marginal reduction in solvency compared with a year earlier. Following this review, the actuary confirmed that there was no particular need to adjust the company cash contribution rate of 12%. However this position will be closely monitored going forward.

Euromoney Pension Plan

The Euromoney Pension Plan is a defined contribution scheme under which contributions are paid by the employer and employees.

The assets of the plan are invested under trust with Scottish Widows in funds selected by members and are held independently from the company's finances.

Overseas Pension Plans

Institutional Investor, Inc. contributes to a 401k savings and investment plan for its employees which is administered by an independent investment provider. Employees are able to contribute up to 15% of salary with the company matching up to 50% of the employee contributions, up to 5% of salary.

Stakeholder Pensions

The company provides access to a stakeholder pension plan for relevant employees who are not eligible for other pension schemes operated by the group.

6 Interest receivable

	2002 £000's	2001 £000's
Interest receivable from short-term investments	589	1,248

7 Interest payable and similar charges

	2002 £000's	2001 £000's
Bank overdrafts	–	9
Revolving credit facility	4,824	6,654
Secured loan stock	4	2
	4,828	6,665

8 Tax on profit on ordinary activities

	2002 £000's	2001 £000's (as restated)*
United Kingdom		
Corporation tax at 30% (2001: 30%)	4,320	4,489
Associates	125	53
Release of prior years' tax provisions	(6,754)	–
Over provision in respect of prior years	(403)	(604)
	(2,712)	3,938
Foreign tax		
Overseas taxation	766	1,104
Under/(over) provision of overseas taxation in respect of prior years	335	(17)
Total current tax (credit)/charge	(1,611)	5,025
Deferred tax		
Origination and reversal of asset timing differences	(720)	(22)
Origination and reversal of liability timing differences	2,989	3,195
Increase in discount	(2,923)	(3,173)
Recognition of deferred tax assets in respect of prior years	(528)	–
Total deferred tax (see note 20)	(1,182)	–
Total tax (credit)/charge on profit on ordinary activities	(2,793)	5,025

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2001: 30%). The current tax charge for the year is different from 30% of profit before tax for the reasons set out in the following reconciliation:

	2002 £000's	2001 £000's (as restated)*
Profit on ordinary activities before tax	20,646	13,671
Tax at 30%	6,194	4,101
Factors affecting (credit)/charge:		
UK goodwill amortization	1,838	1,785
Non-taxable items and additional deductible UK items	(1,836)	-
US goodwill amortization	(3,184)	(1,250)
US state taxes	270	524
Disallowable expenditure	2,590	764
Depreciation in excess of capital allowances	20	56
Lower rates of tax on overseas profits	(149)	(531)
Utilization of losses brought forward	(532)	(169)
Overseas losses for which no relief is currently available	–	366
Release of prior years' tax provisions	(6,754)	-
Over provisions in prior years	(68)	(621)
Current tax (credit)/charge or the year	(1,611)	5,025

*see note 1.

Notes to the Accounts *continued*

8 Tax on profit on ordinary activities *continued*

Included within the corporation tax (credit)/charge for the year is a tax credit of £nil (2001: £121,000) in respect of exceptional items shown in the profit and loss account after operating profit (see note 4). The exceptional items in 2002 do not give rise to any tax charge or credit due to the availability of brought forward capital losses and the non-deductible nature of UK goodwill amortization on share acquisitions. The tax credit in 2001 arises on closure costs in relation to UK businesses.

The release of prior year tax provisions of £6,754,000 relates to tax provisions no longer required following agreement of certain open issues with the relevant tax authorities in relation to the group's US acquisition structure.

9 Dividends

	2002 £000's	2001 £000's
Interim paid 5p per share (2001: 5p)	4,390	4,388
Final proposed 9.75p per share (2001: 9.75p)	8,560	8,560
	12,950	12,948
Employees' Share Ownership Trust dividend	(9)	(9)
	12,941	12,939

10 Earnings per share

	2002 £000's	2001 £000's
Basic earnings	23,477	8,429
Goodwill amortization	6,125	5,949
Exceptional (profit)/loss on disposal/closure of businesses (note 4)	(1,533)	3,250
Release of prior years' tax provisions (note 8)	(6,754)	-
Adjusted earnings before goodwill amortization and exceptional items	21,315	17,628

	Number 000's	Number 000's
Weighted average number of shares	87,793	87,757
Shares held by the Employees' Share Ownership Trust	(59)	(59)
	87,734	87,698
Effect of dilutive share options	1	4
Diluted weighted average number of shares	87,735	87,702

10 Earnings per share *continued*

	Pence per share	Pence per share
Basic earnings per share	26.76	9.61
Effect of dilutive share options	-	-
Diluted earnings per share	26.76	9.61
Effect of goodwill amortization	6.98	6.78
Effect of (profit)/loss on disposal/closure of businesses	(1.75)	3.71
Effect of prior years' tax provision releases	(7.70)	-
Adjusted diluted earnings per share before goodwill amortization and exceptional items	24.29	20.10

The adjusted diluted earnings per share figure has been disclosed since the directors consider it to give a more meaningful indication of the underlying trading performance.

11 Intangible fixed assets

	Group goodwill £000's	Company goodwill £000's
Cost		
At October 1 2001	45,944	8,149
Additions	339	-
Disposals	(283)	-
Fair value adjustments	(302)	(226)
At September 30 2002	45,698	7,923
Amortization		
At October 1 2001	14,895	-
Charge for the year	6,125	41
Disposals	(7)	-
At September 30 2002	21,013	41
Net book value at September 30 2002	24,685	7,882
Net book value at September 30 2001	31,049	8,149

Included in the goodwill amortization charge for the year is £5,140,000 (2001: £5,140,000) in respect of Internet Securities, Inc. whose goodwill is amortized over five years. All other goodwill is amortized over 20 years.

Notes to the Accounts *continued*

12 Tangible fixed assets

Group	Motor vehicles £000's	Office equipment £000's	Short-term leasehold premises £000's	Freehold premises £000's	Total £000's
Cost					
At October 1 2001	431	14,116	7,345	862	22,754
Additions	77	2,003	4,182	-	6,262
Disposals	(176)	(2,955)	(3,373)	-	(6,504)
Transfers	44	(49)	5	-	-
Foreign exchange	1	(528)	(299)	-	(826)
At September 30 2002	377	12,587	7,860	862	21,686
Depreciation					
At October 1 2001	213	10,802	4,621	148	15,784
Charge for the year	83	2,181	546	17	2,827
Disposals	(141)	(2,856)	(3,303)	-	(6,300)
Transfers	29	(25)	(4)	-	-
Foreign exchange	-	(479)	(39)	-	(518)
At September 30 2002	184	9,623	1,821	165	11,793
Net book value at September 30 2002	193	2,964	6,039	697	9,893
Net book value at October 1 2001	218	3,314	2,724	714	6,970

Company	Motor vehicles £000's	Office equipment £000's	Short-term leasehold premises £000's	Freehold premises £000's	Total £000's
Cost					
At October 1 2001	370	4,005	2,997	862	8,234
Additions	23	373	-	-	396
Disposals	(83)	(42)	-	-	(125)
At September 30 2002	310	4,336	2,997	862	8,505
Depreciation					
At October 1 2001	188	3,177	1,240	148	4,753
Charge for the year	63	526	127	17	733
Disposals	(75)	(22)	-	-	(97)
At September 30 2002	176	3,681	1,367	165	5,389
Net book value at September 30 2002	134	655	1,630	697	3,116
Net book value at October 1 2001	182	828	1,757	714	3,481

13 Fixed asset investments

	Investments in associated undertakings £000's	Loans to associated undertakings £000's	Provisions for liabilities and charges £000's	ESOT investment in own shares £000's	Trade investment £000's	Total £000's
Group						
At October 1 2001	(180)	398	166	74	14	472
Share of retained profits	287	-	-	-	-	287
Repayment of loan	-	(398)	-	-	-	(398)
Utilization of provision	-	-	(166)	-	-	(166)
At September 30 2002	107	-	-	74	14	195

	Subsidiaries £000's	Investments in associated undertakings £000's	ESOT investment in own shares £000's	Trade investment £000's	Total £000's
Company					
At October 1 2001	71,538	34	74	14	71,660
Additions	10,076	-	-	-	10,076
Disposals	(513)	-	-	-	(513)
Foreign exchange	(1,936)	-	-	-	(1,936)
At September 30 2002	79,165	34	74	14	79,287

The principal associated undertaking at September 30 2002 was Capital NET Limited whose principal activity is the provision of electronic database services. The group has a 49.7% interest in Capital NET Limited.

The group has a 50% interest in Capital DATA Limited which is accounted for as a trade investment as the group does not exercise significant influence nor is it involved in the day to day running of the business. The group is entitled to 28.2% of Capital Data's revenues which amounted to £2,437,000 in the year (2001: £2,266,000).

The investment in own shares is held by the Euromoney Employees' Share Ownership Trust (ESOT). At 30 September 2002 the ESOT held 58,976 shares carried at a historic cost of £1.25 per share with a market value of £120,000 (2001: 58,976 shares with a market value of £126,000). Interest and administrative costs are charged to the profit and loss account of the ESOT as incurred.

Notes to the Accounts *continued*

13 Fixed asset investments *continued*

Details of the principal subsidiary undertakings included in these consolidated financial statements at September 30 2002 are as follows:

Direct investments	Proportion held	Principal activity and operation	Country of incorporation
Adhesion (UK) Limited	100%	Conventions	England
Business Traveller (Holdings) Limited	95%*	Holding company	England
Coaltrans Conferences Limited	95%	Conferences	England
Euromoney Publications (Jersey) Limited	100%†	Publishing	Jersey
Euromoney Publications (Overseas) Limited	100%	Holding company	England
Euromoney US Holdings LP	100%	Holding company	US
Glenprint Limited	100%	Publishing	England
Mondiale Corporation Limited	100%	Publishing	England
The Petroleum Economist Limited	100%	Publishing	England
Tipall Limited	100%	Property holding	England
World Link Publications Limited	50%#	Publishing	England

All holdings are of ordinary shares.

* The company also owns 100% of the preference shares of Business Traveller (Holdings) Limited. Subsequent to the year end the company purchased the remaining 5% of its ordinary share capital.

† Euromoney Publications (Jersey) Limited's principal country of operation is Hong Kong.

World Link Publications Limited is treated as a subsidiary undertaking and fully consolidated in the group's results because the group is in a position to exercise dominant influence over its operating and financial policies.

Indirect investments	Proportion held	Principal activity and operation	Country of incorporation
Adhesion et Associes SA	100%	Conventions	France
Business Conventions Internationale	100%	Conventions	France
Carlcroft Limited	100%	Publishing	England
EII Holdings, Inc.	100%*	Holding company	US
Engel Publishing Partners	90%	Publishing	US
Euromoney, Inc.	100%	Holding company	US
Euromoney Training, Inc.	100%	Holding company	US
Euromoney (Singapore) Pte Ltd.	100%	Training	Singapore
Gulf Publishing Company	100%	Publishing	US
Institutional Investor, Inc.	100%	Publishing	US
Internet Securities, Inc.	83%	Information services	US
Latin American Financial Publications, Inc.	100%	Publishing	US
Med Ad, Inc.	100%	Holding company	US
MIS Training Institute, Inc.	100%	Training	US
MIS Training (UK) Limited	100%	Training	England
Perry Publications Limited	95%	Publishing	England
Perry Publications, Inc.	95%	Publishing	US

All holdings are of ordinary shares.

* The company also owns 100% of the preference shares of EII Holdings, Inc.

14 Acquisitions

The following interests in subsidiaries were acquired in the year, all of which were accounted for using the acquisition method.

Increase in equity shareholdings

On October 1 2000, the group increased its equity shareholding in World Link Publications Limited from 46% to 50% for a cash consideration of £152,000, of which £109,000 was paid in January 2001 and £43,000 was paid in May 2002.

Acquisition of new businesses

On November 2 2001, the group purchased some of the assets and trade of Tempest Consultants Limited for a cash consideration of £339,000 resulting in goodwill of the same amount.

On May 23 2001, the group purchased the business and assets of *The Company Investor Show* and *The Technology Investor Show* from Imperator Financial Conferences and Exhibitions for a cash consideration of £822,000, of which £782,000 was paid by September 30 2001 and £40,000 was paid in March 2002, resulting in goodwill of the same amount.

15 Debtors

	Group 2002 £000's	Group 2001 £000's	Company 2002 £000's	Company 2001 £000's
Amounts falling due within one year				
Trade debtors	23,117	31,602	10,867	16,571
Amounts owed by DMGT group undertakings (note 25)	11,852	12,247	–	–
Amounts owed by subsidiary undertakings	–	–	12,326	20,251
Other debtors	1,118	2,177	2,245	1,268
Deferred tax (note 20)	1,182	–	1,182	–
Prepayments and accrued income	2,738	3,038	948	816
	40,007	49,064	27,568	38,906

16 Creditors: amounts falling due within one year

	Group 2002 £000's	Group 2001 £000's	Company 2002 £000's	Company 2001 £000's
Bank overdrafts	76	685	–	731
Redeemable secured loan stock	53	88	53	68
Trade creditors	2,695	7,397	1,132	5,082
Amounts owed to DMGT group undertakings (note 25)	14,130	14,737	14,102	14,737
Amounts owed to subsidiary undertakings	–	–	6,506	6,885
Other creditors	7,091	6,319	4,539	4,396
Corporation tax	5,755	10,564	1,253	6,201
Accruals	17,258	18,822	9,938	10,530
Deferred consideration for acquisitions	–	415	–	–
Proposed dividend	8,554	8,554	8,554	8,554
	55,612	67,581	46,077	57,184

Notes to the Accounts *continued*

17 Creditors: amounts falling due after more than one year

	Group 2002 £000's	Group 2001 £000's	Company 2002 £000's	Company 2001 £000's
Revolving credit facilities (note 18)	98,350	102,742	16,215	13,608

18 Treasury

Overview

An overview of treasury policies is included within the operating and financial review on pages 4 to 9. Short-term debtors and creditors and inter-company balances have been excluded from the following disclosures other than the currency profile of monetary assets and liabilities.

Financial liabilities

	2002 £000's	2001 £000's
Bank overdraft	76	685
Amounts owed to DMGT group undertakings	11,852	12,247
Redeemable secured loan stock	53	88
Revolving credit facility	98,350	102,742
	110,331	115,762

Financial assets

	2002 £000's	2001 £000's
Cash at bank	35,633	30,286
Amounts owed by DMGT group undertakings	11,852	12,247
	47,485	42,533

Redeemable secured loan stock

The redeemable secured loan stock can be redeemed at par at the holder's option at six months notice. Interest is payable at 1% below LIBOR.

Revolving credit facility

The group is one of a number of approved borrowers under a £471.3 million Daily Mail and General Trust plc multi-currency committed revolving credit facility. Interest is payable on the facility at a rate of 0.57% above US dollar LIBOR. As at 30 September 2002 there were no other uncommitted un-drawn facilities directly available to the group. No commitment or arrangement fees are paid to the banks in respect of the revolving credit facilities, but a fee is included within the 0.57% margin which is paid by the group to the Daily Mail and General Trust plc. The facility expires on September 2005.

18 Treasury *continued*

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities as at September 30 2002 was as follows:

	Loan stock £000's	Bank overdraft £000's	Owed to DMGT group undertakings £000's	Revolving credit £000's	Total £000's
Amounts falling due:					
Within one year	53	76	11,852	–	11,981
Between one and two years	–	–	–	–	–
Between two and five years	–	–	–	98,350	98,350
Gross financial liabilities	53	76	11,852	98,350	110,331

The maturity profile of the company's financial liabilities as at September 30 2001 was as follows:

	Loan stock £000's	Bank overdraft £000's	Owed to DMGT group undertakings £000's	Revolving credit £000's	Total £000's
Amounts falling due:					
Within one year	88	685	12,247	–	13,020
Between one and two years	–	–	–	–	–
Between two and five years	–	–	–	102,742	102,742
Gross financial liabilities	88	685	12,247	102,742	115,762

Currency and interest rate profile of financial liabilities

The profile of financial liabilities stated after taking account of various interest rate swaps as at September 30 was as follows:

Currency	US dollars 2002 £000's	Sterling 2002 £000's	Total 2002 £000's	US dollars 2001 £000's	Sterling 2001 £000's	Total 2001 £000's
Floating rate	59,364	96	59,460	61,241	88	61,329
Fixed rate	50,871	–	50,871	54,433	–	54,433
	110,235	96	110,331	115,674	88	115,762

Notes to the Accounts *continued*

18 Treasury *continued*

Of the fixed rate liabilities:

	2002	2001
Weighted average interest rate	6.23%	6.25%
Weighted average period for which the rate is fixed	1.94 years	3.03 years

Currency and interest profile of financial assets

The interest rate risk profile of the group's financial assets at September 30 2002 was as follows:

	US dollars £000's	Sterling £000's	Others £000's	Total £000's
Floating rate				
Cash at bank	24,455	6,457	2,565	33,477
Amounts owed by DMGT group undertakings	11,852	-	-	11,852
	36,307	6,457	2,565	45,329
Non-interest bearing	1,733	152	271	2,156
	38,040	6,609	2,836	47,485

Currency and interest profile of financial assets

The interest rate risk profile of the group's financial assets at September 30 2001 was as follows:

	US dollars £000's	Sterling £000's	Others £000's	Total £000's
Floating rate				
Cash at bank	23,784	1,290	748	25,822
Amounts owed by DMGT group undertakings	12,247	-	-	12,247
	36,031	1,290	748	38,069
Non-interest bearing	3,150	-	1,314	4,464
	39,181	1,290	2,062	42,533

Currency profile of net monetary assets

The table below shows the group's currency profile which gives rise to net currency gains and losses recognized in the profit and loss account. These comprise the monetary assets and liabilities of the group which are not denominated in the operating currency of the operating unit involved, but exclude certain non-sterling borrowings which are matched by equivalent group assets or are treated as hedges of net investments in overseas operations. The amounts shown take into account the effect of currency swaps, forward contracts and other derivatives entered into to manage these exposures.

18 Treasury *continued*

As at September 30 2002 these exposures were as follows:

	Net foreign currency monetary assets/(liabilities)			
	Sterling £000's	US dollars £000's	Other £000's	Total £000's
Functional currency:				
Sterling	–	6,165	1,070	7,235
US Dollar	167	–	–	167
Other	(70)	836	7	773
Total	97	7,001	1,077	8,175

As at September 30 2001 these exposures were as follows:

	Net foreign currency monetary assets			
	Sterling £000's	US dollars £000's	Other £000's	Total £000's
Functional currency:				
Sterling	–	10,457	1,020	11,477
US Dollar	72	–	–	72
Other	–	764	422	1,186
Total	72	11,221	1,442	12,735

Fair values of financial assets and liabilities

Set out below is a comparison of book values to fair values of all the group's financial assets and liabilities as at September 30 2002. Market values have been used to determine the fair value of all swaps, caps and foreign currency contracts.

	Book value £000's	Fair value £000's
Primary financial instruments held to finance the group's operations:		
Liabilities:		
Short-term borrowings and current portion of long-term borrowings	(11,981)	(11,981)
Long-term borrowings	(98,350)	(98,350)
	(110,331)	(110,331)
Assets:		
Amounts owed by DMGT group undertakings	11,852	11,852
Cash at bank	35,633	35,633
	47,485	47,485
Derivative financial instruments held to manage the interest rate and currency profile of the group:		
Interest rate swaps	–	(3,051)
Derivative financial instruments held or issued to hedge the currency exposures on expected future sales:		
Forward foreign currency contracts	–	1,830

Notes to the Accounts *continued*

18 Treasury *continued*

The book values and fair values of these financial instruments as at September 30 2001 were as follows:

	Book value £000's	Fair value £000's
Primary financial instruments held to finance the group's operations:		
Liabilities:		
Short-term borrowings and current portion of long-term borrowings	(13,020)	(13,020)
Long-term borrowings	(102,742)	(102,742)
	(115,762)	(115,762)
Assets:		
Amounts owed by DMGT group undertakings	12,247	12,247
Cash at bank	30,286	30,286
	42,533	42,533
Derivative financial instruments held to manage the interest rate and currency profile of the group:		
Interest rate swaps	-	(3,427)
Derivative financial instruments held or issued to hedge the currency exposures on expected future sales:		
Forward foreign currency contracts	-	865

Hedges

As explained in the operating and financial review on pages 4 to 9 the group uses derivative financial instruments to reduce exposure to foreign currency exchange risks. These instruments take the form of forward exchange rate contracts to sell US dollars in exchange for sterling to meet the excess of sterling costs over sterling revenues as well as dividends paid to shareholders.

The group also uses interest rate swaps and interest rate cap and collar derivatives to minimize interest rate fluctuations.

On September 25 2002 the group entered into a tax equalization swap to hedge the cash effect of tax on unrealized foreign currency gains and losses on the company's net dollar liabilities. This was achieved by a sale of US$14 million in exchange for sterling maturing on March 27 2003.

In the previous year the group hedged this same risk by entering into a tax equalization swap achieved by a sale of US$11 million in exchange for sterling maturing on September 27 2002.

18 Treasury *continued*

Unrecognized gains and losses on hedging instruments and the movements therein are as follows:

	Gains £000's	Losses £000's	Total £000's
Unrecognized gains and losses on hedges as at October 1 2001	874	(3,436)	(2,562)
Gains and losses arising in previous years and recognized in 2002	(870)	1,351	481
Gains and losses arising before October 1 2001 and not recognized in 2002	4	(2,085)	(2,081)
Gains and losses arising in 2002 that were not recognized in 2002	1,826	(966)	860
Unrecognized gains and losses on hedges as at September 30 2002	1,830	(3,051)	(1,221)
Of which:			
Gains and losses expected to be recognized in the year to September 30 2003	1,790	(1,685)	105
Gains and losses expected to be recognized in the year to September 30 2004 or later	40	(1,366)	(1,326)

19 Provisions for liabilities and charges

	Onerous lease provision £000's	Share of net liabilities in associated undertakings £000's	Total £000's
At October 1 2001	1,003	166	1,169
Profit and loss account	(847)	-	(847)
Provided in the year	200	-	200
Exchange differences	(24)	-	(24)
Fair value adjustment on prior year acquisition	(205)	-	(205)
Elimination of share of net liabilities in associated undertakings	-	(166)	(166)
At September 30 2002	127	-	127

Maturity profile of provisions

	2002 £000's	2001 £000's
Within one year	127	840
Between one and two years	-	294
Between two and five years	-	35
	127	1,169

Notes to the Accounts *continued*

20 Deferred taxation

The deferred tax asset as at September 30 comprised:

	Group 2002 £000's	Group 2001 £000's (as restated)*	Company 2002 £000's	Company 2001 £000's (as restated)*
Accelerated capital allowances	448	-	448	-
Other short-term timing differences	734	-	734	-
Unamortized US goodwill	(88)	(22)	-	-
Unutilized tax losses from US goodwill	88	22	-	-
US goodwill offset against reserves	(15,040)	(12,117)	-	-
Undiscounted provision for deferred tax	(13,858)	(12,117)	1,182	-
Discount	15,040	12,117	-	-
Discounted deferred tax asset	1,182	-	1,182	-

Movement in deferred tax:	£000's
Deferred tax asset at October 1	-
Deferred tax credit in the profit and loss account (note 8)	1,182
Deferred tax asset at September 30	1,182

* see note 1.

A deferred tax asset of £1,182,000 (2001: £nil) has been recognized in respect of depreciation in excess of UK capital allowances and other short-term timing differences. The directors are of the opinion that based on recent and forecast trading, the level of profits in future years are more likely than not to be sufficient to enable the asset to be recovered.

A deferred tax asset of £7,800,000 has not been recognized in respect of overseas tax losses (2001: £5,500,000) as there is insufficient certainty in current global markets to be able to say that the group will be more likely than not to generate sufficient suitable overseas taxable profits within the immediate future.

The group is able to obtain tax relief in the US for the cost of goodwill arising on its acquisitions of some businesses. In certain cases the goodwill was written off to reserves under the transitional rules set out in FRS 10 'Goodwill and Intangible Assets'. Utilization of the available tax relief in the US gives rise to a timing difference as set out above. The potential timing difference will only reverse on a sale of the relevant businesses. As the relevant businesses are considered core to the group there is currently no intention to sell them. The potential reversal is therefore so far into the future that, after discounting, the potential liability becomes insignificant. The effect of discounting the group's other deferred tax assets and liabilities is not material.

21 Called up share capital and share options

	Group and Company	
	2002	2001
	£000's	£000's
Authorized share capital:		
112,000,000 ordinary shares of 0.25p each	280	280
Allotted and fully paid share capital:		
87,793,812 ordinary shares of 0.25p each		
(2001: 87,791,812 ordinary shares of 0.25p each)	219	219

During the year, 2,000 ordinary shares of 0.25p each (2001: 64,000 ordinary shares) with an aggregate nominal value of £5 (2001: £160) were issued for a cash consideration of £4,240 (2001: £161,000) following the exercise of share options granted under the company's share option schemes.

Share options

The following options are outstanding at September 30 and are options to subscribe for new ordinary shares of 0.25p each in the company:

Number of ordinary shares under option

Period during which option may be exercised:	2002	2001	Option price £
Before December 5 2001	–	2,000	1.28
Before December 8 2002	3,000	5,000	2.12
Before November 29 2003	35,000	35,000	3.52
Before December 8 2004	32,000	32,000	4.05
Before June 19 2005	570,968	570,968	3.54
Before February 8 2006	29,784	29,784	3.33
Before February 8 2003	154,216	202,216	3.33
Before February 7 2007	46,404	62,404	3.55
Before February 24 2004	102,596	118,596	3.58
Before January 7 2008	86,228	86,228	3.96
Before January 7 2005	197,772	237,772	3.96
Before January 29 2009	300,000	322,000	4.19
Before February 11 2009	160,000	160,000	3.96
Before June 25 2009	540,000	540,000	4.31
Between January 5 2003 and January 4 2010	226,000	252,000	5.63
Between March 2 2004 and March 1 2011	349,000	366,000	5.38
Between January 23 2005 and January 22 2012	238,000	–	3.35
	3,070,968	3,021,968	

Notes to the Accounts *continued*

22 Statement of movement on reserves

Group	Share premium account £000's	Capital redemption reserve £000's	Profit and loss account £000's	Total £000's
At October 1 2001	33,739	8	(126,884)	(93,137)
Retained profit for the year	–	–	10,536	10,536
Reinstatement of goodwill on closed businesses	–	–	512	512
Exchange differences arising on translation of net investments in overseas subsidiary undertakings	–	–	4,332	4,332
Net exchange difference on foreign currency loans	–	–	2,469	2,469
Tax on foreign exchange translation differences	–	–	(740)	(740)
Exercise of share options	4	–	–	4
At September 30 2002	33,743	8	(109,775)	(76,024)

As permitted under the provisions of FRS 10 'Goodwill and Intangible Assets', goodwill arising on consolidation previously written off to reserves has been set off against the profit and loss account. The cumulative amount of goodwill written off to reserves at September 30 2002 was £156,462,000 (2001: £156,974,000).

Company	Share premium account £000's	Capital redemption reserve £000's	Capital reserve £000's	Profit and loss account £000's	Total £000's
At October 1 2001	33,739	8	1,842	6,291	41,880
Retained profit for the year	–	–	–	9,054	9,054
Exercise of share options	4	–	–	–	4
At September 30 2002	33,743	8	1,842	15,345	50,938

23 Commitments

Acquisitions

The group has contingent commitments under put options given to various parties under acquisition agreements estimated at an aggregate £1,401,000 at September 30 2002 (2001: £2,300,000).

Operating leases

Annual commitments under operating leases for land and buildings at September 30 2002 were as follows:

	Group 2002 £000's	Group 2001 £000's	Company 2002 £000's	Company 2001 £000's
Operating leases which expire:				
Within one year	619	1,830	–	9
Between two and five years	873	3,403	100	409
Over five years	2,463	313	283	268
	3,955	5,546	383	686

24 Contingent liabilities and assets

Claims in Malaysia

Four writs claiming damages for libel were issued in November 1995 in Malaysia against the company and three of its employees in respect of an article published in one of the company's magazines, *International Commercial Litigation*. The writs were served on the company on October 22 1996. The total amount claimed is 280 million Malaysian ringgits (£50 million). No provision has been made in these financial statements as the directors do not believe the company has any material liability in respect of these writs.

Claims in England and Wales

In August 2002, the company successfully settled the £4 million claim related to the article published in *International Commercial Litigation* brought in England against the company and three of its employees seeking 100% contribution towards damages and legal costs incurred in Malaysia by sources quoted in the article. The total cost to the company, including legal fees, was £85,000.

25 Related party transactions

(i) The operating lease charge includes property rental payments amounting to £107,000 (2001: £110,000) made to the president of MIS Training, Inc. a subsidiary undertaking.

(ii) The group has a loan facility from Daily Mail and General Holdings Limited and the same loan facility to Associated Newspapers North America, Inc. During the year US$9.0 million was repaid and the same amount drawn down on 26 September 2002. The amount owing at September 30 2002 amounts to US$18.6 million (£11.9 million) which includes interest payable. Each balance is repayable within one month of demand and bears interest at US prime rate.

(iii) The group expensed £272,000 (2001: £215,000) for services provided by Daily Mail and General Trust plc including costs associated with the bi-lateral facility and arrangement fee (note 18).

(iv) On September 28 2001 the group entered into a US$15.0 million fixed rate interest rate swap at 5.38% with Daily Mail and General Holdings Limited. The termination date is March 29 2006. During the year the group paid US$449,000 (£303,000) of interest to Daily Mail and General Holdings Limited in respect of this swap.

(v) The group agreed on September 25 2002 to sell US$14.0 million for sterling to the Daily Mail and General Trust plc on March 27 2003 at an exchange rate of 1.5595.

26 Ultimate parent undertaking

The directors regard the ultimate parent undertaking as Rothermere Continuation Limited, which is incorporated in Bermuda. The ultimate controlling party is The Viscount Rothermere. The largest and smallest group of which the company is a member and for which group accounts are drawn up is that of Daily Mail and General Trust plc, incorporated in Great Britain and registered in England and Wales. Copies of the report and accounts are available from:

The Company Secretary
Daily Mail and General Trust plc
Northcliffe House, 2 Derry Street
London W8 5TT

Five Year Record

Group profit and loss extracts

	1998 £000's	1999 £000's	2000 £000's	2001 £000's	2002 £000's
Turnover	176,930	168,423	192,122	204,783	179,734
Operating profit before goodwill amortization	35,212	28,433	32,541	28,118	29,064
Goodwill amortization	-	(3,446)	(5,500)	(5,949)	(6,125)
Operating profit	35,212	24,987	27,041	22,169	22,939
Share of operating profit in associates	585	416	165	169	413
Exceptional items on disposal/closure of businesses	-	893	179	(3,250)	1,533
Net interest payable	(3,712)	(3,727)	(4,782)	(5,417)	(4,239)
Profit on ordinary activities before tax	32,085	22,569	22,603	13,671	20,646
Tax on profit on ordinary activities	(8,342)	(7,184)	(7,218)	(5,025)	2,793
Profit on ordinary activities after tax	23,743	15,385	15,385	8,646	23,439
Equity minority interests	(1,194)	(322)	(1,100)	(217)	38
Profit for the financial year	22,549	15,063	14,285	8,429	23,477
Dividends paid and proposed	(11,899)	(11,934)	(12,930)	(12,939)	(12,941)
Retained profit/(loss) for the financial year	10,650	3,129	1,355	(4,510)	10,536
Basic earnings per share	26.13p	17.37p	16.35p	9.61p	26.76p
Diluted earnings per share	26.01p	17.32p	16.16p	9.61p	26.76p
Adjusted diluted earnings per share before goodwill amortization and exceptional items	26.01p	20.25p	22.18p	20.10p	24.29p
Diluted weighted average number of ordinary shares (number)	86,686,980	86,978,068	88,402,637	87,702,074	87,735,087
Dividend per share	13.75p	13.75p	14.75p	14.75p	14.75p
Group balance sheet extracts					
Intangible fixed assets	-	21,958	25,799	31,049	24,685
Tangible fixed assets	9,293	9,656	8,129	7,442	10,088
Net current assets/(liabilities)	2,784	(3,890)	19,526	11,769	20,028
Creditors: amounts falling due after more than one year	(60,609)	(73,816)	(101,816)	(102,742)	(98,350)
Provisions for liabilities and charges	(4,539)	(3,628)	(2,512)	(1,169)	(127)
Deferred income	(30,785)	(32,760)	(38,123)	(38,920)	(31,946)
Net liabilities	(83,856)	(82,480)	(88,997)	(92,571)	(75,622)

Internet Sites

Euromoney Institutional Investor
Internet Sites (all www.)

adhes.com
aircrafteconomics.com
airfinancejournal.com
airtrafficmanagement.net
asialaw.com
asiamoney.com
assetfinance.com
batteriesinternational.com
biotechnology-investor.com
business-meetings.co.uk
businesstraveller.com
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